EnerCare Solutions Inc.

Condensed Interim Consolidated Financial Statements

Third Quarter Ended September 30, 2012

Dated November 5, 2012

EnerCare Solutions Inc.

Condensed Interim Consolidated Statements of Financial Position

(in thousands of Cdn $)	(unaudited) September 30, 2012	December 31, 2011
Assets		
Current assets		
Cash and cash equivalents (note 4)	**$ 2,353**	$ 50,403
Accounts receivable (note 5)	**19,620**	19,638
Prepaid and other assets	**875**	750
Dividends receivable (note 11)	**2,131**	8,460
Investment in EnerCare Connections Inc. preferred shares (note 11)	**50,000**	250,000
	74,979	329,251
Capital assets (note 7)	**412,820**	422,596
Intangible assets (note 8)	**294,831**	329,625
Deferred tax asset	**376**	485
	$ 783,006	$ 1,081,957
Liabilities		
Current liabilities		
Current portion of long-term debt (note 9)	**$ 240,000**	$ 60,000
Accounts payable and accrued liabilities (note 6)	**17,341**	22,819
Related party payable (note 18)	**1,675**	459
Provisions (note 19)	**1,020**	1,592
Interest payable	**8,119**	7,333
Interest payable on subordinated debt (note 11)	**2,390**	8,582
Dividends payable	**3,246**	3,091
Subordinated debt (note 11)	**50,000**	250,000
	323,791	353,876
Long-term debt (note 9)	**268,900**	508,054
Long-term subordinated promissory notes (note 10)	**250,000**	100,000
Long-term non-interest bearing loan (note 18)	**5,200**	-
Deferred tax liability	**138,827**	143,523
	986,718	1,105,453
Shareholders' equity (note 12)	**(203,712)**	(23,496)
	$ 783,006	$ 1,081,957

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

EnerCare Solutions Inc.
Condensed Interim Consolidated Statements of Income

(unaudited)	Three months ended September 30,		Nine months ended September 30,	
(in thousands of Cdn $, except per share amounts)	**2012**	2011	**2012**	2011
Revenues				
Rentals and services	**$ 46,581**	$ 46,853	**$ 140,163**	$ 140,493
Dividend income	**870**	4,112	**9,472**	4,112
Investment income	**14**	111	**213**	258
Total revenues	**47,465**	51,076	**149,848**	144,863
Expenses				
Selling, general & administrative (note 17)	**6,159**	6,420	**21,362**	19,477
Amortization				
Capital assets	**12,517**	13,854	**38,443**	41,545
Intangibles	**11,598**	11,599	**34,794**	34,796
Loss on disposal of equipment	**3,397**	4,718	**11,625**	14,219
Interest				
Short-term	**32**	30	**97**	187
Long-term	**8,738**	9,863	**27,701**	29,568
Subordinated debt	**882**	4,171	**9,608**	4,171
Promissory note	**3,049**	1,125	**7,049**	3,375
Total operating expenses	**46,372**	51,780	**150,679**	147,338
Other income	**-**	-	**1,500**	-
Earnings/(loss) for the period before income taxes	**1,093**	(704)	**669**	(2,475)
Tax expense				
Current tax expense	**3,821**	1,132	**9,110**	4,597
Deferred income tax recovery	**(3,065)**	(4,703)	**(4,587)**	(8,066)
Total tax expense/(recovery)	**756**	(3,571)	**4,523**	(3,469)
Net earnings/(loss) for the period	**$ 337**	$ 2,867	**$ (3,854)**	$ 994

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

EnerCare Solutions Inc.
Condensed Interim Consolidated Statements of Comprehensive Income

(unaudited)	Three months ended September 30,		Nine months ended September 30,	
(in thousands of Cdn $)	**2012**	2011	**2012**	2011
Net earnings/(loss) for the period	**$ 337**	$ 2,867	**$ (3,854)**	$ 994
Amortization of accumulated other comprehensive loss to net earnings/(loss)	**763**	925	**2,496**	2,762
Comprehensive income/(loss) for the period	**$ 1,100**	$ 3,792	**$ (1,358)**	$ 3,756

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

EnerCare Solutions Inc.
Condensed Interim Consolidated Statements of Changes in Equity

