Large Filing Separator Sheet

Case Number: 01-1123-EL-CRS

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Energy Savings Income Fund and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles. The consolidated financial statements include some amounts that are based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects. Financial information presented elsewhere in this annual report has been prepared on a consistent basis with that in the consolidated financial statements.

Energy Savings Income Fund maintains systems of internal accounting and administrative controls. These systems are designated to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Fund's assets are properly accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Directors and is comprised entirely of non-management directors. The Audit Committee meets periodically with management and the external auditors, to discuss auditing, internal controls, accounting policy and financial reporting matters. The committee reviews the consolidated financial statements with both management and the external auditors and reports its findings to the Board of Directors before such statements are approved by the Board.

The consolidated financial statements have been audited by KPMG LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Unitholders. The external auditors have full and free access to the Audit Committee, with and without the presence of management, to discuss their audit and their findings as to the integrity of the financial reporting and the effectiveness of the system of internal controls.

On behalf of Energy Savings Income Fund by Ontario Energy Savings Corp., as administrator.

Signed	Signed	Signed
Rebecca MacDonald *Co-Chief Executive Officer*	Ken Hartwick *Co-Chief Executive Officer*	Peter Bloch *Chief Financial Officer*

AUDITORS' REPORT TO THE UNITHOLDERS

We have audited the consolidated balance sheets of Energy Savings Income Fund as at March 31, 2008 and 2007 and the consolidated statement of operations, unitholders' equity, comprehensive income and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Canada, May 14, 2008

CONSOLIDATED BALANCE SHEETS

As at March 31
(thousands of dollars)

	2008	2007
Assets		
Current		
Cash	$ 27,310	$ 16,786
Restricted cash *(Note 5)*	4,749	2,557
Accounts receivable	207,793	176,453
Gas in storage	4,268	5,877
Unbilled revenues	47,299	39,214
Prepaid expenses	2,343	2,115
Corporate taxes recoverable	2,665	4,326
Other assets – current *(Note 14a)*	193,398	–
	489,825	247,328
Gas contracts (less accumulated amortization – $243,929; 2007 – $243,752)	–	177
Electricity contracts (less accumulated amortization – $32,401; 2007 – $24,959)	1,527	1,462
Goodwill	116,146	94,576
Capital assets *(Note 7)*	16,637	11,885
Other assets – long term *(Note 14a)*	75,560	1,799
Future income tax assets *(Note 9)*	9,420	–
	$ 709,115	$ 357,227
Liabilities		
Current		
Bank indebtedness *(Note 8)*	$ –	$ 38,628
Accounts payable and accrued liabilities	128,682	112,950
Customer rebates payable *(Note 5)*	4,617	2,557
Management incentive program payable	2,235	1,254
Unit distribution payable *(Note 12)*	30,696	9,114
Accrued gas accounts payable	38,522	33,057
Other liabilities – current *(Note 14a)*	59,150	–
	263,902	197,560
Long-term debt *(Note 8)*	67,583	–
Other liabilities – long-term *(Note 13)*	159,207	7,909
Future income tax liabilities *(Note 9)*	19,458	11,600
	510,150	217,069
Equity		
Deficit	$ (211,931)	$ (197,628)
Accumulated other comprehensive income	40,789	–
	(171,142)	(197,628)
Unitholders' capital	358,103	328,153
Contributed surplus	12,004	9,633
Unitholders' equity	198,965	140,158
	$ 709,115	$ 357,227

Guarantees *(Note 17)*, Commitments *(Note 18)*, Contingency *(Note 19)*

See accompanying notes to consolidated financial statements.

Approved on behalf of Energy Savings Income Fund by Ontario Energy Savings Corp., as administrator.

Signed	Signed
Rebecca MacDonald	Michael Kirby
Executive Chair and Co-Chief Executive Officer	*Corporate Director*

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

For the years ended March 31
(thousands of dollars)

		2008		2007
Accumulated earnings				
Accumulated earnings, beginning of year	$	237,802	$	143,890
Adjustment for change in accounting policy – net of income taxes of $49 *(Note 3 (iii))*		1,519		–
Net income		152,761		93,912
Accumulated earnings, end of year		392,082		237,802
Distributions				
Distributions, beginning of year		(435,430)		(330,097)
Distributions		(159,832)		(99,464)
Class A preference share distributions – net of income taxes of $4,948		(8,751)		(5,869)
Distributions, end of year		(604,013)		(435,430)
Deficit		(211,931)		(197,628)
Accumulated other comprehensive income				
Accumulated other comprehensive income, beginning of year		–		–
Transitional adjustment upon implementation – derivative instruments designated as cash flow hedges and derivative gains previously deferred – net of income taxes of $1,536 *(Note 3 (iii))*		113,865		–
Adjustment upon conversion – unrealized losses on translation of self-sustaining foreign operations *(Note 3 (iii))*		(87)		–
Other comprehensive loss		(72,989)		–
Accumulated other comprehensive income, end of year		40,789		–
Unitholders' capital *(Note 10)*				
Unitholders' capital, beginning of year		328,153		324,650
Trust units exchanged		5,000		3,656
Trust units issued on exercise/exchange of unit compensation *(Note 11d)*		4,793		3,503
Trust units issued		25,157		–
Class A preference shares exchanged		(5,000)		(3,656)
Unitholders' capital, end of year		358,103		328,153
Contributed surplus *(Note 11d)*		12,004		9,633
Unitholders' equity, end of year	$	198,965	$	140,158

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended March 31
(thousands of dollars except per unit amount)

	2008	2007
Sales	$ 1,738,690	$ 1,532,317
Cost of sales	1,463,890	1,302,873
Gross margin	274,800	229,444
Expenses		
General and administrative expenses	51,638	41,892
Capital tax	827	850
Marketing expenses	56,121	42,969
Unit based compensation *(Note 11d)*	3,076	3,920
Bad debt expense	6,951	10,882
Amortization of gas contracts	177	15,438
Amortization of electricity contracts	7,384	6,597
Amortization of capital assets	5,110	3,104
	131,284	125,652
Income before interest and other income (expense)	143,516	103,792
Interest expense *(Note 8)*	(5,346)	(3,942)
Other income (expense)	90	(6,868)
Income before income tax	138,260	92,982
Recovery of income tax *(Note 9)*	(14,501)	(930)
Net income	$ 152,761	$ 93,912

See accompanying notes to consolidated financial statements.

	2008	2007
Income per unit *(Note 15)*		
Basic	$ 1.42	$ 0.88
Diluted	$ 1.41	$ 0.88

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended March 31
(thousands of dollars)

	2008	2007
Net income	$ 152,761	$ 93,912
Unrealized gains on translation of self-sustaining operations	3,951	–
Unrealized and realized losses on derivative instruments designated as cash flow hedges (net of income taxes of $(15,266)) *(Note 14a)*	(76,940)	–
Other comprehensive loss	(72,989)	–
Comprehensive income	$ 79,772	$ 93,912

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31
(thousands of dollars)

	2008	2007
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net income	$ 152,761	$ 93,912
Items not affecting cash		
Amortization of gas contracts	177	15,438
Amortization of electricity contracts	7,384	6,597
Amortization of capital assets	5,110	3,104
Unit based compensation	3,076	3,920
Future income taxes *(Note 9)*	(18,692)	(4,788)
Gain on foreign exchange (unrealized)	–	(60)
Other	(298)	–
Other expenses (unrealized)	988	7,618
	(2,255)	31,829
Adjustments required to reflect net cash receipts from gas sales *(Note 20)*	(2,620)	924
Changes in non-cash working capital *(Note 21)*	(11,879)	(28,311)
Cash inflow from operations	136,007	98,354
Financing		
Exercise of trust unit options *(Note 11d)*	4,053	763
Issue of trust units *(Note 10)*	18,079	–
Distributions paid to Unitholders	(131,132)	(97,925)
Distributions on Class A preference shares	(11,849)	(9,188)
Tax impact on distributions to holders of Class A preference shares	4,948	3,319
Issuance of long-term debt and increase in bank indebtedness	97,294	65,191
Repayment of long-term debt and bank indebtedness	(68,303)	(51,747)
Increase in restricted cash	1,962	–
	(84,948)	(89,587)
Investing		
Purchase of capital assets	(7,842)	(3,726)
Acquisition of subsidiary *(Note 6)*	(33,400)	–
	(41,242)	(3,726)
Effect of foreign currency translation on cash balances	707	82
Net cash inflow	10,524	5,123
Cash, beginning of year	16,786	11,663
Cash, end of year	$ 27,310	$ 16,786
Supplemental Information		
Interest paid	$ 5,545	$ 3,860
Income taxes paid	$ 1,251	$ 1,581
Supplemental disclosure relating to non-cash financing and investing activities		
Acquisition of capital assets through lease inducements	$ 2,817	$ –

See accompanying notes to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2008
(thousands of dollars except where indicated and per unit amounts)

NOTE 1

Organization

Energy Savings Income Fund ("Energy Savings" or the "Fund")

Energy Savings is an open-ended, limited-purpose trust established under the laws of the Province of Ontario to hold securities and to distribute the income of its directly or indirectly wholly owned operating subsidiaries and affiliates: Ontario Energy Savings L.P. ("OESLP"), Energy Savings (Manitoba) L.P. ("ESMLP"), Energy Savings (Quebec) L.P. ("ESPQ"), ES (B.C.) Limited Partnership ("ESBC"), Alberta Energy Savings L.P. ("AESLP"), Illinois Energy Savings Corp ("IESC"), New York Energy Savings Corp. ("NYESC"), Indiana Energy Savings Corp. ("INESC") and Energy Savings Texas Corp. ("ESTC") (collectively the "Energy Savings Group").

NOTE 2

Operations

The Energy Savings Group

Energy Savings' business involves the sale of long-term fixed-price and price protected energy contracts. Through its subsidiaries and affiliates, Energy Savings markets natural gas to residential and commercial customers in Ontario, Manitoba, British Columbia, Alberta, Illinois, New York and Indiana and solely to commercial customers in Quebec. Energy Savings also markets electricity to residential and commercial customers in Ontario, Alberta, New York and Texas.

By fixing the price of gas or electricity under fixed-price contracts up to a period of five years, customers eliminate their exposure to price volatility for the commodities. It is Energy Savings' policy to match most of the estimated requirements of its customers by purchasing offsetting physical or notional volumes of gas and electricity from suppliers at fixed-prices for the term of its related customer contracts.

NOTE 3

(I) Summary of significant accounting policies

(a) Principles of consolidation

The consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"), and include the accounts of Energy Savings Income Fund and its directly or indirectly wholly owned subsidiaries and affiliates.

(b) Cash

All highly liquid temporary cash investments with an original maturity of three months or less when purchased are considered to be cash equivalents.

(c) Unbilled revenues/accrued gas accounts payable or gas delivered in excess of consumption/deferred revenues

Unbilled revenues are stated at estimated realizable value and result when customers consume more gas than has been delivered by Energy Savings to local distribution companies ("LDCs"). Accrued gas accounts payable represents the obligation to the LDCs with respect to gas consumed by customers in excess of that delivered to the LDCs.

Gas delivered to LDCs in excess of consumption by customers is stated at the lower of cost and net realizable value. Collections from customers in advance of their consumption of gas result in deferred revenues.

Due to the seasonality of our operations, during the winter months, customers will have consumed more than what was delivered resulting in the recognition of unbilled revenues/accrued gas accounts payable; however, in the summer months, customers will have consumed less than what was delivered, resulting in the recognition of gas delivered in excess of consumption/deferred revenues.

These adjustments are applicable solely to the Ontario, Manitoba and Quebec gas markets.

(d) Gas in storage

Gas in storage primarily represents the gas delivered to the LDCs in the states of Illinois, Indiana and New York. The balance will fluctuate as gas is injected or withdrawn from storage. Injections typically occur from April through November and withdrawals occur from December through March.

In addition, a portion of the gas in storage relates to operations in the Province of Alberta. In Alberta, there is a month to month carryover, which represents the difference between the gas delivered to the LDC within a month and customer consumption. The delivery volumes in the following month are adjusted accordingly.

Gas in storage is stated at the lower of cost and net realizable value.

(e) Capital assets

Capital assets are recorded at cost. Amortization is provided over the estimated useful lives of the assets, with the half-year rule applied to acquisitions, as follows:

Asset	Basis	Rate
Furniture and fixtures	Declining balance	20%
Office equipment	Declining balance	20%
Computer equipment	Declining balance	30%
Computer software	Declining balance	100%
Commodity billing and settlement systems	Straight line	5 years
Leasehold improvements	Straight line	Term of lease

(f) Asset retirement obligations

Asset retirement obligations, including any restoration costs required in connection with leased assets or properties, are recognized at fair value in the period in which the obligations are incurred and a reasonable estimate of fair value can be made. Energy Savings did not have any such obligations outstanding for the years ended March 31, 2008 and 2007.

(g) Goodwill

Goodwill, reflecting the excess of the acquisition and incremental costs over the fair value of assets purchased by the Fund, is not amortized. The carrying amount of goodwill is tested annually for impairment and is written down if impairment is determined.

(h) Gas contracts

Gas contracts represent the original fair value of existing sales and supply contracts acquired by Energy Savings on the acquisition of various gas contracts. These contracts are amortized over their average estimated remaining life.

(i) Electricity contracts

Electricity contracts represent the original fair value of existing sales and supply contracts acquired by Energy Savings on the acquisition of various electricity contracts. These contracts are amortized over their average estimated remaining life.

(j) Other assets (liabilities), other income (expense) and other comprehensive income (loss)

Energy Savings' various derivative instruments have been accounted for under section 3855, Financial Instruments – Recognition and Measurement. Financial instruments that meet hedging requirements are accounted for under section 3865, Hedges.

For derivative instruments accounted for under section 3865, Energy Savings formally documents the relationship between hedging instruments and the hedged items as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivative financial instruments to anticipated transactions. Energy Savings also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivative financial instruments that are used in hedging transactions are highly effective in offsetting changes in cash flows of the hedged items. The derivatives are measured at fair value and booked to the consolidated balance sheets. Changes in fair value between periods are booked to other comprehensive income for the effective portion of the hedge with the remaining change being booked to other income (expense).

Energy Savings enters into hedges of its cost of sales relating to its fixed-price electricity sales by entering into fixed-for-floating electricity swap contracts and physical forward contracts with electricity suppliers. These swaps and forwards are accounted for in accordance with section 3865, and in some limited circumstances, section 3855.

Energy Savings enters into hedges for its foreign exchange risk relating to its anticipated repatriation of U.S. denominated currency by entering into foreign exchange forward contracts with its lender. Energy Savings previously applied AcG-13 to these contracts and used the settlement method of accounting. As of December 31, 2006, these derivative financial instruments have been recorded on the balance sheet as either other assets or other liabilities measured at fair value, with changes in fair value recognized in income as other income (expense), and since April 1, 2007, has accounted for them in accordance with section 3855.

Energy Savings enters into hedges of its cost of sales relating to its fixed-price gas contracts by entering into a combination of physical gas forwards, physical transportation forwards and option contracts. Physical gas forwards and transportation forwards are accounted for in accordance with section 3865. Option contracts are accounted for in accordance with section 3855, with the premiums and settlements for these derivative instruments recognized in cost of sales, when incurred.

(k) Derivative instruments and hedge accounting

Electricity

Energy Savings has entered into contracts with customers to provide electricity at fixed-prices ("customer electricity contracts"). Customer electricity contracts include requirements contracts and contracts with fixed or variable volumes at fixed-prices. The customer electricity contracts expose Energy Savings to changes in market prices of electricity and consumption. To reduce its exposure to movements in commodity prices arising from the acquisition of electricity at floating rates, Energy Savings uses electricity derivative contracts ("electricity derivative contracts"). These electricity derivative contracts are fixed-for-floating swaps or physical electricity forward contracts.

Energy Savings agrees to exchange the difference between the variable or indexed price and the fixed-price on a notional quantity of electricity for a specified time frame in the fixed-for-floating contract arrangement. Energy Savings takes title to electricity at a fixed-price for scheduling into the power grid under the forward contracts. These contracts are expected to be effective as hedges of the electricity price exposure. Energy Savings continues to monitor its effective hedging relationship between retail consumption and its supply contracts, and where required for hedge accounting purposes, evaluates the effectiveness of this relationship on a quarterly basis.