(unaudited)	Three months ended September 30,		Nine months ended September 30,	
(in thousands of Cdn $)	**2012**	2011	**2012**	2011
Share Capital				
Balance - beginning of period	**$ 79,614**	$ 79,614	**$ 79,614**	$ 79,614
Share Capital - end of period (note 12)	**79,614**	79,614	**79,614**	79,614
Accumulated Other Comprehensive Loss				
Balance - beginning of period	**(5,548)**	(9,138)	**(7,281)**	(10,975)
Amortization	**763**	925	**2,496**	2,762
Accumulated Other Comprehensive Loss - end of period	**(4,785)**	(8,213)	**(4,785)**	(8,213)
Retained Deficit				
Balance - beginning of period	**(119,150)**	(79,235)	**(95,829)**	(341,068)
Net earnings/(loss) for the period	**337**	2,867	**(3,854)**	994
(Decrease)/increase in equity on reduction to and issuance of additional promissory notes (note 10)	**(150,000)**	-	**(150,000)**	281,582
Dividends	**(9,728)**	(9,047)	**(28,858)**	(26,923)
Retained Deficit - end of period	**(278,541)**	(85,415)	**(278,541)**	(85,415)
Shareholders' equity - end of period	**$ (203,712)**	$ (14,014)	**$ (203,712)**	$ (14,014)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

EnerCare Solutions Inc.

Condensed Interim Consolidated Statements of Cash Flows

(unaudited)	Three months ended September 30,		Nine months ended September 30,	
(in thousands of Cdn $)	**2012**	2011	**2012**	2011
Cash provided by/(used in):				
Operating activities				
Net earnings/(loss) for the period	**$ 337**	$ 2,867	**$ (3,854)**	$ 994
Items not affecting cash				
Amortization				
Capital assets	**12,517**	13,854	**38,443**	41,545
Intangibles	**11,598**	11,599	**34,794**	34,796
Loss on disposal of equipment (note 7)	**3,397**	4,718	**11,625**	14,219
Non-cash interest expense	**1,031**	1,226	**3,342**	3,659
Deferred income tax recovery	**(3,065)**	(4,703)	**(4,587)**	(8,066)
Operating cash flow	**25,815**	29,561	**79,763**	87,147
Net change in non-cash working capital (note 20)	**6,201**	1,869	**(4,018)**	4,549
Cash provided by operating activities	**32,016**	31,430	**75,745**	91,696
Investing activities				
Purchase of equipment (note 7)	**(13,543)**	(14,764)	**(42,584)**	(45,344)
Acquisitions (note 21)	**109**	-	**(1,944)**	-
Proceeds from disposal of equipment (note 7)	**1,051**	1,007	**4,236**	3,088
Cash used in investing activities	**(12,383)**	(13,757)	**(40,292)**	(42,256)
Financing activities				
Dividends to shareholders	**(9,720)**	(9,024)	**(28,703)**	(23,907)
Purchase of preferred shares	**-**	(250,000)	**-**	(250,000)
Sale of preferred shares	**200,000**	-	**200,000**	-
Issuance of subordinated debt	**-**	250,000	**-**	250,000
Repayment of subordinated debt	**(200,000)**	-	**(200,000)**	-
Issuance of long-term non-interest bearing loan (note 18)	**-**	-	**16,000**	-
Repayment of long-term non-interest bearing loan (note 18)	**(10,800)**	-	**(10,800)**	-
Repayment of long-term debt	**-**	-	**(60,000)**	-
Cash used in financing activities	**(20,520)**	(9,024)	**(83,503)**	(23,907)
(Decrease)/increase in cash and cash equivalents	**(887)**	8,649	**(48,050)**	25,533
Cash and cash equivalents - beginning of period	**3,240**	35,029	**50,403**	18,145
Cash and cash equivalents - end of period	**$ 2,353**	$ 43,678	**$ 2,353**	$ 43,678
Supplementary information				
Interest paid	**$ 9,382**	$ 7,456	**$ 30,719**	$ 26,755
Income taxes paid	**$ 1,369**	$ -	**$ 9,423**	$ -

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1. Organization and Nature of Business

EnerCare Solutions Inc. ("EnerCare Solutions") is the successor to The Consumers' Waterheater Operating Trust (the "Trust"). EnerCare Solutions is a wholly-owned subsidiary of EnerCare Inc. ("EnerCare"). EnerCare Solutions converted into a dividend paying corporation on January 1, 2011, pursuant to a plan of arrangement under the Canadian Business Corporations Act. The conversion was accounted for on a continuity of interest basis, with the net reduction in the Trust intercompany subordinated debt ("Subordinated Debt") being reflected as a contribution to equity along with the assumption of certain of its obligations.

EnerCare Solutions, through its wholly-owned subsidiaries, owns a portfolio of water heaters and other assets which are primarily rented to customers across Ontario ("Rentals").

The head office of EnerCare Solutions is located at 4000 Victoria Park Avenue, Toronto, Ontario, M2H 3P4.

2. Basis of Preparation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim 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, 2011. EnerCare Solutions has consistently applied the same accounting policies and methods of computation throughout all periods presented, as if these policies had always been in effect.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of November 2, 2012, the date the board of directors approved the condensed interim consolidated financial statements. The board also has the authority to amend the condensed interim consolidated financial statements after they have been issued.

3. Significant Accounting Policies

The significant accounting policies used in the preparation of these condensed interim consolidated financial statements, as described below, are the same as those applied in the annual financial statements for the year ended December 31, 2011.

Basis of Measurement

The condensed interim consolidated financial statements have been prepared under a historical cost convention, except for the revaluation of certain financial assets and financial liabilities recorded at fair value, including any derivative instruments.

Critical Accounting Estimates

Earnings Items

Direct Energy Marketing Limited ("DE"), through Enbridge Gas Distribution Inc. ("EGD"), provides billing and collection services for substantially all of EnerCare Solutions' water heaters and other assets. In September 2009, DE implemented a billing system conversion which coincided with a billing system conversion by EGD. Further, in late 2011, DE began utilizing a third party billing system for new assets and in August 2012 also employed the billing system for non-EGD territory accounts. EnerCare Solutions' Internal Control Over Financial Reporting ("ICFR") identified issues principally associated with DE's original system conversion as well as the recent third party conversion primarily in respect of completeness of billing, customer collections and allocation of customer payments. EnerCare Solutions continues to work closely with DE to resolve billing issues as well as billing completeness.

At December 31, 2011, EnerCare Solutions estimated and recorded revenue accruals of $1,700 in respect of billings and adjustments expected to be recovered from customers, but did not include any amounts that EnerCare Solutions may recover from DE for lost revenues arising from the billing system conversion. During the third quarter of 2012, EnerCare Solutions has accrued approximately $2,900 in respect of outstanding billing amounts.

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.

4. Cash and Cash Equivalents

	September 30, 2012	December 31, 2011
Cash at bank and in hand	**$2,353**	$12,438
Short-term deposits	**-**	37,965
Ending balance	**$2,353**	$50,403

5. Accounts Receivable

	September 30, 2012	December 31, 2011
Accounts receivable (net of provision)	**$19,620**	$19,638
Bad and doubtful debt provision:		
Opening balance	**$ 486**	$ 112
Charge for the period	**370**	374
Provision ending balance	**$ 856**	$ 486

6. Accounts Payable and Accrued Liabilities

	September 30, 2012	December 31, 2011
Accounts payable	**$ 9,479**	$14,455
Accruals	**1,312**	1,549
Long term compensation payables	**1,435**	1,435
Current taxes payable	**5,058**	5,380
Other payables	**57**	-
Ending balance	**$17,341**	$22,819

7. Capital Assets

	September 30, 2012			December 31, 2011		
	Cost	**Accumulated Depreciation**	**Net Book Value**	Cost	Accumulated Depreciation	Net Book Value
Water Heaters	**$788,335**	**$(375,714)**	**$412,621**	$782,854	$(360,529)	$422,325
Other	**344**	**(145)**	**199**	350	(79)	271
Ending balances	**$788,679**	**$(375,859)**	**$412,820**	$783,204	$(360,608)	$422,596

For the three and nine months ended September 30, 2012, EnerCare Solutions purchased $13,442 and $44,534 of water heater and HVAC equipment, respectively. Due to asset exchanges, attrition and buyouts of contracts, for the quarter and year to date ended September 30, 2012, EnerCare Solutions recorded a loss on disposal of assets of $3,397 and $11,625 and buyout revenues of $1,051 and $4,236, respectively.