The fair value of the electricity derivative contracts designated as hedging instruments are recorded in the consolidated balance sheet with changes in the fair value being recorded in other comprehensive income to the extent that the hedge measurement is effective with the remainder recorded in other income (expense). Any electricity derivative contracts that do not qualify for hedge accounting or are de-designated as a hedge are recorded at fair market value with the changes in fair value recorded in current period income as a component of other income (expense). Any gains or losses accumulated up to the date that the electricity derivative contract is terminated or de-designated as a hedge are deferred in accumulated other comprehensive income ("AOCI") then recorded in cost of sales when the hedged customer electricity contract affects income.

Gas

Energy Savings has entered into contracts with customers to provide gas at fixed-prices ("customer gas contracts"). The customer gas contracts expose Energy Savings to changes in market prices of gas and consumption. To reduce its exposure to movements in commodity prices and usage, Energy Savings uses gas physical and financial contracts ("gas supply contracts"). These gas supply contracts are expected to be effective as hedges of the gas price exposure.

Energy Savings continues to monitor its effective hedging relationship between retail consumption and its supply contracts and where required for hedge accounting purposes, evaluates the effectiveness of this relationship on a quarterly basis.

Energy Savings uses physical forwards, transportation forwards (together, "physical gas supply contracts") and other gas financial instruments to fix the price of its gas supply. Under the physical gas supply contracts, Energy Savings agrees to pay a specified price per volume of gas or transportation. Other financial instruments comprise financial puts and calls that fix the price of gas in jurisdictions where Energy Savings has scheduling responsibilities and therefore is exposed to commodity price risk on volumes above or below its base supply.

The fair value of physical gas contracts designated as hedging instruments are recorded in the consolidated balance sheet with changes in the fair value being recorded in other comprehensive income to the extent that the hedge measurement is effective with the remainder recorded in other income (expense). Any physical gas contract that does not qualify for hedge accounting or is de-designated as an accounting hedge together with the gas financial instruments are valued at fair market value with the changes in fair value recorded in current period income as a component of other income (expense). Any gains or losses accumulated up to the date that the physical gas supply contract is terminated or de-designated as a hedge are deferred in AOCI then recorded in cost of sales when the hedged customer gas contract affects income.

Foreign exchange

To reduce its exposure to movements in foreign exchange rates, Energy Savings uses foreign exchange forwards ("foreign exchange contracts"). These foreign exchange contracts were expected to be effective as hedges of the anticipated cross border cash flow but were found to not be effective under GAAP accounting requirements during fiscal 2007.

Up until September 30, 2006, unrealized gains on foreign exchange contracts up to the date of de-designation of the hedging relationship were deferred to be recognized over the term of the contract based on the timing of the underlying hedged transactions. As of December 31, 2006, these derivative financial instruments have been recorded on the balance sheet as either other assets or other liabilities measured at fair value, with changes in fair value recognized in income as other income (expense). The deferred gain was reclassified to AOCI as of April 1, 2007.

(l) Revenue recognition

Energy Savings delivers gas and/or electricity to end-use customers who have entered into long-term fixed-price contracts. Revenue is recognized when the commodity is consumed by the end-use customer or sold to third parties. The Fund assumes credit risk in only three jurisdictions – Alberta, Illinois and Texas, where credit review processes are in place prior to commodity flowing to the customer.

(m) Marketing expenses

Commissions and various other costs related to obtaining and renewing customer contracts are charged to income in the period incurred.

(n) Foreign currency translation

In fiscal 2008, the operations of the Fund's U.S.-based subsidiaries became self-sustaining due to the reassessment of its existing foreign currency translation policy. Accordingly, the assets and liabilities of foreign subsidiaries are translated into Canadian dollars at the rate of exchange at the balance sheet date. Revenues and expenses are translated at the average rate of exchange for the period. The resulting gains and losses are accumulated as a component of Unitholders' equity within AOCI.

Prior to fiscal 2008, the Fund's investment in its U.S.-based subsidiaries was accounted for as integrated operations. Accordingly, monetary assets and liabilities were translated at the exchange rates in effect at the consolidated balance sheet dates. Non-monetary assets and liabilities and related income statement charges were translated at historical rates. All other revenue and expense accounts were translated at the average rate for the period. Foreign exchange gains and losses were included in net income for the period.

(o) Per unit amounts

The computation of income per unit is based on the weighted average number of units outstanding during the year. Diluted earnings per unit is computed in a similar way to basic earnings per unit except that the weighted average units outstanding are increased to include additional units assuming the exercise of unit options, unit appreciation rights and deferred unit grants, if dilutive.

(p) Unit based compensation plans

The Fund accounts for all of its unit based compensation awards using the fair value based method.

Awards are valued at grant date and are not subsequently adjusted for changes in the prices of the underlying unit and other measurement assumptions. Compensation for awards without performance conditions is recognized as an expense and a credit to contributed surplus over the related vesting period of the awards. Compensation for awards with performance conditions is recognized based on management's best estimate of whether the performance condition will be achieved.

When options and other unit based compensation awards are exercised or exchanged, the amounts previously credited to contributed surplus are reversed and credited to Unitholders' equity. The amount of cash, if any, received from participants is also credited to Unitholders' equity.

(q) Employee future benefits

Energy Savings established a long-term incentive plan (the "Plan") for all permanent full-time and part-time Canadian employees (working more than 20 hours per week) of its affiliates and subsidiaries. The Plan consists of two components, a Deferred Profit Sharing Plan ("DPSP") and an Employee Profit Sharing Plan ("EPSP"). For participants of the DPSP, Energy Savings contributes an amount equal to a maximum of 2% per annum of an employee's base earnings. For the EPSP, Energy Savings contributes an amount up to a maximum of 2% per annum of an employee's base earnings towards the purchase of trust units of the Fund, on a matching one for one basis.

Participation in either plan is voluntary. The Plan has a two-year vesting period beginning from the later of the Plan's effective date and the employee's starting date. During the year Energy Savings contributed $647 (2007 – $545) to both plans, which was paid in full during the year.

(r) Exchangeable securities

Energy Savings follows the recommendations of the Emerging Issues Committee relating to the presentation of exchangeable securities issued by subsidiaries of income funds. The recommendations require that the exchangeable securities issued by a subsidiary of an income fund be presented on the consolidated balance sheet of the income fund as a part of Unitholders' equity, if the following criteria have been met:

- the holders of the exchangeable securities are entitled to receive distributions of earnings economically equivalent to distributions received on units of the income fund; and
- the exchangeable securities ultimately are required to be exchanged for units of the income fund as a result of the passage of fixed periods of time or the non-transferability to third parties of the exchangeable securities without first exchanging them for units of the income fund.

The Class A preference shares meet these criteria and have been classified as Unitholders' equity. In addition, all distributions paid to the Class A preference shareholders must be recorded in Unitholders' equity, net of tax. The management incentive program, which is a bonus equal to the distribution amount received by a Unitholder, is additional compensation to senior management of Ontario Energy Savings Corp. ("OESC"), a wholly owned subsidiary of the Fund.

(s) Use of estimates

The preparation of the financial statements, in conformity with Canadian GAAP, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. In particular, valuation techniques such as those used in the preparation of fair values are significantly affected by the assumptions used and the amount and timing of estimates. The aggregate fair value amounts represent point in time estimates only and should not be interpreted as being realizable in an immediate settlement of the supply contracts.

(t) Income taxes

The Fund is a taxable entity under the Income Tax Act (Canada) and is taxable only on Canadian income that is not distributed or distributable to the Fund's Unitholders. In the Trust structure, payments made between the Canadian operating entities and the Fund, ultimately transfer both income and future income tax liability to the Unitholders. The future income tax liability associated with Canadian assets recorded on the balance sheet is recovered over time through these payments. As the Canadian operating entities transfer all of their Canadian taxable income to the Fund, no provision for current Canadian income tax has been made by any Canadian operating entity.

Effective January 1, 2011, the Fund will be subject to a 28.0% Specified Investment Flow-Through entities ("SIFT") tax on Canadian income that has not been subject to a Canadian corporate income tax in the Canadian operating entities. Therefore, the future tax asset or liability associated with Canadian assets recorded on the balance sheet as at that date will be realized over time as the temporary differences between the carrying value of assets in the consolidated financial statements and their respective tax bases are realized. Current Canadian income taxes will be accrued for at that time to the extent that there is taxable income in the Trust or its underlying operating entities.

The U.S.-based corporate subsidiaries are subject to U.S. income taxes on its taxable income determined under U.S. income tax rules and regulations. As the U.S. subsidiaries had combined operating losses for tax purposes at March 31, 2008, no provision for current U.S. income tax has been made by those U.S. entities.

The Fund follows the liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to the temporary differences between the carrying value of the assets and liabilities on the consolidated financial statements and their respective tax bases, using substantively enacted income tax rates. The effect of a change in these income tax rates on future income tax liabilities and assets is recognized in income during the period that the change occurs.

(II) Adoption of new accounting standards

On April 1, 2007, the Fund adopted five new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"); Handbook Section 1530, Comprehensive Income; Handbook Section 3251, Equity; Handbook Section 3855, Financial Instruments – Recognition and Measurement; Handbook Section 3861, Financial Instruments – Disclosure and Presentation, and Handbook Section 3865, Hedges. Energy Savings adopted these standards prospectively as required by the standards and did not restate comparative amounts for prior periods.

Comprehensive Income

Section 1530 introduces comprehensive income, which consists of net income and other comprehensive income ("OCI"). OCI represents changes in equity during a period arising from transactions and other events with non-owner sources and includes unrealized gains and losses on financial assets classified as available-for-sale, unrealized foreign currency translation gains or losses arising from self-sustaining foreign operations, net of hedging activities, and changes in the fair value of the effective portion of cash flow hedging instruments. The cumulative changes in OCI are included in AOCI, which is presented as a new category of Unitholders' equity on the consolidated balance sheets.

Equity

Section 3251 describes the changes in reporting and disclosing equity and changes in equity as a result of the new requirements of Section 1530, including the changes in equity for the period arising from OCI. Accumulated changes in OCI are included in AOCI and are presented as a separate component of Unitholders' equity.

Financial Instruments – Recognition and Measurement
Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and financial liabilities, including derivatives, be recognized on the consolidated balance sheets when Energy Savings becomes a party to the contractual provisions of the financial instrument or non-financial derivative contract. Under this standard, all financial instruments are required to be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities. After initial recognition, items classified as held-for-trading or available-for-sale are revalued at fair values; items classified as held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Transaction costs are expensed as incurred for financial instruments classified or designated as held-for-trading. For other financial instruments, the Fund records transaction costs as part of the underlying financial instrument and amortizes or accretes them into net income utilizing the effective interest method.

Derivative instruments are recorded on the consolidated balance sheets at fair value. Changes in the fair values of derivative instruments are recognized in net income with the exception of derivatives designated as effective cash flow hedges or hedges of foreign currency exposure of a net investment in a self-sustaining foreign operation.

Upon adoption of these new standards, the Fund designated its cash as held-for-trading, which is measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Long-term debt, accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

Financial Instruments – Disclosure and Presentation
Section 3861 established standards for the presentation and disclosure of financial instruments and non-financial derivatives.

Hedges
Section 3865 specifies the criteria that must be satisfied in order for hedge accounting to be applied and the accounting for each of the permitted hedging strategies: fair value hedges, cash flow hedges and hedges of foreign currency exposures of net investments in self-sustaining foreign operations. The revised standards require the Fund to record all derivatives at fair value. Changes in the fair value from one period to the next are booked to other comprehensive income to the extent that the hedges are effective with the remainder of the change being booked to the consolidated statement of operations.

(III) Impact of changes in significant accounting policies
As a result of adopting these standards, Energy Savings recorded the following:

Other Assets – current	$	132,456
Other Assets – long-term	$	151,804
Future Income taxes	$	1,487
Other Liabilities – current	$	36,228
Other Liabilities – long-term	$	131,161
Accumulated earnings (net of tax of $49)	$	1,519
Accumulated other comprehensive income (net of tax of $1,536)	$	113,952

The other assets and liabilities represent the fair value of the financial assets and liabilities upon the implementation of the standards on April 1, 2007. The increase to the opening Unitholders' equity represents the accumulated ineffective portion of qualified hedges at inception of the standard, and the AOCI represents the accumulated effective portion of qualified hedges at inception of the standard net of the related future income tax liability. While these entries are driven by the supply arrangements there has been no recognition given to the underlying customer contracts that are the offset to the supply arrangements.

(IV) Recently issued accounting standards

The following are the new standards, not yet in effect, which are required to be adopted by the Fund on the effective date:

Capital Disclosures – CICA Section 1535

As of April 1, 2008, the Fund will be required to adopt Section 1535, Capital Disclosures, which will require disclosure of information related to the objectives, policies and processes for managing capital. In addition, disclosures will include whether externally imposed capital requirements have been complied with. The new standard is effective for fiscal years beginning on or after October 1, 2007 and as this standard only addresses disclosure requirements, there will be no impact on the financial position of the Fund.

Financial Instruments – Disclosures (CICA Section 3862) and Financial Instruments – Presentation (CICA Section 3863)

As of April 1, 2008, the Fund will be required to adopt two new CICA standards, Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation, which will replace Section 3861, Financial Instruments – Disclosure and Presentation. The new disclosure standards increase the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standards carry forward the former presentation requirements and are effective for years beginning on or after October 1, 2007. As this standard only addresses presentation and disclosure requirements, there will be no impact on the financial position of the Fund.

Goodwill and Intangible Assets – CICA Section 3064

As of April 1, 2009, the Fund will be required to adopt Section 3064, Goodwill and Intangible Assets, which establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard is effective for fiscal years beginning on or after October 1, 2008. The Fund has not yet determined the impact of this standard on its financial statements.

NOTE 4 Seasonality of operations

Energy Savings' operations are seasonal. Gas consumption by customers is typically highest in October through March and lowest in April through September. Electricity consumption is typically highest in January through March and July through September. Electricity consumption is lowest in October through December and April through June.

NOTE 5 Restricted cash/customer rebates payable

Restricted cash and customer rebates payable represent, (i) rebate monies received from LDCs in Ontario as provided by the Independent Electricity System Operator ("IESO"), and (ii) funds held as security for payment of certain monthly charges in Texas.

(i) OESLP is obligated to disperse the monies to eligible end-use customers in accordance with the Ontario Power Generation Rebate as part of OESLP's Retailer License conditions.

(ii) ESTC is required to post collateral to wire owners to secure payment of future expected charges under the Texas Electric Choice as required by the Public Utility Commission of Texas.

NOTE 6 Acquisition of Just Energy Texas L.P.

On May 24, 2007, Energy Savings completed the acquisition of Just Energy Texas LP ("Just Energy"), including all of its electricity contracts. The aggregate cost of this transaction, including transaction costs, was US$34,165 including cash acquired in the amount of US$3,373. Pursuant to the agreement, Energy Savings acquired approximately 130,000 Residential Customer Equivalents (RCEs). The acquisition was funded through a credit facility drawdown, of which $18,079 (US$18,362) including interest of $356 (US$362) was returned to the Fund on October 9, 2007 in exchange for 1,169,399 units of the Fund issued from treasury. The units are subject to the terms of an escrow agreement for the benefit of the Just Energy vendors, and are being released to the vendors over a three-year period.

The purchase price has been allocated as follows:

		US$		CAD$
Net assets acquired				
Working capital (including cash of US$3,373, CAD$3,659)	$	7,236	$	7,849
Electricity contracts		8,213		8,908
Goodwill		21,013		22,793
Capital assets		18		20
Long-term liabilities		(2,315)		(2,511)
	$	34,165	$	37,059
Consideration				
Cash	$	34,165	$	37,059

The acquisition of Just Energy has been accounted for using the purchase method of accounting. Energy Savings allocated the purchase price to the identified assets and liabilities acquired based on their fair values at the time of acquisition. The purchase price allocation is considered preliminary and as a result it may be adjusted during the next fiscal year. The electricity contracts acquired will be amortized over the average remaining life of the contracts, which at the time of acquisition was 14 months.