In the first quarter of 2012, EnerCare Solutions also acquired a portfolio of water heaters and HVAC equipment for a purchase price of $1,944 (note 21). All amounts were recorded in capital assets.

8. Intangible Assets

	September 30, 2012			December 31, 2011		
	Cost	**Accumulated Depreciation**	**Net Book Value**	Cost	Accumulated Depreciation	Net Book Value
Customer Relationships	**$743,336**	**$(448,505)**	**$294,831**	$743,336	$(413,711)	$329,625

9. Debt

	September 30, 2012	December 31, 2011
Current portion of long term debt:		
Opening balance as at January 1	**$ 60,000**	$ -
Current portion of long-term debt	**240,000**	60,000
Repayment of debt	**(60,000)**	-
Total current portion	**240,000**	60,000
Non-current portion of long term debt:		
Opening balance as at January 1	**508,054**	566,853
Current portion of long-term debt	**(240,000)**	(60,000)
Net deferred financing costs and interest accretion	**846**	1,201
Total non-current portion	**$268,900**	$508,054

Under its revolving credit facility, which matures on January 28, 2014, EnerCare Solutions has a standby charge of 0.375%. EnerCare Solutions is subject to three principal financial covenants as defined in the loan documents. The covenants address interest and debt coverage. At September 30, 2012, EnerCare Solutions complied with these covenants and is able to fully utilize the revolver limit of $35,000. As at September 30, 2012, no amounts had been drawn on this revolver.

The long term debt balance includes the following items:

The 2009 senior debt consists of $270,000 6.75% 2009-2 Notes maturing on April 30, 2014. Semi-annual interest payments are due on April 30 and October 30 in each year. The 2009 senior debt consisting of $60,000 6.20% 2009-1 Notes matured and was repaid with cash on hand on April 30, 2012. These notes are collectively the “2009 Notes”.

On February 19, 2010, EnerCare Solutions issued debt consisting of $240,000 5.25% 2010 Notes (the “2010 Notes”) with semi-annual interest payments on March 15 and September 15 in each year, with a maturity date of March 15, 2013.

10. Subordinated Promissory Notes

On January 1, 2011, the $381,755 Series 1 Subordinated Debt outstanding to EnerCare was redeemed for additional equity consideration and the issuance of a $100,000 subordinated promissory note. On September 28, 2012, a $150,000 promissory note was issued by EnerCare (collectively, the "Subordinated Promissory Notes"). The Subordinated Promissory Notes bear interest at rates notified by the holder. The notes have no fixed repayment terms, but are redeemable at the option of EnerCare Solutions at a price equal to the principal amount thereof plus accrued and unpaid interest to the date of redemption. The notes have been classified as long term as there are no near term intentions to demand repayment.

The fair values of the notes were not determinable, as no quoted market price existed for these instruments because they were not traded in an active and liquid market.

11. Subordinated Debt

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. On January 1, 2012, 1759857 Ontario Limited, Stratacon and EnerCare Connections Inc. amalgamated. The name of the amalgamated entity is EnerCare Connections Inc. ("ECI"). The investment was funded through a short term bank loan. The preferred shares accrue cumulative dividends at 6.90% and are both redeemable and retractable. Stratacon, now ECI, invested the proceeds by providing a loan to a subsidiary of EnerCare Solutions ("Intercompany Loan"). The Intercompany 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. On July 1, 2012, $200,000 of the preferred shares were redeemed and EnerCare Solutions used the proceeds to pay down the Intercompany Loan. Both the preferred shares and the Intercompany Loan have been classified as short term due to their underlying features.

12. Share Capital

	September 30, 2012		September 30, 2011	
Shares Issued and Outstanding	**Shares**	**Net Proceeds**	Shares	Net Proceeds
Opening balance at January 1:	**1,001**	**$79,614**	1,001	$79,614
Issued	**-**	**-**	-	-
Totals	**1,001**	**$79,614**	1,001	$79,614

EnerCare Solutions' articles of incorporation provide for the issuance of an unlimited number of common shares. On January 1, 2011, EnerCare Solutions converted to a corporation pursuant to a plan of arrangement. As at September 30, 2012, there were 1,001 common shares issued and outstanding.

13. Commitments

Under operating lease agreements for office premises and office equipment, EnerCare Solutions is required to make annual minimum lease payments. The aggregate amount of future minimum payments is as follows:

	September 30, 2012
Payments due within 2012	**$ 64**
Payments due in 2013	**255**
Payments due in 2014	**255**
Payments due in 2015	**370**
Payments due in 2016	**392**
Payments due in 2017	**70**
Total commitments under non-cancellable operating leases	**$1,406**

The operating lease payments recognized in the condensed interim consolidated statement of income for the three and nine months ended September 30, 2012 is $331 and $814, respectively (September 30, 2011; $121 and $440, respectively).

14. Contingent Liabilities

EnerCare Solutions has been named in legal proceedings commenced by certain competitors seeking specified and unspecified damages based on allegations that EnerCare, its service provider, EcoSmart Home Services Inc., and others engaged in unlawful surveillance and other activities aimed at tracking the door to door sales efforts of the competitors.

EnerCare Solutions is a party to a number of product liability claims and lawsuits in the ordinary course of business. Management is of the opinion that any liabilities that may arise from these lawsuits have been adequately provided for in these condensed interim consolidated financial statements.

15. Financial Instruments

The main risks EnerCare Solutions' financial instruments are exposed to include credit risk, liquidity risk and market risk.

Credit Risk

EnerCare Solutions is exposed to credit risk on accounts receivable from customers. EnerCare Solutions' credit risk is considered to be low.

EnerCare Solutions' financial assets that are exposed to credit risk consist primarily of cash and cash equivalents and accounts receivable. For less than 5% of its rental portfolio, EnerCare Solutions is exposed to credit risk in the normal course of business for customers who are billed by DE or are billed by EGD outside their service territory. For accounts receivable from customers billed on EGD invoices within their service territory, EnerCare Solutions is guaranteed payment by EGD for 99.42% of the amount billed (subject to certain exceptions) 21 calendar days after the invoices are issued. A related trust agreement also serves to mitigate EnerCare Solutions' credit exposure on receivables owing from EGD.

There are no amounts that are past due nor impaired that have not been provided for.

Liquidity Risk

EnerCare Solutions believes it has low liquidity risks given the makeup of its accounts payable and accrued liabilities, provisions, interest payable, other liabilities payable and dividends payable. EnerCare Solutions measures liquidity risk through comparisons of current financial ratios with the financial covenants contained in its credit facility agreement, Master Trust Indenture and Supplemental Trust Indentures as applicable. To reduce liquidity risk, EnerCare Solutions has maintained financial ratios which comply with the financial covenants applicable to the borrowings and has staggered its senior debt maturity dates through to April 30, 2014.

The covenants under the 2009 Notes and 2010 Notes are contained in a Master Trust Indenture and Supplemental Trust 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 is less than 3.8 to 1. The incurrence test is the ratio of defined EBITDA over defined interest expense calculated 12 months in arrears. EnerCare Solutions exceeded this threshold requirement at September 30, 2012.

The 2010 Notes are maturing on March 15, 2013. EnerCare Solutions is considering numerous options to refinance both its 2010 Notes and 2009-2 Notes, maturing on April 30, 2014. These options include a bank term loan, a public note offering, a private placement and bridge financing. As part of the consideration for refinancing, EnerCare Solutions is evaluating which option will best optimize current interest rates, term length and future business plans. Factors that enhance these options include EnerCare Solutions' investment grade ratings from Standard and Poor's Rating Services and DBRS Limited, EnerCare Solutions' strong and stable cash flows and EnerCare Solutions' current leverage. As a result, EnerCare Solutions expects to refinance all of its 2010 Notes before maturity.