NOTE 7 Capital assets

2008		Cost		Accumulated amortization		Net book value
Furniture and fixtures	$	3,345	$	1,444	$	1,901
Office equipment		9,051		2,433		6,618
Computer equipment		3,145		2,160		985
Computer software		1,196		603		593
Commodity billing and settlement system		6,563		5,477		1,086
Leasehold improvements		7,451		1,997		5,454
	$	30,751	$	14,114	$	16,637

2007		Cost		Accumulated amortization		Net book value
Furniture and fixtures	$	2,461	$	1,105	$	1,356
Office equipment		4,960		1,327		3,633
Computer equipment		2,970		1,816		1,154
Computer software		225		9		216
Commodity billing and settlement system		6,900		3,550		3,350
Leasehold improvements		3,527		1,351		2,176
	$	21,043	$	9,158	$	11,885

NOTE 8 Bank indebtedness and long-term debt

A Credit Facility in the amount of $150,000 is available to Energy Savings to meet working capital requirements. Interest is payable on outstanding loans at rates that vary with Bankers' Acceptances, LIBOR, Canadian bank prime rate or U.S. prime rate. Under the terms of the operating credit facility, Energy Savings is able to make use of Bankers' Acceptances and LIBOR advances at stamping fees of 150 basis points, prime rate advances at bank prime plus 0.5%, and letters of credit at 1.5%. As at March 31, 2008, the Canadian and U.S. prime rates were both 5.25%. On October 26, 2007, the credit facility was renewed for a period of three years to October 29, 2010, and the debt was reclassified to long-term debt. As at March 31, 2008, Energy Savings had drawn $67,583 against the facility and total letters of credit outstanding amounted to $8,149. Energy Savings has $74,268 of the credit facility remaining for future working capital and security requirements. Energy Savings' obligations under the Credit Facility are supported by guarantees of certain subsidiaries and affiliates and secured by a pledge of the assets of Energy Savings and the majority of its operating subsidiaries and affiliates. Energy Savings is required to meet a number of financial covenants under the credit facility agreement. As at March 31, 2008 and 2007, all of these covenants have been met. Interest expense for the year ended March 31, 2008 was $5,346 (2007 – $3,942). Interest is expensed at the effective interest rate.

NOTE 9 Income taxes

The Fund is taxed as a "mutual fund trust" for income tax purposes. Pursuant to the Declaration of Trust, the trustees will distribute all taxable income directly earned by the trust to the Unitholders and deduct such distributions for income tax purposes.

Canadian-based corporate subsidiaries are subject to tax on their taxable income at a rate of 36% (2007 – 36%).

The following table reconciles the difference between the income taxes that would result solely by applying statutory tax rates to the pre-tax income for Energy Savings and the income tax provision in the financial statements.

	2008	2007
Income before income tax	$ 138,260	$ 92,982
Income tax expense at the combined basic rate of 36% (2007 – 36%)	49,774	33,474
Taxes on income attributable to Unitholders	(49,883)	(36,853)
Tax impact of corporate reorganization	(7,021)	–
Benefit of U.S. tax losses and other tax assets not previously recognized	(7,371)	1,023
Non-deductible expenses	–	1,426
Recovery of income tax	$ (14,501)	$ (930)

Components of Energy Savings' income tax recovery are as follows:

	2008	2007
Income tax provision (recovery)	$ (757)	$ 539
Amount credited to Unitholders' equity	4,948	3,319
Current income tax provision	4,191	3,858
Future tax recovery	(18,692)	(4,788)
Recovery of income tax	$ (14,501)	$ (930)

Components of the Fund's net future income tax liability are as follows:

	2008	2007
Partnership income deferred for tax purposes and book carrying amount of investments in partnerships in excess of tax cost	$ 4,055	$ 11,600
Accumulated other comprehensive income	5,983	–
Future income tax liabilities (net)	$ 10,038	$ 11,600

U.S.-based corporate subsidiaries are subject to tax on their taxable income at a rate of 40% (2007 – 40%). At March 31, 2008, the U.S. subsidiaries of Energy Savings had $5,492 (US$5,350) in combined operating losses for tax purposes, all of which will expire by 2026. The tax benefit of these losses has been recognized in reducing the future taxes related to OCI of the U.S. subsidiaries in these financial statements.

On December 21, 2006, the Minister of Finance (Canada) (the "Minister") released draft legislation (the "SIFT Legislation") relating to the federal income taxation of publicly traded trusts and partnerships. On March 29, 2007, the Minister introduced Bill C-52 in the House of Commons to implement the SIFT Legislation. On June 22, 2007, Bill C-52 received royal assent.

The SIFT Legislation applies to a publicly traded trust that is a Specified Investment Flow-Through entity ("SIFT") that was listed before November 1, 2006 ("Existing Trust"). Commencing with taxation years ending in or after 2011, certain distributions of a SIFT will not be deductible in computing the SIFT's taxable income, and the SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. Distributions paid by a SIFT attributable to direct foreign investment income or dividend income, or as a return of capital will not be subject to this tax. An Existing Trust may lose its transitional relief where its equity capital grows beyond certain dollar limits measured by reference to the Existing Trust's market capitalization at the close of trading on October 31, 2006.

The Fund is a Specified Investment Flow-Through entity as defined in the SIFT Legislation. Commencing with its taxation year ending December 31, 2011, assuming the Fund does not exceed "normal growth guidelines" (in which case transitional relief deferring the application of the SIFT tax to 2011 would be lost), the Fund will be subject to taxes on certain income earned from investments in its subsidiaries distributed to Unitholders. The Fund is also required to recognize future income tax assets and liabilities calculated with respect to the temporary differences between the carrying amounts and tax bases of its assets and liabilities and those of its flow-through subsidiaries that are expected to reverse in or after 2011. The Fund expects that a portion of its aggregate temporary differences and those of its flow-through subsidiaries will reverse in or after 2011 and as a consequence it has recorded a future tax asset of $9,420 during the current year, of which substantially all is related to temporary differences with respect to items included in AOCI such as mark to market recording of derivative financial instruments. The Fund also anticipates possible material changes in such future tax amounts corresponding to the changes in the fair value of the financial instruments in future periods due to the volatile nature of such temporary differences. The Fund expects that it will not exceed its "normal growth" limitations, such that it will not be subject to tax on certain income distributed prior to 2011 and accordingly has not provided for future income taxes on the remaining portion of temporary differences which are expected to reverse prior to 2011. The SIFT Legislation does not affect the current and future tax amounts of the Fund's corporate subsidiaries.

NOTE 10 Unitholders' capital

Trust units of the Fund

An unlimited number of units may be issued. Each unit is transferable, voting and represents an equal undivided beneficial interest in any distributions from the Fund whether of net income, net realized capital gains or other amounts, and in the net assets of the Fund in the event of termination or winding-up of the Fund.

The Fund intends to make distributions to its Unitholders based on the cash receipts of the Fund, excluding proceeds from the issuance of additional Fund units, adjusted for costs and expenses of the Fund, amounts which may be paid by the Fund in connection with any cash redemptions or repurchases of units and any other amount that the Board of Directors considers necessary to provide for the payment of any costs which have been or will be incurred in the activities and operations of the Fund. The Fund's intention is for Unitholders of record on the 15th day of each month to receive distributions at the end of the month, excluding any Special Distributions (Note 12).

Class A preference shares of OESC

The terms of the unlimited Class A preference shares of OESC are non voting, non-cumulative and exchangeable into trust units in accordance with the OESC shareholders' agreement as restated and amended, with no priority on dissolution. Pursuant to the amended and restated Declaration of Trust which governs the Fund, the holders of Class A preference shares are entitled to vote in all votes of Unitholders as if they were the holders of the number of units that they would receive if they exercised their shareholder exchange rights. Holders of Class A preference shares have equal entitlement to distributions from the Fund as Unitholders.

		2008		2007
Issued and outstanding	Units/shares		Units/shares	
Trust units				
Balance, beginning of year	**98,082,535**	**$ 306,387**	96,391,991	$ 299,228
Options exercised	**345,833**	**4,556**	71,834	869
Deferred unit grants exchanged	–	–	2,695	36
Unit appreciation rights exchanged	**17,868**	**237**	153,532	2,598
Distribution reinvestment plan	**536,559**	**7,078**	–	–
Units issued from treasury	**1,169,399**	**18,079**	–	–
Exchanged from Class A preference shares	**2,000,000**	**5,000**	1,462,483	3,656
Balance, end of year	**102,152,194**	**341,337**	98,082,535	306,387
Class A preference shares				
Balance, beginning of year	**8,706,212**	**21,766**	10,168,695	25,422
Exchanged into units	**(2,000,000)**	**(5,000)**	(1,462,483)	(3,656)
Balance, end of year	**6,706,212**	**16,766**	8,706,212	21,766
Unitholders' capital, end of year	**108,858,406**	**$ 358,103**	106,788,747	$ 328,153

Distribution reinvestment plan

The Fund established a distribution reinvestment program ("DRIP") on December 19, 2007. Under the program, Unitholders holding a minimum of 100 units can elect to receive their distributions in units rather than cash at a 5% discount to the simple average closing price of the units for five trading days preceding the applicable distribution payment date.

NOTE 11 Unit based compensation plans

(a) Unit option plan

The Fund grants awards under its 2001 unit option plan to directors, officers, full-time employees and service providers (non-employees) of Energy Savings. In accordance with the unit option plan, the Fund may grant options to a maximum of 11,300,000 units. As at March 31, 2008, there were 698,666 options still available for grant under the plan. Of the options issued, 970,500 options remain outstanding at year end. The exercise price of the unit options equals the closing market price of the Fund's units on the last business day preceding the grant date. The unit options will vest over periods ranging from three to five years from the grant date and expire after five or ten years from the grant date.

A summary of the changes in the Fund's option plan during the year and status at March 31, 2008 is outlined below.

	Outstanding options	Range of exercise prices	Weighted average exercise price[1]	Weighted average grant date fair value[2]
Balance, beginning of year	1,202,333	\$ 7.29–\$18.70	\$ 13.74	
Granted	158,000	\$ 15.09–\$16.70	\$ 15.61	\$ 1.92
Forfeited/cancelled	(44,000)	\$ 15.45–\$17.45	\$ 16.33	
Exercised	(345,833)	\$ 7.29–\$12.17	\$ 11.72	
Balance, end of year	970,500	\$ 11.25–\$18.70	\$ 14.64	

1 The weighted average exercise price is calculated by dividing the exercise price of options granted by the number of options granted.

2 The weighted average grant date fair value is calculated by dividing the fair value of options granted by the number of options granted.

2008		Options outstanding			Options exercisable		
Range of exercise prices	Number outstanding	Weighted average remaining contractual life		Weighted average exercise price	Number exercisable		Weighted average exercise price
\$11.25–\$12.69	360,000	0.53	\$	12.10	356,000	\$	12.09
\$15.09–\$15.63	335,500	2.72	\$	15.46	112,600	\$	15.61
\$15.90–\$18.70	275,000	2.76	\$	16.99	84,000	\$	17.10
Balance, end of year	970,500	1.92	\$	14.64	552,600	\$	13.57

2007		Options outstanding			Options exercisable		
Range of exercise prices	Number outstanding	Weighted average remaining contractual life		Weighted average exercise price	Number exercisable		Weighted average exercise price
\$7.29–\$8.75	27,500	0.83	\$	8.35	27,500	\$	8.35
\$10.68–\$12.01	73,333	1.22	\$	11.09	73,333	\$	11.09
\$12.17	600,000	1.00	\$	12.17	600,000	\$	12.17
\$12.69–\$18.70	501,500	3.18	\$	16.30	101,500	\$	16.34
Balance, end of year	1,202,333	1.92	\$	13.74	802,333	\$	12.46

Options available for grant	2008	2007
Balance, beginning of year	812,666	859,166
Add: cancelled/forfeited during the year	44,000	98,500
Less: granted during the year	(158,000)	(145,000)
Balance, end of year	698,666	812,666

The Fund uses a binomial option pricing model to estimate the fair values. The binomial model was chosen because of the yield associated with the units. Fair values of employee unit options are estimated at grant date. Fair values of non-employee unit options are estimated and revalued each reporting period until a measurement date is achieved. The following weighted average assumptions have been used in the valuations for fiscal 2008:

Risk-free rate	3.76%–4.64%
Expected volatility	27.13%–27.18%
Expected life	3.35–5 years
Expected distributions	\$1.115–\$1.21 per year

(b) Unit appreciation rights

The Fund grants awards under its 2004 unit appreciation rights ("UARs") plan to senior officers, employees and service providers of its subsidiaries and affiliates in the form of fully paid UARs. During the Annual General and Special Meeting held on June 28, 2007, an amendment was made to the unit appreciation rights plan increasing the UARs that the Fund may grant from 1,000,000 to a maximum of 2,000,000. As at March 31, 2008, there were 804,170 UARs still available for grant under the plan. Of the UARs issued, 1,024,430 UARs remain outstanding at March 31, 2008. Except as otherwise provided, (i) the UARs vest from one to five years from the grant date providing, in most cases, on the applicable vesting date the UAR grantee continues as a senior officer, employee or service provider of the Fund or any affiliate thereof; (ii) the UARs expire no later than ten years from the grant date; (iii) a holder of UARs is entitled to distributions as if a UAR were a unit; and (iv) when vested, the holder of a UAR may exchange one UAR for one unit.

UARs available for grant	2008	2007
Balance, beginning of year	78,277	498,791
Less: granted during the year	(284,704)	(492,887)
Add: increase in UARs available for grant	1,000,000	–
Add: cancelled/forfeited during the year	10,597	72,373
Balance, end of year	804,170	78,277

(c) Deferred unit grants

The Fund grants awards under its 2004 Directors' deferred compensation plan to all independent directors on the basis each director is required to annually receive $15 of his compensation entitlement in deferred unit grants ("DUGs") and may elect to receive all or any portion of the balance of his annual compensation in DUGs. In accordance with the deferred compensation plan, the Fund may grant DUGs to a maximum of 100,000. The DUGs vest on the earlier of the date of the Director's resignation or three years following the date of grant and expire ten years following the date of grant. As of March 31, 2008, there were 56,537 DUGs available for grant under the plan. Of the DUGs issued, 37,561 DUGs remain outstanding at March 31, 2008.

DUGs available for grant	2008	2007
Balance, beginning of year	71,143	82,781
Less: granted during the year	(14,606)	(11,638)
Balance, end of year	56,537	71,143

(d) Contributed surplus

Amounts credited to contributed surplus include unit based compensation awards, UARs and DUGs. Amounts charged to contributed surplus are awards exercised during the year.

Contributed surplus	2008	2007
Balance, beginning of year	$ 9,633	$ 8,436
Add: unit based compensation awards	3,076	3,920
non-cash deferred unit grants distributions	35	17
Less: unit based awards exercised	(740)	(2,740)
Balance, end of year	$ 12,004	$ 9,633

Total amounts credited to Unitholders' capital in respect of unit options and deferred unit grants exercised or exchanged during the year ended March 31, 2008 amounted to $4,793 (2007 – $3,503).

Cash received from options exercised for the year ended March 31, 2008 amounted to $4,053 (2007 – $763).

NOTE 12 Unit distribution payable

The Fund would have under-distributed its taxable income in calendar 2007 based on normal course distribution of the Fund and would have been subject to tax at 46% for any undistributed taxable income. In order to ensure all of the taxable income is distributed to its Unitholders, the Board of Energy Savings concluded that it would be preferable to pay out a Special Distribution to effectively allocate all of the taxable income to the holders of units, Class A preference shares, UARs and DUGs. The Special Distribution was $44,691 ($0.41 per unit) and is payable as to 50% cash and 50% units. The cash portion was paid over three distributions on the last day of January, February and March 2008. The unit portion will be paid over three distributions on the last day of June, September and December 2008.