The summary of financial obligations and contractual maturities related to undiscounted non-derivative financial liabilities excluding accounts payable was as follows:

Period	Principal Payments	Interest Payments
Within the remainder of 2012	$ -	$ 9,113
Due in 2013	240,000	24,525
Due in 2014	270,000	9,112
Due in 2015	-	-
Due in 2016	-	-
Due in 2017 and thereafter	-	-
Total	$510,000	$42,750

Fair Value

The carrying values of cash and cash equivalents, accounts receivable, prepaid and other assets, bank indebtedness, accounts payable and accrued liabilities approximate their fair values due to their relatively short periods to maturity.

The following table presents the carrying amounts and the fair values of EnerCare Solutions' financial assets and liabilities at September 30, 2012 and December 31, 2011. The estimated fair values of the financial instruments are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

	September 30, 2012		December 31, 2011	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Cash and cash equivalents	**$ 2,353**	**$ 2,353**	$ 50,403	$ 50,403
Trade and other receivables in the scope of IAS 39	**22,626**	**22,626**	28,848	28,848
Total financial assets	**24,979**	**24,979**	79,251	79,251
Financial liabilities measured at amortized cost:				
Gross senior borrowings	**510,000**	**527,955**	570,000	591,717
Promissory Notes	**250,000**	**250,000**	100,000	100,000
Subordinated Debt	**50,000**	**50,000**	250,000	250,000
Long-term non-interest bearing loan	**5,200**	**5,200**	-	-
Deferred transaction costs	**(1,100)**	**-**	(1,946)	-
Total borrowings	**814,100**	**833,155**	918,054	941,717
Trade and other payables in the scope of IAS 39	**33,791**	**33,791**	43,876	43,876
Total financial liabilities	**$847,891**	**$866,946**	$961,930	$985,593

16. Capital Risk Management

EnerCare Solutions' capital management strategy is designed to maintain financial strength and flexibility to support profitable growth in all business environments. EnerCare Solutions continually monitors its capital management strategy and makes adjustments as appropriate. EnerCare Solutions' capital management strategy, objectives, evaluation measures, definitions and targets have not changed significantly from the prior year.

EnerCare Solutions was in compliance with all covenants under the 2009 Notes, 2010 Notes and revolver as at September 30, 2012.

17. Selling, General and Administrative

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2012	2011	**2012**	2011
Employee compensation and benefits	**$1,319**	$1,730	**$ 5,067**	$ 4,893
Professional fees	**751**	730	**2,725**	2,621
Selling, office and other	**1,321**	1,326	**5,322**	5,079
Billing and servicing	**1,496**	1,561	**4,719**	5,016
Claims and bad debt	**1,272**	1,073	**3,529**	1,868
Total	**$6,159**	$6,420	**$21,362**	$19,477

18. Related Parties and Transactions with DE

Key Management

Key management includes EnerCare Solutions' officers and directors. External director's fees are included in professional fees as part of total selling, general and administrative expenses. Total compensation and benefits to key management for employee services is shown below:

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2012	2011	**2012**	2011
Salaries and short-term benefits	**$ 569**	$387	**$2,309**	$1,617
Other employment benefits	**15**	23	**44**	62
Long term benefits	**427**	298	**912**	605
Total	**$1,011**	$708	**$3,265**	$2,284

Key management compensation is expensed in EnerCare and a portion of the amounts are allocated to EnerCare Solutions.

Related party payables

The amounts in the table below are payable to EnerCare.

	September 30, 2012	December 31, 2011
Related party payables	**$1,675**	$459
Long-term non-interest bearing loan	**$5,200**	$ -

Related party payables represent expenses paid by EnerCare on account of supplier invoices and payroll, which are settled on a commercial basis. A provision for bad debts has not been recorded.

On April 30, 2012, the $60,000 Series 2009-1 Notes were repaid with cash on hand and a $16,000 interest free loan from EnerCare. The loan is interest free and has been classified as long term as there are no fixed repayment terms. During the third quarter of 2012, $10,800 was repaid.

Transactions with DE

EnerCare Solutions' relationship with DE is significant, as DE services and supports more than 90% of EnerCare Solutions' customers and installed asset base. The following agreements govern the principal affairs between EnerCare Solutions and DE.

Co-ownership Agreement:

Under this agreement, DE receives, subject to certain exceptions, 35% of the gross revenue generated by the co-owned portfolio of assets and is obligated to service that asset portfolio, effectively operating the day-to-day activities of that portion of the Rentals business. Pursuant to an agreement between DE and EnerCare Solutions, DE is entitled to put forth one individual for consideration by EnerCare Solutions' board for inclusion in EnerCare Solutions' annual management information circular for election as a director of EnerCare Solutions for as long as it is servicer under the co-ownership agreement.

Origination Agreement:

Under this agreement, subject to certain exceptions, DE must offer to sell all rental water heaters to EnerCare Solutions at prescribed prices, essentially at DE's cost plus an inventory service fee and a set installation fee. EnerCare Solutions has no obligation to purchase any water heaters. The agreement also establishes an incentive fee payable to DE should certain growth targets be achieved. The initial term of the origination agreement is through December 2022 and is subject to extension or early termination in certain circumstances.

Other Agreements with DE:

In addition to the above agreements, EnerCare Solutions and DE have entered into an agreement for the servicing of Toronto Hydro Energy Services Inc. ("TH") Energy units, as these units are not subject to the co-ownership agreement. This agreement provides for the administration and servicing of the portfolio on a fee-for-service basis.

EnerCare Solutions and DE have also entered into an agreement for the origination and servicing of HVAC rental units, whereby DE originates HVAC rental customers and provides servicing to these HVAC rental customers. EnerCare Solutions has the right to originate HVAC rental customers outside of this arrangement with DE.

Details of amount paid or payable to DE are as follows:

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2012	2011	**2012**	2011
Origination agreement:				
Capital expenditures	**$11,461**	$12,791	**$36,372**	$39,772
GreenSource acquisition	**(109)**	-	**1,944**	-
Inventory service fee	**736**	829	**2,340**	2,539
Other capital expenditures	**1,069**	1,194	**3,567**	3,705
Other expenses, including billing and servicing costs	**621**	706	**2,169**	2,344
Total	**$13,778**	$15,520	**$46,392**	$48,360

19. Provisions

On a regular basis, EnerCare Solutions evaluates key accounting estimates based upon historical information, internal and external factors and probability factors to measure provisions. The key provision is on account of claims as a result of water damage caused by faulty water heaters. The claims provision is a current liability estimated as the product of the average anticipated dollar loss and the current and anticipated incidents.

	September 30, 2012	December 31, 2011
Opening balance:	**$1,592**	$2,728
Charged/(credited) to the condensed interim consolidated statement of income:		
Additional provision	**2,540**	3,719
Reversals	**(569)**	(1,167)
Claims spending during the period	**(2,543)**	(3,688)
Ending balance	**$1,020**	$1,592

All claims generated during the years ended are typically paid out within 12 months, therefore no discounting in the provisions have been calculated.

20. Changes in Working Capital

The following table reconciles the changes in working capital during the comparative periods as presented in the condensed interim consolidated statement of cash flows.

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2012	2011	**2012**	2011
Accounts and other receivables	**$ (578)**	$(5,454)	**$ 18**	$(6,220)
Prepaid and other assets	**(178)**	(260)	**(125)**	(958)
Accounts payable and accrued liabilities	**1,748**	1,279	**(5,478)**	5,899
Related party	**3,785**	-	**1,353**	-
Provisions	**18**	(203)	**(572)**	(679)
Interest payable	**1,406**	6,507	**786**	6,507
Total	**$6,201**	$1,869	**$(4,018)**	$4,549

21. Acquisition of Water Heaters from GreenSource Capital Inc.

On February 29, 2012, EnerCare Solutions acquired approximately 3,421 water heaters and HVAC equipment from GreenSource Capital Inc., a subsidiary of DE, for cash consideration of $2,053, with $5 in acquisition costs being expensed. During the third quarter of 2012, EnerCare Solutions completed the process of determining the fair values of assets that were acquired. This analysis resulted in a reduction of the original purchase price by $109, and determined the fair value of the net assets acquired is entirely allocated to equipment with a fair value for $1,944.

The rental revenue from GreenSource is not subject to the Co-ownership Agreement between EnerCare Solutions and DE. Rental revenue and profit in the current period, related to GreenSource, was approximately $218 and $63, respectively and $484 and $128, respectively, year to date. EnerCare Solutions has entered into a transitional services agreement with DE to provide service support to customers on a fee-for-service basis.