NOTE 13 Other liabilities – long-term

Other liabilities – long-term of the Fund consists of the following:

	2008	2007
Deferred lease inducement	$ 2,817	$ –
Financial instruments *(Note 14 (a))*	156,390	7,909
	$ 159,207	$ 7,909

NOTE 14 Financial instruments

(a) Fair value

The Fund has a variety of gas and electricity supply contracts that are captured under section 3855, Financial Instruments – Measurement and Recognition. Fair value is the estimated amount that Energy Savings would pay or receive to dispose of these supply contracts in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Management has estimated the value of electricity and gas swap and forward contracts using a discounted cash flow method, which employs market forward curves as well as a forward curve compiled by management for Alberta and Texas electricity (electricity information is based on market forward curves and available heat rates). Gas options have been valued using the Black option value model using the applicable market forward curves and the implied volatility from other market traded gas options.

(i) At March 31, 2008, Energy Savings had electricity fixed-for-floating swap contracts in its Canadian subsidiaries and affiliates, the majority of which are designated as hedges of Energy Savings' anticipated cost of sales with the remainder being classified as held-for-trading to which it has committed with the following terms:

	Designated as hedges	Held-for-trading
Notional volumes (peak, flat, off-peak and weekend)	0.000063–35.0 MWh	0.1–5 MWh
Total remaining notional volume (peak, flat, off-peak and weekend)	15,967,759 MWh	297,226 MWh
Maturity dates	April 30, 2008 – December 31, 2013	April 30, 2008 – August 31, 2013
Fixed price per MWh (in dollars)	$50.94–$128.13	$65.80–$102.74
Fair value	$158,264 unfavourable	$5,535 unfavourable
Notional value	$1,299,077	$30,164

With respect to the designated hedges, the loss of $158,264 (2007 – n/a) for year ended March 31, 2008, has been recorded in other liabilities. The offsetting values are recorded as to $93,273 loss in other comprehensive income, $4,057 gain in other income (expense) with the remainder being booked to AOCI upon implementation. Held-for-trading loss of $5,535 (2007 – n/a) for the year ended March 31, 2008 has been recorded in other liabilities with its offsetting value being recorded in other income (expense).

The electricity fixed-for-floating contracts related to the Province of Alberta are predominantly load following, wherein the quantity of electricity contained in the supply contract "follows" the usage of customers designated by the supply contract. Notional volumes associated with these contracts are estimates and subject to change with customer usage requirements. There are also load shaped fixed-for-floating contracts in Ontario wherein the quantity of electricity is established but varies throughout the term of the contracts.

(ii) At March 31, 2008, Energy Savings had electricity fixed-for-floating swap contracts in its U.S. subsidiaries and affiliates which are designated as hedges of Energy Savings' anticipated cost of sales to which it has committed with the following terms:

Notional volumes (peak and off-peak)	0.1–14.7 MWh
Total remaining estimated notional volume (peak, off-peak and load following)	1,324,217 MWh
Maturity dates	April 30, 2008 – January 31, 2013
Fixed price per MWh (in dollars)	$90.64–$116.97 (US$88.30–US$113.95)
Fair value	$2,590 (US$2,523) unfavourable
Notional value	$139,831 (US$136,221)

The loss of $2,590 (US$2,523) (2007 – n/a) for the year ended March 31, 2008, has been recorded in other liabilities. The offsetting values are recorded as to a gain of $18,821 (US$18,745) in other comprehensive income and a loss of $383 (US$423) in other income (expense) with the remainder being booked to AOCI upon implementation and exchange amounts being booked to other comprehensive income. There are load shaped fixed-for-floating contracts in New York wherein the quantity of electricity is established but varies throughout the term of the contracts.

(iii) At March 31, 2008, Energy Savings had electricity physical forward contracts in its U.S. subsidiaries and affiliates which are designated as hedges of Energy Savings' anticipated cost of sales to which it has committed with the following terms:

Notional volumes (peak and off-peak)	1.0–15.0 MWh
Total remaining notional volume (peak and off-peak)	1,304,744 MWh
Maturity dates	April 4, 2008 – February 28, 2013
Fixed price per MWh (in dollars)	$46.04–$169.37 (US$44.85–US$165.00)
Fair value	$15,352 (US$14,956) favourable
Notional value	$93,561 (US$91,146)

The gain of $15,352 (US$14,956) (2007 – n/a) for the year ended March 31, 2008, has been recorded in other liabilities. The offsetting values are recorded as to a gain of $13,811 (US$14,344) in other comprehensive income with the remainder attributable to goodwill and the foreign exchange component of other comprehensive income for the year ended March 31, 2008.

(iv) At March 31, 2008, Energy Savings had unforced capacity contracts in its U.S. subsidiaries and affiliates which have been classified as held-for-trading and marked to market with the following terms:

Notional volume	55.1–83.8 MW/month
Total remaining notional volume	138.9 MW/month
Maturity dates	April 30, 2008
Fixed price per GJ (in dollars)	$1.08 (US$1.05)
Fair value	$43 (US$42) unfavourable
Notional value	$150 (US$146)

The loss of $43 (US$42) (2007 – n/a) for the year ended March 31, 2008, has been recorded in other liabilities with its offsetting values being recorded as to $39 (US$42) in other income (expense) with the remainder attributable to the foreign exchange component of other comprehensive income.

(v) As at March 31, 2008, Energy Savings had renewable energy certificates in its U.S. subsidiaries and affiliates which have been classified as held-for-trading and marked to market with the following terms:

Notional volume	10,000 MWh
Total remaining notional volume	90,000 MWh
Maturity dates	December 31, 2008 – December 31, 2012
Fixed price per MWh (in dollars)	$5.13–$6.16 (US$5.00–US$6.00)
Fair value	$77 (US$75) favourable
Notional value	$503 (US$490)

The gain of $77 (US$75) (2007 – n/a) for the year ended March 31, 2008, has been recorded in other assets with its offsetting values being recorded as to $75 (US$75) in other income (expense) with the remainder attributable to foreign exchange component of other comprehensive income.

(vi) As at March 31, 2008, Energy Savings had verified emission reduction certificates in its U.S. subsidiaries and affiliates which have been classified as held-for-trading and marked to market with the following terms:

Notional volume	10,000 MWh
Total remaining notional volume	80,000 MWh
Maturity dates	December 31, 2008 – December 31, 2012
Fixed price per MWh (in dollars)	$8.47 (US$8.25)
Fair value	$nil
Notional value	$677 (US$660)

There was no loss or gain recorded for the year ended March 31, 2008 (2007 – n/a). Future changes to the fair value will be recorded in other assets (liabilities) and the offsetting values will be recorded in other income (expenses).

(vii) As at March 31, 2008, Energy Savings had renewable energy certificates in its Canadian subsidiaries and affiliates which have been classified as held-for-trading and marked to market with the following terms:

Notional volume	10–39,638 MWh
Total remaining notional volume	327,340 MWh
Maturity dates	December 31, 2008 – December 31, 2013
Fixed price per MWh (in dollars)	$3.00–$9.00
Fair value	$854 favourable
Notional value	$1,445

The gain of $854 (2007 – n/a) for the year ended March 31, 2008, has been recorded in other assets with its offsetting values being recorded in other income (expense).

(viii) At March 31, 2008, Energy Savings had gas put and call options in its Canadian subsidiaries and affiliates which have been classified as held-for-trading and marked to market with the following terms:

Notional volume	33–47,250 GJ/month
Total remaining notional volume	8,962,956 GJ
Maturity dates	April 30, 2008 – April 30, 2013
Fixed price per GJ (in dollars)	$5.19–$13.20
Fair value	$5,379 unfavourable

The fair value is net of the present value of premiums which have yet to be paid. The loss of $530 (2007 – $3,600) for the year ended March 31, 2008, has been recorded in other liabilities with its offsetting values being recorded in other income (expense).

(ix) At March 31, 2008, Energy Savings had other gas put and call options in its U.S. subsidiaries and affiliates which have been classified as held-for-trading and marked to market with the following terms:

Notional volume	5–180,000 MmBTU/month
Total remaining notional volume	10,382,553 MmBTU
Maturity dates	April 30, 2008 – February 28, 2013
Fixed price per MmBTU (in dollars)	$5.65–$11.66 (US$5.50–US$11.36)
Fair value	$137 (US$133) favourable

The fair value is net of the present value of premiums which have yet to be paid. The gain of $139 (US$264) (2007 – $1,890 loss (US$1,637)) for the year ended March 31, 2008, has been recorded in other assets with its offsetting values being recorded in other income (expense) and other comprehensive income for amounts attributable to exchange.

(x) The Fund has foreign exchange forwards that are considered derivative financial instruments. The fair value of derivative financial instruments is the estimated amount that Energy Savings would pay or receive to dispose of these forwards at market. Management has estimated the value of its foreign exchange forwards using a discounted cash flow method that employs market forward curves. Hedge accounting was applied to most of these forwards up to September 30, 2006. However, the hedge was de-designated and a loss of $195 for the year ended March 31, 2007 was recorded in other liabilities. As the required hedge accounting effectiveness was achieved for certain quarters of fiscal 2007, a $1,933 gain has been deferred and recorded in AOCI and is being recognized in the Statement of Operations over the remaining term of each hedging relationship. At March 31, 2008, Energy Savings had foreign exchange forwards classified as held-for-trading to which it has committed with the following terms:

Notional amount	$2,258–$2,276 (US$2,000)
Total remaining notional amount	$54,408 (US$48,000)
Maturity dates	May 7, 2008 – April 7, 2010
Exchange rates	$1.1289–$1.1381
Fair value	$4,577 favourable

The gain of $4,772 (2007 – $195 loss) for the year ended March 31, 2008, has been recorded in other liabilities with the offsetting values being recorded in other income (expense).

(xi) At March 31, 2008, Energy Savings had physical gas forward contracts in its Canadian subsidiaries and affiliates which are designated as hedges of Energy Savings' anticipated cost of sales to which it has committed with the following terms:

Notional volume	0.14–10,645 GJ/day
Total remaining notional volume	176,858,078 GJ
Maturity dates	April 7, 2008 – December 31, 2013
Fixed price per GJ (in dollars)	$5.05–$9.87
Fair value	$156,711 favourable
Notional value	$1,346,945

The gain of $156,711 (2007 – n/a) for the year ended March 31, 2008, has been recorded in other assets with a gain of $429,361 being recorded in other comprehensive income and the remainder being booked to AOCI upon implementation.

(xii) At March 31, 2008, Energy Savings had gas transportation forward contracts in its Canadian subsidiaries and affiliates which are designated as hedges of Energy Savings' anticipated cost of sales to which it has committed with the following terms:

Notional volume	74–70,000 GJ/day
Total remaining notional volume	97,157,964 GJ
Maturity dates	April 30, 2008 – July 31, 2013
Fixed price per GJ (in dollars)	$0.01–$1.68
Fair value	$9,298 unfavourable
Notional value	$89,875

The loss of $9,298 (2007 – n/a) for the year ended March 31, 2008, has been recorded in other liabilities with a loss of $9,671 being recorded in other comprehensive income and the remainder being booked to AOCI upon implementation.

(xiii) At March 31, 2008, Energy Savings had physical gas forward contracts in its U.S. subsidiaries and affiliates, the majority of which are designated as hedges of Energy Savings' anticipated cost of sales with the remainder being classified as held-for-trading to which it has committed with the following terms:

Notional volume	3–4,663 MmBTU/day
Total remaining notional volume	55,118,014 MmBTU
Maturity dates	April 30, 2008 – May 31, 2013
Fixed price per GJ (in dollars)	$5.44–$11.73 (US$5.30–US$11.43)
Fair value	$56,707 (US$55,243) favourable
Notional value	$541,330 (US$527,355)

The gain of $56,707 (US$55,243) (2007 – n/a) for the year ended March 31, 2008, has been recorded in other liabilities with a loss of $69,739 (US$66,720) being recorded in other comprehensive income and the remainder attributable to AOCI upon implementation and the foreign exchange component of other comprehensive income.

(xiv) At March 31, 2008, Energy Savings had gas transportation forward contracts in its U.S. subsidiaries and affiliates, the majority of which are designated as hedges of Energy Savings' anticipated cost of sales with the remainder being classified as held-for-trading to which it has committed with the following terms:

Notional volume	180–21,392 MmBTU/day
Total remaining notional volume	25,988,403 MmBTU
Maturity dates	April 30, 2008 – January 31, 2013
Fixed price per GJ (in dollars)	$0.01–$0.26 (US$0.01–US$0.25)
Fair value	$nil
Notional value	$46 (US$45)

For the year ended March 31, 2008, no entry was recorded in the financial statements as there were no changes in fair value. Future changes to the fair value will be recorded in other assets (liabilities) and the offsetting values will be recorded in other comprehensive income and other income as applicable.

The following tables summarize certain aspects of the financial assets and liabilities recorded in the financial statements as at March 31, 2008.

Description	Other assets – current	Other assets – long-term	Other liabilities – current	Other liabilities – long-term
Canada				
Fixed-for-floating electricity swaps	$ 13,344	$ 12,517	$ 49,965	$ 139,695
Renewable energy certificates	222	632	–	–
Options	–	–	1,937	3,442
Physical gas forward contracts	125,669	36,270	–	5,228
Transportation forward contract	520	–	6,915	2,903
United States				
Fixed for floating electricity swaps	1,117	232	–	3,939
Physical electricity forwards	12,637	2,715	–	–
Unforced capacity forward contracts	–	–	43	–
Renewable energy certificates	10	67	–	–
Options	1,610	–	290	1,183
Physical gas forward contracts	35,832	20,875	–	–
Transportation forward contract	–	–	–	–
Foreign exchange forward contracts	2,325	2,252	–	–
As at March 31, 2008	$ 193,286	$ 75,560	$ 59,150	$ 156,390

Description	Year ended March 31, 2008 Gain (loss) on cash flow hedges transferred from other comprehensive income to the statement of operations	Unrealized gain (loss) recorded in other comprehensive income
Canada		
Fixed-for-floating electricity swaps	$ (93,999)	$ (9,490)
Physical gas forward contracts and transportation forward contracts	(523,116)	485,965
United States		
Fixed-for-floating swaps	(53,562)	72,339
Physical electricity forwards	(87,416)	101,215
Physical gas forward contracts	(165,012)	208,158
Amortization of deferred unrealized gains of discontinued hedges	3,244	–
Total realized and unrealized gains (losses)	$ (919,861)	$ 858,187

The estimated net amount of existing gains and losses reported in AOCI that is expected to be reclassified to net income within the next year is a gain of $117,216.

These derivative financial instruments create a credit risk for Energy Savings since they have been transacted with a limited number of counterparties. Should any counterparty be unable to fulfill its obligations under the contracts, Energy Savings may not be able to realize the other asset balance recognized in the financial statements.

The carrying value of cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, management incentive program payable and unit distribution payable approximates their fair value due to their short-term liquidity.

In Illinois, Texas and Alberta, Energy Savings assumes the credit risk associated with cash collection from its customers. Credit review processes have been put in place for these markets where Energy Savings has credit risk to manage the customer default rate. If a significant number of customers were to default on their payments, it could have a material adverse effect on Energy Savings' operations and cash flow. Management factors default from credit risk in its margin expectations for Illinois, Texas and Alberta.

For the remaining markets in which Energy Savings operates, the LDCs provide collection services and assume the risk of any bad debts owing from Energy Savings' customers for a fee. Therefore, Energy Savings receives the collection of customer account balances directly from the LDCs. Management believes that the risk of the LDCs failing to deliver payment to Energy Savings is minimal.

(b) Supplier risk

Energy Savings purchases the majority of the gas and electricity delivered to its customers through long-term contracts entered into with various suppliers. Energy Savings has an exposure to supplier risk as the ability to continue to deliver gas and electricity to its customers is reliant upon the ongoing operations of these suppliers and their ability to fulfill their contractual obligations. Energy Savings has discounted the fair value of its financial assets and liabilities by $1,271 to accommodate for its counterparties' risk of default. A significant portion of these gas and electricity purchases is from Shell Energy North America.

(c) Foreign currency risk

Energy Savings has an exposure to foreign currency exchange rates, as a result of its investment in U.S. operations. Changes in the applicable exchange rate may result in a decrease or increase in the AOCI. A non-cash gain for year ended March 31, 2008 of $3,951 has been recorded in the other comprehensive income. For the year ended March 31, 2007, a non-cash gain of $60 was recorded in other expense.

NOTE 15 Income per unit

	2008	2007
Basic income per unit		
Net income available to Unitholders	$ 152,761	$ 93,912
Weighted average number of units outstanding	98,830,000	97,499,000
Weighted average number of Class A preference shares	8,701,000	9,218,000
Basic units and shares outstanding	107,531,000	106,717,000
Basic income per unit	$ 1.42	$ 0.88
Diluted income per unit[1]		
Net income available to Unitholders	$ 152,761	$ 93,912
Basic units and shares outstanding	107,531,000	106,717,000
Dilutive effect of:		
Unit options	115,000	185,000
Unit appreciation rights	766,000	382,000
Deferred unit grants	28,000	17,000
Units outstanding on a diluted basis	108,440,000	107,301,000
Diluted income per unit	$ 1.41	$ 0.88

[1] For the year ended March 31, 2007, the conversion of unit options, unit appreciation rights and deferred unit grants is dilutive.

NOTE 16 Reportable business segments

Energy Savings operates in two reportable geographic segments, Canada and the United States. Reporting by geographic region is in line with Energy Savings' performance measurement parameters. Both the Canadian and the U.S. operations have gas and electricity business segments.

Energy Savings evaluates segment performance based on gross margin.

The following tables present Energy Savings' results by geographic segment:

2008	Canada	United States	Consolidated
Sales gas	$ 785,788	$ 247,463	$ 1,033,251
Sales electricity	544,278	161,161	705,439
Sales	$ 1,330,066	$ 408,624	$ 1,738,690
Gross margin	$ 220,247	$ 54,553	$ 274,800
Amortization of gas contracts	(177)	–	(177)
Amortization of electricity contracts	(1,284)	(6,100)	(7,384)
Amortization of capital assets	(3,647)	(1,463)	(5,110)
Other operating expenses	(66,438)	(52,175)	(118,613)
Interest expense	(2,174)	(3,172)	(5,346)
Other income (expense)	1,246	(1,156)	90
Recovery of income tax	3,353	11,148	14,501
Net income (loss)	$ 151,126	$ 1,635	$ 152,761
Additions to capital assets	$ 7,143	$ 699	$ 7,842
Total goodwill	$ 94,576	$ 21,570	$ 116,146
Total assets	$ 520,384	$ 188,731	$ 709,115

2007	Canada	United States	Consolidated
Sales gas	$ 782,506	$ 172,225	$ 954,731
Sales electricity	530,388	47,198	577,586
Sales	$ 1,312,894	$ 219,423	$ 1,532,317
Gross margin	$ 201,437	$ 28,007	$ 229,444
Amortization of gas contracts	(15,438)	–	(15,438)
Amortization of electricity contracts	(6,597)	–	(6,597)
Amortization of capital assets	(2,582)	(522)	(3,104)
Other operating expenses	(74,084)	(26,429)	(100,513)
Interest expense	(2,082)	(1,860)	(3,942)
Other expense	(4,831)	(2,037)	(6,868)
Recovery of income tax	930	–	930
Net income (loss)	$ 96,753	$ (2,841)	$ 93,912
Additions to capital assets	$ 3,124	$ 602	$ 3,726
Total goodwill	$ 94,576	$ –	$ 94,576
Total assets	$ 293,228	$ 63,999	$ 357,227

NOTE 17 Guarantees

(a) Officers and directors

Corporate indemnities have been provided by the Fund to all directors and certain officers of its subsidiaries and affiliates for various items including, but not limited to, all costs to settle suits or actions due to their association with the Fund and its subsidiaries and/or affiliates, subject to certain restrictions. The Fund has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. Each indemnity, subject to certain exceptions, applies for so long as the indemnified person is a director or officer of one of the Fund's subsidiaries and/or affiliates. The maximum amount of any potential future payment cannot be reasonably estimated.

(b) Operations

In the normal course of business, the Fund and/or the Fund's subsidiaries and affiliates have entered into agreements that include guarantees in favour of third parties, such as purchase and sale agreements, leasing agreements and transportation agreements. These guarantees may require the Fund and/or its subsidiaries to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The maximum payable under these guarantees is estimated to be $61,000.

NOTE 18 Commitments

(a) Commitments for premises and equipment under operating lease obligation for each of the next five years and thereafter are as follows:

2009	$	5,183
2010		4,779
2011		4,091
2012		3,538
2013		2,280
Thereafter		7,166
	$	27,037

(b) Commitments under the Master Services Agreement with EPCOR for the duration of the agreement are as follows:

2009	$	8,576
2010		5,717
	$	14,293

(c) Commitments under long-term gas and electricity contracts with various suppliers for each of the next five years and thereafter are as follows:

2009	$	1,251,191
2010		969,894
2011		687,049
2012		374,829
2013		143,895
Thereafter		10,972
	$	3,437,830

(d) The Fund has a commitment to repay the long-term debt in the amount of $67,583 by October 29, 2010.

Energy Savings is also committed under long-term contracts with customers to supply gas and electricity. These contracts have various expiry dates and renewal options.

NOTE 19

Contingency

On February 7, 2008, the Attorney General for Illinois filed a complaint for damages (restitution to consumers and cancellation of contracts), civil penalties and injunctive relief against ILESC (the "Illinois AG Complaint"). The Illinois AG Complaint alleges that independent sales agents used deceptive practices in their sale of Energy Savings' contracts to Illinois customers. Energy Savings has commenced discussions with the Illinois Attorney General to address and defend the allegations and intends to seek a constructive resolution to the matter.

At this time, the likelihood of damages or recoveries and the ultimate amounts, if any, with respect to this litigation is not determinable. Accordingly, no amount has been recorded in these consolidated financial statements as at March 31, 2008.

NOTE 20

Adjustments required to reflect net cash receipts from gas sales

	2008	2007
Changes in		
Accrued gas accounts payable	$ 5,465	$ 3,156
Unbilled revenues	(8,085)	(2,232)
	$ (2,620)	$ 924

NOTE 21

Changes in non-cash working capital

	2008	2007
Accounts receivable	$ (14,887)	$ (27,029)
Gas in storage	1,609	(1,081)
Prepaid expenses	(134)	(636)
Corporate taxes recoverable	1,661	(400)
Accounts payable and accrued liabilities	(694)	(187)
Management incentive program payable	981	(6)
Other	(415)	1,028
	$ (11,879)	$ (28,311)

NOTE 22

Comparative consolidated financial statements

Certain figures from the comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the current year's consolidated financial statements.

Concept and Design: THE WORKS www.worksdesign.com Printing: Grafikom Executive Photography: Matthew Plexman

CORPORATE INFORMATION

Head office
Energy Savings Income Fund
First Canadian Place, 100 King Street West
Suite 2630, P.O. Box 355
Toronto, ON M5X 1E1

For financial information contact:
Peter Bloch, C.A.
Chief Financial Officer
905-795-4206

For further information contact:
Rebecca MacDonald
Executive Chair and Co-Chief Executive Officer
416-367-2872
or
Ken Hartwick, C.A.
Co-Chief Executive Officer
905-795-3557

Auditors
KPMG LLP, Toronto, ON, Canada

Transfer Agent and Registrar
Computershare Investor Services Inc.
100 University Avenue
Toronto, ON M5J 2Y1

Shares listed
Toronto Stock Exchange
Trading symbol: SIF.UN

Annual General Meeting
Wednesday, June 25, 2008
4:00 p.m.
TSX Broadcast Centre
130 King Street West, Toronto, ON

www.esif.ca

EXHIBIT C-2
SEC FILINGS
Commerce Energy, Inc. d.b.a. Commerce Energy of Ohio

Please refer to Exhibit C-1 for the parent company's most recent securities filing information. Also attached is a copy of a recent material change notice and Just Energy's most recent quarterly report filed with the Canadian Securities and Exchange Commission

JUST ENERGY INCOME FUND ANNOUNCES COMPLETION OF THE ACQUISITION OF UNIVERSAL ENERGY GROUP LTD.

TORONTO, July 2, 2009 - Just Energy Income Fund (TSX - JE.UN) ("**Just Energy**") and Just Energy Exchange Corp. ("**ExchangeCo**") are pleased to announce that Just Energy's acquisition of Universal Energy Group Ltd. (TSX - UEG) ("**Universal**") pursuant to a plan of arrangement (the "**Arrangement**") was completed on July 1. Under the Arrangement, Universal shareholders received 0.58 of an exchangeable share ("**Exchangeable Share**") of ExchangeCo, a subsidiary of Just Energy, for each Universal common share ("**Universal Share**") held. In aggregate, 21,271,804 Exchangeable Shares were issued by ExchangeCo to Universal shareholders pursuant to the Arrangement. A total of 4,348,314 of these Exchangeable Shares were subsequently exchanged for a total of 4,348,314 trust units of Just Energy ("**Trust Unit**") in accordance with elections made by certain Universal shareholders.

Each Exchangeable Share is exchangeable for a Trust Unit on a one-for-one basis at any time at the option of the holder and entitles the holder to a monthly dividend equal to $66^2/_3$% of the monthly distribution paid by the Fund on a Trust Unit. The first dividend or distribution that former Universal shareholders will be eligible to receive on their Exchangeable Shares or Trust Units, as the case may be, will be the dividend or distribution to be paid on or about July 31, 2009 to holders of Exchangeable Shares and Trust Units of record on July 15, 2009.

The Universal Shares are expected to be de-listed from the Toronto Stock Exchange ("**TSX**"), and the Exchangeable Shares are expected to be listed on the TSX, at the open of trading on July 6, 2009. The Exchangeable Shares will trade under the symbol JEX.

In connection with the Arrangement, ExchangeCo assumed all of the covenants and obligations of Universal in respect of Universal's 6.0% convertible unsecured subordinated debentures (TSX – UEG. DB) ("**Debentures**"). On conversion of the Debentures, holders will now be entitled to receive 0.58 of an Exchangeable Share in lieu of each Universal Share that the holder was previously entitled to receive on conversion. The revised conversion price for the Debentures is $36.63 per Exchangeable Share, or approximately 27.3 Exchangeable Shares per $1,000 principal amount of Debentures.

The Debentures are expected to be de-listed from the TSX as Debentures of Universal, and the Debentures are expected to be listed for trading on the TSX as Debentures of ExchangeCo, at the open of trading on July 6, 2009. The Debentures of ExchangeCo will trade under the symbol JEX.DB.

Rebecca MacDonald, Executive Chair of Just Energy, noted: "I am very pleased to announce the completion of the acquisition of Universal Energy Group. The two companies are a remarkable fit and combined make a much stronger competitor in the North American market for deregulated utility services. In addition, adding Universal will help expand our footprint in high growth United States markets. Management believes that this transaction will be accretive financially to unitholders both in the short and long terms. I am pleased to welcome Mark Silver and many of the Universal employees on board."

Ken Hartwick, CEO and President of Just Energy, added: "This is an exciting transaction for Just Energy and our unitholders. The combination of the two sales forces should provide a potent growth engine to market not only our traditional products, but also innovative *Green Energy Option* initiatives including high efficiency and tankless water heaters, through National Home Services."

Mark Silver, CEO of Universal, said: "We are pleased to proceed into the future with Just Energy. The combined company brings financial strength and market credibility as we move forward to be a leader in our industry. The result should be financially beneficial to Universal's shareholders."

The Fund

Just Energy's business involves the sale of natural gas and/or electricity to residential and commercial customers under long-term fixed-price and price-protected contracts. By fixing the price of natural gas or electricity under its fixed-price or price-protected program contracts for a period of up to five years, Just Energy' customers offset their exposure to changes in the price of these essential commodities. Just Energy, which commenced business in 1997, derives its margin or gross profit from the difference between the fixed price at which it is able to sell the commodities to its customers and the fixed price at which it purchases the associated volumes from its suppliers.

The Fund also offers "green' products through its Green Energy Option (GEO) program. The electricity GEO product offers the customer the option of having all or a portion of his or her electricity sourced from renewable green sources such as wind, run of the river hydro or biomass. The gas GEO product offers carbon offset credits which will allow the customer to reduce or eliminate the carbon footprint for their home or business. Management believes that these products will not only add to profits, but also increase sales receptivity and improve renewal rates.

In addition, through National Home Services, the fund sells and rents high efficiency and tankless waterheaters and produces and sells wheat-based ethanol through its subsidiary Terra Grain Fuels.

Non GAAP Measures

Adjusted net income (loss) represents the net income (loss) excluding the impact of mark-to-market gains (losses) arising from Canadian GAAP requirements for derivative financial instruments on our future supply positions. Just Energy ensures that customer margins are protected by entering into fixed-price supply contracts. In accordance with GAAP, the customer margins are not marked-to-market but there is a requirement to mark-to-market the future supply contracts. This creates unrealized gains (losses) depending upon current supply pricing volatility. Management believes that these short-term mark-to-market non-cash gains (losses) do not impact the long-term financial performance of the Fund.

Management also believes the best basis for analyzing both the Fund's operating results and the amount available for distribution is to focus on amounts actually received ("seasonally adjusted"). Seasonally adjusted analysis applies solely to the Canadian gas market (excluding Alberta and B.C.). Just Energy receives payment from the LDCs upon delivery of the commodity not when the customer actually consumes the gas. Seasonally adjusted analysis eliminates seasonal commodity consumption variances and recognizes amount available for distribution based on cash received from the LDCs.

Forward-Looking Statements

The Fund's press releases may contain forward-looking statements including statements pertaining to customer revenues and margins, customer additions and renewals, customer attrition, customer consumption levels, distributable cash and treatment under governmental regulatory regimes. These statements are based on current expectations that involve a number of risks and uncertainties which could cause actual results to differ from those anticipated. These risks include, but are not limited to, levels of customer natural gas and electricity consumption, rates of customer additions and renewals, rates of customer attrition, fluctuations in natural gas and electricity prices, changes in regulatory regimes and decisions by regulatory authorities, competition and dependence on certain suppliers. Additional information on these and other factors that could affect the Fund's operations, financial results or distribution levels are included in the Fund's annual information form and other reports on file with Canadian securities regulatory authorities which can be accessed through the SEDAR website at www.sedar.com or through the Fund's website at www.esif.ca

The Toronto Stock Exchange has neither approved nor disapproved of the contents of this release.

FOR FURTHER INFORMATION PLEASE CONTACT:

Ms. Rebecca MacDonald
Executive Chair

Phone: (416) 367-2872

Mr. Ken Hartwick, C.A.
Chief Executive Officer

Phone: (905) 795-3557

Ms. Beth Summers, C.A.
Chief Financial Officer

Phone: (905) 795-4206

or

Mark L. Silver
Chief Executive Officer
Universal Energy Group Ltd.

Phone: (416) 221-9066 ext. 244

FORM 51-102F3

MATERIAL CHANGE REPORT

1. Name and Address of Reporting Issuer:

Just Energy Exchange Corp. ("**ExchangeCo**")
Suite 2630, First Canadian Place, 100 King Street West
Toronto, Ontario M5X 1E1

2. Date of Material Change:

July 1, 2009

3. News Release:

A press release disclosing in detail the material summarized in this material change report was disseminated through the facilities of a recognized newswire service on July 2, 2009.

4. Summary of Material Change:

ExchangeCo and Just Energy Income Fund ("**Just Energy**") jointly announced the successful completion of the acquisition of Universal Energy Group Ltd. ("**Universal**") by Just Energy in accordance with a plan of arrangement (the "**Arrangement**"), pursuant to which holders ("**Universal Shareholders**") of Universal common shares ("**Universal Shares**") received 0.58 of an exchangeable share, series 1 ("**Exchangeable Share**") of ExchangeCo, a subsidiary of Just Energy, for each Universal Share held. In aggregate, 21,271,804 Exchangeable Shares were issued by ExchangeCo to Universal Shareholders under the Arrangement. A total of 4,348,314 of these Exchangeable Shares were subsequently exchanged for a total of 4,348,314 trust units of Just Energy ("**Trust Unit**") in accordance with elections made by certain Universal Shareholders.

5. Full Description of Material Change:

ExchangeCo and Just Energy jointly announced the successful completion of the acquisition of Universal by Just Energy in accordance with the Arrangement, pursuant to which Universal Shareholders received 0.58 of an Exchangeable Share for each Universal Share held. In aggregate, 21,271,804 Exchangeable Shares were issued by ExchangeCo to Universal Shareholders under the Arrangement. A total of 4,348,314 of these Exchangeable Shares were subsequently exchanged for a total of 4,348,314 Trust Units in accordance with elections made by certain Universal Shareholders.

Each Exchangeable Share is exchangeable for a Trust Unit on a one-for-one basis at any time at the option of the holder and entitles the holder to a monthly dividend equal to 66⅔% of the monthly distribution paid by Just Energy on a Trust Unit. The first dividend or distribution that former Universal Shareholders are eligible to receive on their Exchangeable Shares or Trust Units, as the case may be, is the dividend or distribution to be paid on July 31, 2009 to holders of Exchangeable Shares and Trust Units of record on July 15, 2009.

The Universal Shares were de-listed from the Toronto Stock Exchange ("**TSX**"), and the Exchangeable Shares were listed on the TSX, at the open of trading on July 6, 2009. The Exchangeable Shares trade under the symbol JEX.

In connection with the Arrangement, ExchangeCo assumed all of the covenants and obligations of Universal in respect of Universal's 6.0% convertible unsecured subordinated debentures ("**Debentures**"). On conversion of the Debentures, holders are now entitled to receive 0.58 of an Exchangeable Share in lieu of each Universal Share that the holder was previously entitled to receive on conversion. The revised conversion price for the Debentures is $36.63 per Exchangeable Share, or approximately 27.3 Exchangeable Shares per $1,000 principal amount of Debentures.

The Debentures were de-listed from the TSX as Debentures of Universal, and the Debentures were listed for trading on the TSX as Debentures of ExchangeCo, at the open of trading on July 6, 2009. The Debentures of ExchangeCo trade under the symbol JEX.DB.

For further information, see ExchangeCo's press release dated July 2, 2009, a copy of which is attached hereto as Schedule "A". Additional information concerning ExchangeCo and Just Energy is available on SEDAR at www.sedar.com.

6. Reliance on subsection 7.1(2) of National Instrument 51-102:

Not applicable.

7. Omitted Information:

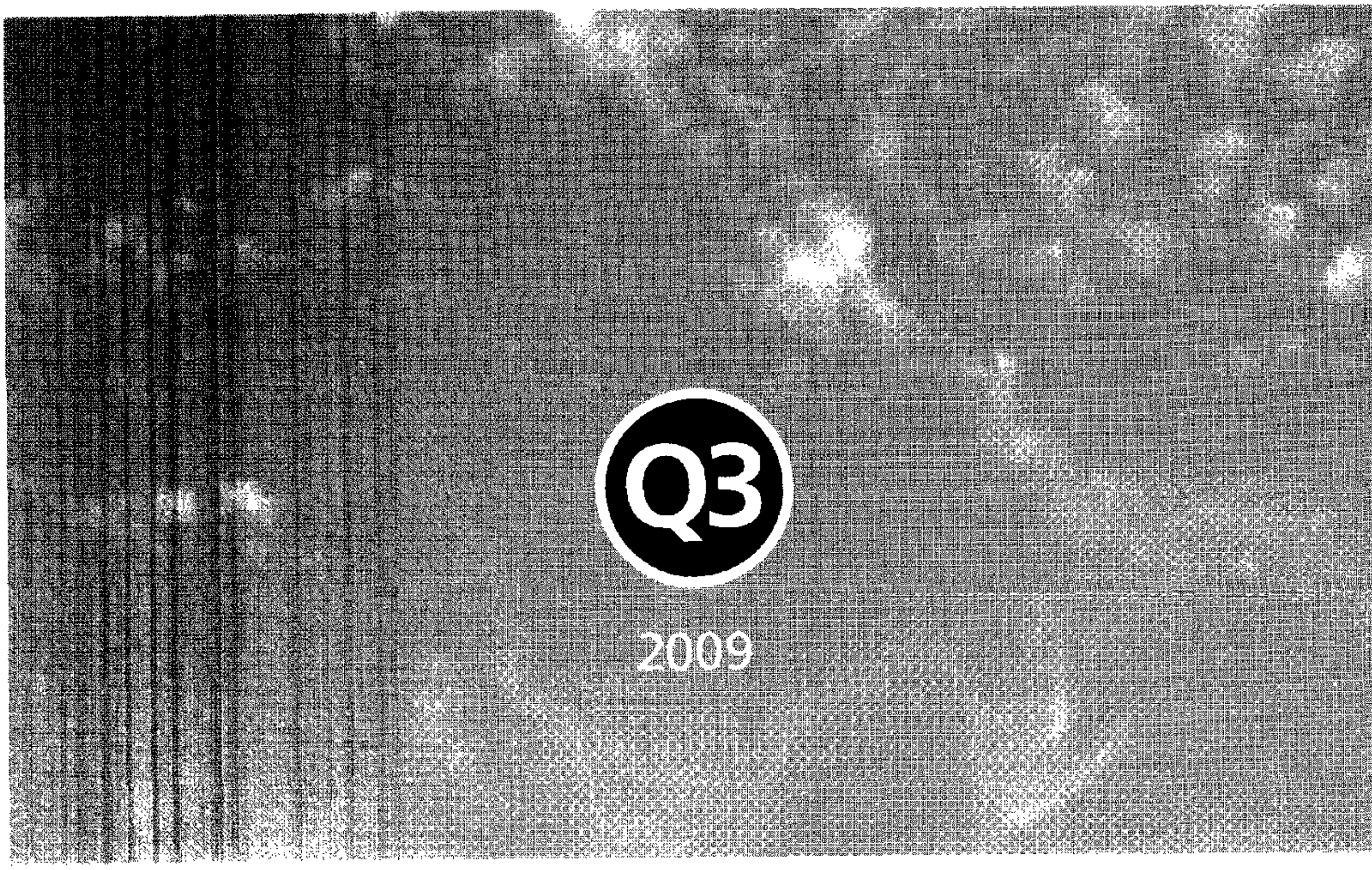
Not applicable.

8. Executive Officer:

The name and business telephone number of an executive officer of ExchangeCo who is knowledgeable about the material change and this report is Ms. Beth Summers, Chief Financial Officer, telephone (905) 795-4206.

9. Date of Report:

July 8, 2009



THIRD QUARTER REPORT

ENERGY
SAVINGS INCOME FUND

PROFILE

Energy Savings' business involves the sale of natural gas and electricity to residential and commercial customers under long-term irrevocable fixed-price contracts (price-protected for electricity). Energy Savings offers natural gas in Ontario, Manitoba, Alberta, Quebec, B.C., Illinois and Indiana. Energy Savings also markets electricity in Ontario, Alberta, New York and Texas. By securing the price for natural gas or electricity under such contracts for a period of up to five years, Energy Savings' customers reduce or eliminate their exposure to changes in the price of these essential commodities. Energy Savings trades on the Toronto Stock Exchange under the symbol SIF.UN.

HIGHLIGHTS

for the three months ended December 31, 2008, included:

- **Sales (seasonally adjusted) of $510.8 million, up 11% year over year.**
- **Gross margin (seasonally adjusted) of $87.6 million, up 23% year over year.**
- **Adjusted net income of $46.7 million ($0.42 per unit), up 34% year over year.**
- **Distributable cash after gross margin replacement of $57.5 million ($0.51 per unit), up 22% year over year.**
- **Distributable cash of $48.2 million ($0.43 per unit), up 13% year over year.**
- **Gross customer additions of 94,000, up 19% versus the third quarter of 2008. Net customer additions of 23,000, the highest in the past year.**
- **Management reaffirms fiscal 2009 guidance at the upper end of the 5% to 10% growth target range for both gross margin and distributable cash.**
- **Management confirms sustainability of distributions.**
- **Special Distribution of $0.165 per unit.**

MESSAGE FROM THE CEO

Fellow Unitholders,

As was the case in my prior quarterly message, our results for the third quarter continued to be overshadowed by the deep recession that has enveloped the global economy. It is a difficult time for investors to determine which investments have the safety and resilience necessary to ride out the recession. Let me talk to you about your investment in Energy Savings.

Last quarter, I pointed out that our products are essential commodities for homeowners and small businesses. Further, uncertain economic times make insurance products, such as ours, even more attractive to those who value certainty and the ability to budget. Our third quarter results confirm this fact.

Three months ago, we projected that our gross margin and distributable cash would grow in fiscal 2009 by 5% to 10%, despite the fact that our six-month results fell behind the pace needed to meet this target. We were able to do this because of our marketing success in recent quarters and the locked-in nature of our gross margin. Our margins are very predictable. While we benefited from cold weather conditions in December, accompanied by low spot gas prices to fulfill our extra demand, we still would have generated double digit growth in all our key financial measures.

This quarter saw a 23% increase in gross margin versus the third quarter of 2008. This reflected a 5% growth in gas volumes and a 6% growth in electricity volumes, combined with the higher margins we have locked into all our recently added contracts. After all general and administrative costs, including bad debt and the costs of replacing all our lost margin for the quarter, our distributable cash was $0.51 per unit, up 21% from the prior year. Our adjusted net income was $0.42 per unit, up 34% from fiscal 2008.

For the three months ended December 31
(millions of dollars, except per unit amounts)

	Fiscal 2009	Per unit	Fiscal 2008	Per unit
Sales[1]	$ 510.8		$ 459.4	
Gross margin[1]	87.6		71.2	
Distributable cash[1]				
After gross margin replacement	57.5	$ 0.51	47.2	$ 0.43
After marketing expense	48.2	0.43	42.5	0.39
Adjusted net income	46.7	0.42	34.9	0.32
Regular distributions	34.9	0.31	33.0	0.30
Special Distribution	18.6	0.165	44.7	0.41
Long-term customers	1,775,000		1,708,000	

For the nine months ended December 31
(millions of dollars, except per unit amounts)

	Fiscal 2009	Per unit	Fiscal 2008	Per unit
Sales[1]	$ 1,298.8		$ 1,215.5	
Gross margin[1]	209.1		184.2	
Distributable cash[1]				
After gross margin replacement	123.3	$ 1.11	115.7	$ 1.07
After marketing expense	106.8	0.96	98.8	0.91
Adjusted net income	81.2	0.73	69.1	0.64
Regular distributions	103.2	0.93	95.7	0.89
Special Distribution	18.6	0.165	44.7	0.41
Ending annual distribution per unit		1.24		1.21

[1] Seasonally adjusted (non-GAAP measure).

These results, in the midst of a very deep recession, clearly show that Energy Savings' business is as sound and reliable as it has been since its Initial Public Offering ("IPO") in 2001. We have been a growth business and remain a growth business. We reaffirm our growth guidance trending to the top end of our 5% to 10% target range for fiscal 2009.

The recession has caused more and more consumers to think about the need for predictability of monthly costs. Accordingly, receptivity to our independent sales contractors remains strong. Further, Energy Savings is not shrinking its workforce; it is hiring. We continue to add key head office staff to allow our operations to manage the present and future growth we see in our customer base. On top of that, we continue to work towards building our team of independent sales contractors, which currently stands at 600, an increase of 31% from the low earlier this year. We expect to hire more talented people and continue to build what has become a great company.

There are two factors we carefully watch to measure the impact of the economy on our customers. The first is attrition, which can increase with home foreclosures and utility cut-offs for non-payment. Our attrition in Canada continues to run very close to our 10% annual target. The U.S. had seen very high attrition in the gas market, reflecting record foreclosure rates in our target markets. The trailing 12-month attrition for this market spiked to 33% in the second quarter but, while foreclosures remain high, non-foreclosed home sales have fallen sharply, reducing our U.S. gas attrition to an annualized 22% in the third quarter and 31% in the last 12 months. We expect the annualized attrition to remain in the mid-20s as stimulus efforts cut into the foreclosure rate. U.S. electricity attrition was an annualized 19% in the quarter, in line with our 20% U.S. target.

The second factor impacted by the economy is bad debt expense. We bear bad debt risk for approximately 25% of our customers while the utilities absorb bad debt in the remaining jurisdictions. Bad debt expense for the nine months ended December 31 is 2.3% of revenues in Alberta, Illinois and Texas (where we bear the bad debt risk). This is at the lower end of our target range of 2% to 3%. We are carefully monitoring our clients' credit and we believe that losses will remain within the target range even in an extended recession.

We had very strong customer additions in the third quarter. Our sales team generated 94,000 additions in the quarter. While we have added more customers in past quarters through acquisition, this is the highest number of additions (excluding acquired customers) for a quarter in the past five years. It also marks two successively strong quarters following our sales restructuring at the end of last year. Management believes that the steps we have taken are working and will continue to provide the growth we expect.

Customer aggregation

RCEs	September 30, 2008	Additions	Attrition	Failed to renew	December 31, 2008
Natural gas					
Canada	770,000	16,000	(20,000)	(10,000)	756,000
United States	226,000	25,000	(13,000)	–	238,000
Total gas	996,000	41,000	(33,000)	(10,000)	994,000
Electricity					
Canada	579,000	18,000	(13,000)	(3,000)	581,000
United States	177,000	35,000	(9,000)	(3,000)	200,000
Total electricity	756,000	53,000	(22,000)	(6,000)	781,000
Combined	**1,752,000**	**94,000**	**(55,000)**	**(16,000)**	**1,775,000**

As this is being written, we are trading at $9.71 per unit on the TSX. While this is an improvement over our lows, the fundamental value metrics remain out of line with historical market standards.

- Price earnings ratio – adjusted LTM earnings per unit of $1.54 – PE 6.3 times
- Yield – annual distribution (excluding Special Distribution) of $1.24 – 12.8% yield

These ratios are not often associated with a growth company.

Management's fundamental job is to focus on generating a solid operating performance, and I believe the results of the third quarter show the fruits of this effort, which will continue throughout what we believe will be a strong fourth quarter and the years ahead. At the same time, Rebecca MacDonald, our Founder and Executive Chair, will be focusing in the coming months on bringing the Energy Savings story to new investors.

Adjusted net income

One question that retail investors often ask is why we refer to the adjusted earnings of $1.54 for the last 12 months rather than the reported loss of $7.57.

Under Canadian Generally Accepted Accounting Principles ("GAAP"), we are required each quarter to mark the value of future supply positions to market. These supply positions are designed to cover our customer contracts. When commodity prices move, the value of these customer contracts moves in the opposite direction by the same amount. These contracts are not marked to market under GAAP.

Because we have more than $3.6 billion in future purchases, movements in gas and electricity market prices make very substantial differences in mark to market on our future supply. Lower commodity prices created a $1.0 billion mark to market loss in the second quarter and a further $81.3 million loss in the third quarter.

We believe these losses are not significant to the measurement of our operating performance. The increased value of our customer contracts offsets the real impact of this loss. In fact, the last two quarters saw the addition of new customers at higher margins, which not only offset margin realized during the period, but increased the future margin of our overall book of business. The total future margin built into our contracts went from $810.2 million at the end of the first quarter to $856.5 million at the end of the second quarter to $915.3 million at the end of the third quarter.

Adjusted income removes the impact of mark to market on future supply and shows income based on margin and costs actually realized during the quarter. This is the measure used by management to analyze our results, and we believe it provides the most useful information to our Unitholders.

Distributions

Our distribution rate is driven by our distributable cash. Historically, as our distributable cash has increased, so has our rate of distribution. Two factors weigh on our distribution policy. First, the current recession demands prudence in all financial matters. While we are fortunate to have no debt beyond our working capital line, access to the capital markets for acquisitions or other purposes is very limited, even for a business as strong as Energy Savings. Rather than raise distributions, we intend to conserve cash to fund opportunities that will be accretive to Unitholders.

Second, the need to convert to a corporate structure by 2011 must be addressed by all income trusts. Management continues to examine all available options for this conversion and is focused on those that will preserve the high yield nature of Energy Savings. I will be discussing this issue further, in future quarterly messages.

Overall, our ability to pay distributions has never been stronger. Our payout ratio (excluding our tax-driven Special Distribution) was 61% after replacement of all lost margin, down from 70% a year ago. Of the remainder, we used 11% to add new gross margin with 28% going to further strengthen our balance sheet against the troubled economy. As you can see, maintenance of our existing distribution is very comfortable and Energy Savings is in a strong financial position to weather the times ahead.

Green products

A small but growing component of our business is our Green Energy Option ("GEO") product. We offer our customers the opportunity to address climate change and reduce their carbon footprints through the purchase of "green" electricity and carbon credits to offset natural gas usage.

This quarter, we sold annual volumes equal to 45,000 MWh of GEO electricity and 137,000 GJ of GEO gas product. These volumes make us leaders in the provision of "green" energy to residential and small business consumers. Early test sales of tankless and high-efficiency water heaters have also been far higher than expected. The public wants to contribute to a reduced carbon footprint and Energy Savings is providing the method by which to do so. I am pleased to inform our Unitholders that the current GEO customer book is very profitable, showing that social responsibility and profitability can go hand in hand.

I want to thank all of our Unitholders for their support of Energy Savings during these troubled times. I think the third quarter shows that we can generate growth even in the worst of markets and manage that growth into profitability. I hope that the proven strength of Energy Savings will allow our units to provide a safe haven and a solid yield in the turbulent markets ahead.

Yours sincerely,

Ken Hartwick

Ken Hartwick
Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

February 5, 2009

Overview

The following discussion and analysis is a review of the financial condition and results of operations of Energy Savings Income Fund ("Energy Savings" or the "Fund") for the nine months ended December 31, 2008, and has been prepared with all information available up to and including February 5, 2009. This analysis should be read in conjunction with the unaudited interim consolidated financial statements for the three and nine months ended December 31, 2008, as well as the audited consolidated financial statements and related MD&A for the year ended March 31, 2008, contained in the Fund's 2008 Annual Report. The financial information contained herein has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). All dollar amounts are expressed in Canadian dollars. Quarterly reports, the annual report and supplementary information can be found under "reports and filings" on our corporate website at www.esif.ca. Additional information can be found on SEDAR at www.sedar.com.

Energy Savings is an open-ended, limited-purpose trust established under the laws of the Province of Ontario to hold securities and to distribute the income of its directly or indirectly owned operating subsidiaries and affiliates: Ontario Energy Savings L.P. ("OESLP"), Energy Savings (Manitoba) L.P. ("ESMLP"), Energy Savings (Quebec) L.P. ("ESLP"), ES (B.C.) Limited Partnership ("ESBC"), Alberta Energy Savings L.P. ("AESLP"), Illinois Energy Savings Corp. ("IESC"), New York Energy Savings Corp. ("NYESC"), Indiana Energy Savings Corp. ("INESC"), Energy Savings Texas Corp. ("ESTC") and Newten Home Comfort L.P. ("NHCLP").

Energy Savings' business involves the sale of natural gas and/or electricity to residential and commercial customers under long-term fixed-price and price-protected contracts. By fixing the price of natural gas or electricity under its fixed-price or price-protected program contracts for a period of up to five years, Energy Savings' customers offset their exposure to changes in the price of these essential commodities. Energy Savings, which commenced business in 1997, derives its margin or gross profit from the difference between the fixed price at which it is able to sell the commodities to its customers and the fixed price at which it purchases the associated volumes from its suppliers. A new partnership was entered into on July 18, 2008, which involves the marketing, leasing, sale and installation of tankless and high-efficiency water heaters.

Forward-looking information

This MD&A contains certain forward-looking information pertaining to customer additions and renewals, customer consumption levels, distributable cash and treatment under governmental regulatory regimes. These statements are based on current expectations that involve a number of risks and uncertainties which could cause actual results to differ from those anticipated. These risks include, but are not limited to, levels of customer natural gas and electricity consumption, rates of customer additions and renewals, fluctuations in natural gas and electricity prices, changes in regulatory regimes, decisions by regulatory authorities and competition and dependence on certain suppliers. Additional information on these and other factors that could affect the Fund's operations, financial results or distribution levels are included in the Fund's annual information form and other reports on file with Canadian security regulatory authorities which can be accessed on our corporate website at www.esif.ca or through the SEDAR website at www.sedar.com.

Practice change

Effective July 1, 2008, the Fund changed its practice from treating future supply hedging positions as hedges for accounting purposes. Accordingly, all future mark to market adjustments will be reflected in the Statement of Operations. In the view of management, the financial statements offered no greater clarity and were very labour intensive and costly to produce. The new accounting practice consolidates all the unrealized, non-cash changes in value of future supply into a single line on the consolidated statements of operations. The Fund's MD&A reports the adjusted net income excluding these non-cash mark to market adjustments for the hedges and the related tax effect. This is important because, given commodity volatility and the size of the Fund, the quarterly swings in mark to market on these positions can be in the hundreds of millions of dollars. At the same time, the expected future net margin from the supply and customer contracts is effectively unchanged with these market movements.

Energy Savings believes that the result of this accounting change and the associated MD&A disclosure is that actual period operating results will be more transparent for investors.

Key terms

"LDC" means a local distribution company, the natural gas or electricity distributor for a regulatory or governmentally defined geographic area.

"RCE" means residential customer equivalent or the "customer", which is a unit of measurement equivalent to a customer using, as regards natural gas, 2,815 m^3 (or 106 GJ or 1,000 therms or 1,025 CCF) of natural gas on an annual basis and, as regards electricity, 10 MWh (or 10,000 kWh) of electricity on an annual basis, which represents the approximate amount of gas and electricity, respectively, used by a typical household in Ontario.

"Delivered volume" represents the actual volume of gas and electricity provided on behalf of customers to the LDCs for the period.

"Annualized volume/Customers" represents the utility projection of the total volume of gas and/or electricity to be delivered for each 12-month period for customers in place at a point in time. The period growth in annualized volume equates to the growth in Energy Savings' customers for the same period.

"UV" represents the per unit volume of natural gas (gigajoule/GJ) or electricity (megawatt hour/MWh) consumption.

"Gross margin per UV" represents the gross margin realized on Energy Savings' delivered volume per unit, including both low margin customers acquired through various acquisitions and gains/losses from sales of excess commodity supply.

Non-GAAP financial measures

All non-GAAP financial measures do not have standardized meanings prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers.

Seasonally adjusted sales and seasonally adjusted gross margin

Management believes the best basis for analyzing both the Fund's results and the amount available for distribution is to focus on amounts actually received ("seasonally adjusted"). Seasonally adjusted sales and gross margin are not defined performance measures under Canadian GAAP. Seasonally adjusted analysis applies solely to the Canadian gas market and specifically to Ontario, Quebec and Manitoba.

No seasonal adjustment is required for electricity as the supply is balanced daily. In the other gas markets, payments for supply by the LDCs are aligned with customer consumption.

Cash Available for Distribution

"Distributable cash after marketing expense" refers to the net cash available for distribution to Unitholders. Seasonally adjusted gross margin is the principal contributor to cash available for distribution. Distributable cash is calculated by the Fund as seasonally adjusted gross margin, adjusted for cash items including general and administrative expenses, marketing expenses, capital tax, bad debt expense, interest expense, corporate taxes and other adjustments. This non-GAAP measure may not be comparable to other income funds.

"Distributable cash after gross margin replacement" represents the net cash available for distribution to Unitholders as defined above. However, only the marketing expenses associated with maintaining the Fund's gross margin at a stable level equal to that in place at the beginning of the year are deducted. Management believes that this is more representative of the operating performance of the Fund and the measure used internally. This non-GAAP measure may not be comparable to other income funds.

For reconciliation to cash from operating activities please refer to the "Cash Available for Distribution and distributions" analysis on page 10.

Adjusted net income (loss)

"Adjusted net income (loss)" represents the net income (loss) excluding the impact of mark to market gains (losses) arising from Canadian GAAP requirements for derivative financial instruments related to our future supply positions. Energy Savings ensures that customer margins are protected by entering into fixed-price supply contracts. In accordance with GAAP, the customer margins are not marked to market, but there is a requirement to mark to market the future supply contracts. This creates unrealized gains (losses) depending upon current supply pricing volatility.

Management believes that these short-term mark to market non-cash gains (losses) do not impact the long-term financial performance of the Fund. The related future supply has been sold under long-term customer contracts at fixed prices; therefore the quarter-to-quarter movement in the theoretical value of this future supply is not a relevant measure of operating performance.

Standardized Distributable Cash

Standardized Distributable Cash is a non-GAAP measure developed to provide a consistent and comparable measurement of distributable cash across entities.

"Standardized Distributable Cash" is defined as cash flows from operating activities, as reported in accordance with GAAP, less an adjustment for total capital expenditures as reported in accordance with GAAP and restrictions on distributions arising from compliance with financial covenants restrictive at the date of the calculation of Standardized Distributable Cash.

For reconciliation to cash from operating activities please refer to the "Standardized Distributable Cash and Cash Available for Distribution" analysis on page 13.

Financial highlights

For the three months ended December 31
(thousands of dollars, except where indicated and per unit amounts)

	Fiscal 2009			Fiscal 2008	
	$	Per unit	Change	$	Per unit
Sales	513,608	$ 4.57	14%	449,673	$ 4.13
Net income (loss)[1]	(49,094)	(0.44)		28,064	0.26
Adjusted net income (loss)[2]	46,682	0.42	34%	34,890	0.32
Gross margin (seasonally adjusted)	87,554	0.78	23%	71,247	0.65
Distributable cash					
After gross margin replacement	57,475	0.51	22%	47,242	0.43
After marketing expense	48,162	0.43	13%	42,462	0.39
Distributions (including Special Distribution[3])	53,434	0.48	(31)%	77,654	0.71
Distributions (excluding Special Distribution)	34,860	0.31	6%	32,963	0.30
General and administrative	14,753	0.13	19%	12,416	0.11
Distributable cash payout ratio[3] (including Special Distribution)					
After gross margin replacement	93%			164%	
After marketing expense	111%			183%	
Distributable cash payout ratio[4] (excluding Special Distribution)					
After gross margin replacement	61%			70%	
After marketing expense	72%			77%	

For the nine months ended December 31
(thousands of dollars, except where indicated and per unit amounts)

	Fiscal 2009			Fiscal 2008	
	$	Per unit	Change	$	Per unit
Sales	1,185,640	$ 10.65	9%	1,086,073	$ 10.04
Net income (loss)[1]	(938,852)	(8.44)		58,736	0.54
Adjusted net income (loss)[2]	81,185	0.73	18%	69,060	0.64
Gross margin (seasonally adjusted)	209,050	1.88	13%	184,220	1.70
Distributable cash					
After gross margin replacement	123,276	1.11	7%	115,663	1.07
After marketing expense	106,838	0.96	8%	98,842	0.91
Distributions (including Special Distribution[3])	121,724	1.09	(13)%	140,398	1.30
Distributions (excluding Special Distribution)	103,150	0.93	8%	95,707	0.89
General and administrative	41,436	0.37	20%	34,500	0.32
Distributable cash payout ratio[3] (including Special Distribution)					
After gross margin replacement	99%			121%	
After marketing expense	114%			142%	
Distributable cash payout ratio[4] (excluding Special Distribution)					
After gross margin replacement	84%			83%	
After marketing expense	97%			97%	

1 Net income (loss) includes the impact of unrealized gains (losses) which represent the mark to market of future commodity positions acquired to cover future customer demand. The supply has been sold to customers at fixed prices minimizing any relevance of quarter end mark to market gains and losses.

2 Adjusted net income (loss) is a more relevant measure of the performance of the Fund since the underlying supply is held to its maturity, and therefore, quarterly mark to market gains and losses do not impact the long-term financial performance of the Fund.

3 In calendar 2008 and 2007 the Fund under-distributed its taxable income and the Board of Directors concluded that a Special Distribution would be paid to ensure that all taxable income would be distributed. Refer to "Special Distribution" on page 25 for further information.

4 In past years, payout ratio typically exceeds 100% for the first two quarters and is less than 100% in the third and fourth quarter.

Operations

Gas

In each of the markets that Energy Savings operates, it is required to deliver gas to the LDCs for its customers throughout the year. Gas customers are charged a fixed price for the full term of their contract. Energy Savings purchases gas supply in advance of marketing. The LDC provides historical customer usage to enable Energy Savings to purchase an approximation of matched supply. Furthermore, in many markets, Energy Savings has an option strategy that covers the estimated forecast differences in customer consumption due to weather variations. The cost of this strategy is incorporated in the price to the customer. To the extent that balancing requirements are outside the options purchased, Energy Savings bears the financial responsibility for fluctuations in customer usage. Volume variances may result in either excess or short supply. Excess supply is sold in the spot market resulting in either a gain or loss compared to the weighted average cost of supply. In the case of greater-than-expected gas consumption, Energy Savings must purchase the short supply at the market price, which may reduce or increase the customer gross margin typically realized.

Ontario, Quebec and B.C.

In Ontario, Quebec and B.C., the volumes delivered for a customer typically remain constant throughout the year. Energy Savings does not recognize sales until the customer actually consumes the gas. During the winter months, gas is consumed at a rate which is greater than delivery and in the summer months, deliveries to LDCs exceed customer consumption. Energy Savings receives cash from the LDCs as the gas is delivered, which is even throughout the year.

Manitoba and Alberta

In Manitoba and Alberta, the volume of gas delivered is based on the estimated consumption for each month. Therefore, the amount of gas delivered in winter months is higher than in the spring and summer months. Consequently, cash received from customers and LDCs will be higher in the winter months.

Alberta's regulatory environment is different from the other Canadian provincial markets. In Alberta, Energy Savings is required to invoice and receive payments directly from customers. Energy Savings has entered into an agreement with EPCOR Utilities Inc. ("EPCOR") for the provision of billing and collection services in Alberta. EPCOR continues to be the billing agent for customers aggregated in Alberta.

New York, Illinois and Indiana

In New York, Illinois and Indiana, the volume of gas delivered is based on the estimated consumption and storage requirements for each month. Therefore the amount of gas delivered in winter months is higher than in the spring and summer months. Consequently, cash flow from the New York, Illinois and Indiana operations is greatest during the third and fourth (winter) quarters, as normally, cash is received from the LDCs in the same period as customer consumption.

Electricity

Ontario, Alberta, New York and Texas

Energy Savings does not bear the risk for variations in customer consumption in any of the markets in which it operates other than the commercial customers acquired in Texas. In Ontario and New York, Energy Savings provides customers with price protection for the majority of their electricity requirements. The customers experience either a small balancing charge or credit on each billing due to fluctuations in prices applicable to their volume requirements not covered by a fixed price. In Alberta, Energy Savings offers a load-following product for which it has acquired load-following supply and therefore does not have exposure to variances in customer consumption. Effectively all future offerings for Texas customers will be a load balanced product and Energy Savings will not bear the risk for variations in customer consumption.

Cash flow from electricity operations is greatest during the second and fourth quarters (summer and winter), as electricity consumption is typically highest during these periods.

Cash Available for Distribution and distributions

For the three months ended December 31
(thousands of dollars, except per unit amounts)

	Fiscal 2009		Fiscal 2008	
		Per unit		Per unit
Reconciliation to statements of cash flow				
Cash inflow from operations	$ 15,962		$ 8,773	
Add:				
Increase in non-cash working capital	31,297		31,448	
Tax impact on distributions to Class A preference shareholders	903		2,241	
Cash available for distribution	$ 48,162		$ 42,462	
Cash available for distribution				
Gross margin per financial statements	$ 89,826	$ 0.80	$ 68,899	$ 0.63
Adjustments required to reflect net cash receipts from gas sales	(2,272)		2,348	
Seasonally adjusted gross margin	$ 87,554	$ 0.78	$ 71,247	$ 0.65
Less:				
General and administrative	(14,753)		(12,416)	
Capital tax expense	(198)		(31)	
Bad debt expense	(4,224)		(1,153)	
Income tax provision	(1,896)		(13)	
Interest expense	(1,121)		(1,511)	
Other items	1,579		275	
	(20,613)		(14,849)	
Distributable cash before marketing expenses	66,941	$ 0.60	56,398	$ 0.52
Marketing expenses to maintain gross margin	(9,466)		(9,156)	
Distributable cash after gross margin replacement	57,475	$ 0.51	47,242	$ 0.43
Marketing expenses to add new gross margin	(9,313)		(4,780)	
Cash available for distribution	$ 48,162	$ 0.43	$ 42,462	$ 0.39
Distributions (includes Special Distribution)				
Unitholder distributions	$ 50,426		$ 70,876	
Class A preference share distributions	2,500		6,203	
Unit appreciation rights and deferred unit grants distributions	508		575	
Total distributions	$ 53,434	$ 0.48	$ 77,654	$ 0.71
Distributions (excludes Special Distribution)				
Unitholder distributions	$ 32,899		$ 30,085	
Class A preference share distributions	1,631		2,634	
Unit appreciation rights and deferred unit grants distributions	330		244	
Total distributions	$ 34,860	$ 0.31	$ 32,963	$ 0.30
Diluted average number of units outstanding		112.4m		109.0m

Cash Available for Distribution and distributions

For the nine months ended December 31
(thousands of dollars, except per unit amounts)

	Fiscal 2009		Fiscal 2008	
		Per unit		Per unit
Reconciliation to statements of cash flow				
Cash inflow from operations	$ 78,967		$ 72,353	
Add:				
Decrease in non-cash working capital	25,694		22,419	
Tax impact on distributions to Class A preference shareholders	2,177		4,070	
Cash available for distribution	$ 106,838		$ 98,842	
Cash available for distribution				
Gross margin per financial statements	$ 189,173	$ 1.70	$ 164,315	$ 1.52
Adjustments required to reflect net cash receipts from gas sales	19,877		19,905	
Seasonally adjusted gross margin	$ 209,050	$ 1.88	$ 184,220	$ 1.70
Less:				
General and administrative	(41,436)		(34,500)	
Capital tax expense	(198)		(826)	
Bad debt expense	(7,749)		(3,679)	
Income tax recovery (provision)	(2,654)		859	
Interest expense	(2,977)		(3,815)	
Other items	2,421		579	
	(52,593)		(41,382)	
Distributable cash before marketing expenses	156,457	$ 1.41	142,838	$ 1.32
Marketing expenses to maintain gross margin	(33,181)		(27,175)	
Distributable cash after gross margin replacement	123,276	$ 1.11	115,663	$ 1.07
Marketing expenses to add new gross margin	(16,438)		(16,821)	
Cash available for distribution	$ 106,838	$ 0.96	$ 98,842	$ 0.91
Distributions (includes Special Distribution)				
Unitholder distributions	$ 114,526		$ 128,077	
Class A preference share distributions	6,028		11,267	
Unit appreciation rights and deferred unit grants distributions	1,170		1,054	
Total distributions	$ 121,724	$ 1.09	$ 140,398	$ 1.30
Distributions (excludes Special Distribution)				
Unitholder distributions	$ 96,999		$ 87,286	
Class A preference share distributions	5,159		7,698	
Unit appreciation rights and deferred unit grants distributions	992		723	
Total distributions	$ 103,150	$ 0.93	$ 95,707	$ 0.89
Diluted average number of units outstanding		111.3m		108.2m

Distributable cash

Distributable cash after gross margin replacement for the current quarter was $57.5 million ($0.51 per unit), up 22% from $47.2 million ($0.43 per unit) in the prior year comparable quarter. The growth is attributed to a 23% increase in seasonally adjusted gross margin. Factors which aided margin growth included net customer additions, increased consumption due to the cold winter weather with lower supply costs to meet this demand, and favourable U.S. exchange rates.

The higher gross margins in the quarter were offset by increased general and administration costs and bad debt expenses. Increased general and administrative costs of 19% over the prior year comparable quarter were incurred primarily due to increased staffing in our corporate office to support our growth and an increase in collection outsourcing fees. Bad debt expense increased in the current quarter versus the same period last year due to the increased revenue in those markets where the Fund bears the credit risk, as well as very weak economic conditions in the markets. In addition, during fiscal 2008, the Fund reversed an excess bad debt reserve which reduced the comparable bad debt expense for the third quarter.

Energy Savings spent $9.5 million in marketing expenses to maintain its current level of gross margin, which represents 50% of the total marketing expense for the quarter. A further $9.3 million was spent to increase future gross margin reflecting the 23,000 net RCE additions for the quarter. Management's estimate of the future contracted gross margin grew to $915.3 million, up from $856.5 million in the second quarter of fiscal 2009.

Distributable cash after all marketing expenses amounted to $48.2 million ($0.43 per unit) for the third quarter of fiscal 2009, an increase of 13% from $42.5 million ($0.39 per unit) in the prior comparable quarter. The increase is due to the reasons noted above. Excluding Special Distribution, the payout ratio after deduction of all marketing expenses for the current quarter was 72%, versus 77% in the prior year comparable quarter.

Distributable cash after gross margin replacement for the nine months ended December 31, 2008, was $123.3 million ($1.11 per unit), an increase of 7% from $115.7 million ($1.07 per unit) in the prior year comparable period. Distributable cash after marketing expenses was $106.8 million ($0.96 per unit) for the first nine months of fiscal 2009, an increase of 8% from $98.8 million ($0.91 per unit) for the same period in fiscal 2008.

After deduction of all marketing expenses and excluding Special Distribution, the payout ratio for the nine months ended December 31, 2008, was 97% unchanged from the same period in fiscal 2008.

For further information on the changes in the gross margin, please refer to "Sales and gross margin – seasonally adjusted" on page 16, and "General and administrative expenses", "Marketing expenses", "Bad debt expense" and "Interest expense" are further clarified on pages 23 to 25.

Discussion of distributions

(thousands of dollars)

	For the three months ended December 31, 2008	For the three months ended December 31, 2007	For the nine months ended December 31, 2008	For the nine months ended December 31, 2007
Cash flow from operations[1] (A)	**$ 15,962**	$ 8,773	**$ 78,967**	$ 72,353
Net income (loss) (B)	**(49,094)**	28,074	**(938,852)**	58,736
Total distributions[2] (C)	**53,434**	77,654	**121,724**	140,398
Excess (shortfall) of cash flows from operating activities over distributions paid (A-C)	**(37,472)**	(68,881)	**(42,757)**	(68,045)
Shortfall of net income (loss) over distributions paid (B-C)	**(102,528)**	(49,580)	**(1,060,576)**	(81,662)

1 Includes non-cash working capital balances.

2 Includes a one-time Special Distribution of $18,574 in fiscal 2009 and $44,691 in fiscal 2008.

Net income includes non-cash gains and losses associated with the changes in the current market value of Energy Savings' financial instruments. These instruments form part of the Fund's requirement to purchase commodity according to estimated demand and, as such, quarterly changes in value do not impact the distribution policy or the long-term financial performance of the Fund. Effective July 1, 2008, Energy Savings elected to discontinue the practice of hedge accounting and all gains and losses on financial instruments have been recorded in change in fair value of derivative instruments.

The change in fair value associated with these derivatives included in the net loss was $81.3 million and $1.1 billion for the three and nine months ended December 31, 2008, respectively. In fiscal 2008, Energy Savings had elected to use hedge accounting and thus was able to book the changes in fair value predominantly to other comprehensive income. The change in fair value for the three- and nine-month periods ended December 31, 2007, was $6.4 million and $12.1 million, respectively.

The opening balance of $540.0 million included in accumulated other comprehensive income on July 1, 2008, representing the change in fair values that were previously recorded in the consolidated statements of comprehensive income related to the financial instruments, will now be amortized, net of future income tax, through the consolidated statements of operations over the remaining life of the contracts. The change in fair value of $81.3 million for the three months ended December 31, 2008, recorded in the income statement includes amortization of $78.6 million for the quarter.

As can be seen in the table on the previous page, the Fund has historically paid out distributions that were higher than both financial statement net income (loss) and operating cash flow. In the view of management, the non-GAAP measure, distributable cash, is an appropriate measure of the Fund's ability to distribute funds, as the cost of carrying incremental working capital necessary for the growth of the business has been deducted in the distributable cash calculation. Further, investment in the addition of new customers intended to increase cash flow is expensed in the financial statements while the original customer base was capitalized. Management believes that the current level of distributions is sustainable in the foreseeable future.

The timing differences between distributions and cash flow from operations created by the cost of carrying incremental working capital due to business seasonality and expansion are funded by the operating credit facility.

Standardized Distributable Cash and Cash Available for Distribution

(thousands of dollars, except per unit amounts)

	For the three months ended December 31, Fiscal 2009	For the three months ended December 31, Fiscal 2008	For the nine months ended December 31, Fiscal 2009	For the nine months ended December 31, Fiscal 2008
Reconciliation to statements of cash flow				
Cash inflow from operations	$ 15,962	$ 8,773	$ 78,967	$ 72,353
Capital expenditures[1]	(1,667)	(3,783)	(2,993)	(8,083)
Standardized Distributable Cash	$ 14,295	$ 4,990	$ 75,974	$ 64,270
Adjustments to Standardized Distributable Cash				
Change in non-cash working capital[2]	$ 31,297	$ 31,448	$ 25,694	$ 22,419
Tax impact on distributions to Class A preference shareholders[3]	903	2,241	2,177	4,070
Capital expenditures[1]	1,667	3,783	2,993	8,083
Cash available for distribution	$ 48,162	$ 42,462	$ 106,838	$ 98,842
Standardized Distributable Cash – per unit basic	0.13	0.05	0.69	0.60
Standardized Distributable Cash – per unit diluted	0.13	0.05	0.68	0.59
Payout ratio based on Standardized Distributable Cash (includes Special Distribution[4])	374%	1556%	160%	218%
Payout ratio based on Standardized Distributable Cash (excludes Special Distribution)	244%	661%	136%	149%

1 Capital expenditures are funded out of the credit facility.

2 Change in non-cash working capital is excluded from the calculation of Cash Available for Distribution as the Fund currently has a $170.0 million credit facility which is available for use to fund working capital requirements. This eliminates the potential impact of timing distortions relating to the respective items.

3 Payments to the holders of Class A preference shares are equivalent to distributions. The number of Class A preference shares outstanding is included in the denominator of any per unit calculation.

4 The Special Distribution relating to 2008 and 2007 has increased the payout ratios for both comparable periods. Refer to "Special Distribution" on page 25 for further details.

In accordance with the CICA July 2007 interpretive release "Standardized Distributable Cash in Income Trusts and other Flow-Through Entities", the Fund has presented the distributable cash calculation to conform to this guidance. In summary, for the purposes of the Fund, Standardized Distributable Cash is defined as the periodic cash flows from operating activities, including the effects of changes in non-cash working capital less total capital expenditures as reported in the GAAP financial statements.

Financing strategy

The Bank of Nova Scotia joined the lending syndicate on October 17, 2008, with funding totalling $20.0 million. The Fund's $170.0 million credit facility will be sufficient to meet the Fund's short-term working capital and capital expenditure requirements. Working capital requirements can vary widely due to seasonal fluctuations and planned U.S.-related growth. In the long term, the Fund may be required to access the equity or debt markets in order to fund significant acquisitions.

Productive capacity

Energy Savings' business involves the sale of natural gas and/or electricity to residential and commercial customers under long-term, fixed-price contracts. As such, the Fund's productive capacity is determined by the gross margin earned from the contract price and the related supply cost.

The productive capacity of Energy Savings is achieved through the retention of existing customers and the addition of new customers to replace those that have not been renewed. The productive capacity is also maintained through independent contractors, call centre renewal efforts and various mail campaigns to achieve customer growth.

Effectively all of the marketing costs related to customer contracts are expensed immediately but fall into two categories. The first represents marketing expenses to maintain gross margin at pre-existing levels and therefore maintain productive capacity. The second category is marketing expenditures to add new margin which therefore expands productive capacity.

Financial statement analysis

Sales and gross margin – per financial statements

For the three months ended December 31
(thousands of dollars)

			Fiscal 2009			Fiscal 2008
	Canada	United States	Total	Canada	United States	Total
Sales						
Gas	$ 212,875	$ 112,563	$ 325,438	$ 194,565	$ 75,102	$ 269,667
Electricity	130,227	57,943	188,170	137,366	42,640	180,006
	$ 343,102	$ 170,506	$ 513,608	$ 331,931	$ 117,742	$ 449,673
Increase	3%	45%	14%			
Gross margin						
Gas	$ 35,775	$ 25,190	$ 60,965	$ 33,545	$ 10,368	$ 43,913
Electricity	20,354	8,507	28,861	20,535	4,451	24,986
	$ 56,129	$ 33,697	$ 89,826	$ 54,080	$ 14,819	$ 68,899
Increase	4%	127%	30%			

For the nine months ended December 31
(thousands of dollars)

			Fiscal 2009			Fiscal 2008
	Canada	United States	Total	Canada	United States	Total
Sales						
Gas	$ 459,420	$ 175,873	$ 635,293	$ 434,416	$ 120,910	$ 555,326
Electricity	389,246	161,101	550,347	408,031	122,716	530,747
	$ 848,666	$ 336,974	$ 1,185,640	$ 842,447	$ 243,626	$ 1,086,073
Increase	1%	38%	9%			
Gross margin						
Gas	$ 80,740	$ 34,344	$ 115,084	$ 77,426	$ 15,776	$ 93,202
Electricity	59,574	14,515	74,089	58,820	12,293	71,113
	$ 140,314	$ 48,859	$ 189,173	$ 136,246	$ 28,069	$ 164,315
Increase	3%	74%	15%			

Canada

Sales and gross margin for the three months ended December 31, 2008, were $343.1 million and $56.1 million, an increase of 3% and 4%, respectively, from the prior year comparative period. Total sales and gross margin for the nine-month period of fiscal 2009 were $848.7 million and $140.3 million, respectively.

United States

Sales and gross margin in the U.S. were $170.5 million and $33.7 million for the third quarter, an increase of 45% and 127%, respectively, from the same period last year. Total sales and gross margin for the nine months ended December 31, 2008, were $337.0 million and $48.9 million, respectively.

For additional information, see "Sales and gross margin – seasonally adjusted" on page 16.

Seasonally adjusted analysis

Quarterly gross margin per unit volume for new and renewed customers added in the quarter

In the third quarter of fiscal 2009, the Fund continued to see the positive impact of continued efforts to maintain strong margin per customer during challenging marketing periods. The table below depicts the higher margins realized on customers signed in the period:

	Fiscal 2009 Q3	Annual target Fiscal 2009
Quarterly gross margin per unit volume[1]		
Customers added in the quarter		
Canada – gas (GJ)	$ 1.73	$ 1.60
Canada – electricity (MWh)	15.28	14.25
United States – gas (GJ)	2.18	1.60
United States – electricity (MWh)	20.25	14.25
Customers lost in the quarter		
Canada – gas (GJ)	1.74	
Canada – electricity (MWh)	10.52	
United States – gas (GJ)	1.65	
United States – electricity (MWh)	10.20	

[1] Customer sales price less cost of associated supply and allowance for bad debt and U.S. working capital.

Sales and gross margin – seasonally adjusted[1]

For the three months ended December 31
(thousands of dollars)

			Fiscal 2009			Fiscal 2008
	Canada	United States	Total	Canada	United States	Total
Sales						
Gas	$ 212,875	$ 112,563	$ 325,438	$ 194,565	$ 75,102	$ 269,667
Adjustments[1]	(2,807)	–	(2,807)	9,693	–	9,693
	$ 210,068	$ 112,563	$ 322,631	$ 204,258	$ 75,102	$ 279,360
Electricity	130,227	57,943	188,170	137,366	42,640	180,006
	$ 340,295	$ 170,506	$ 510,801	$ 341,624	$ 117,742	$ 459,366
Increase	–	45%	11%			
Gross margin						
Gas	$ 35,775	$ 25,190	$ 60,965	$ 33,545	$ 10,368	$ 43,913
Adjustments[1]	(2,272)	–	(2,272)	2,348	–	2,348
	$ 33,503	$ 25,190	$ 58,693	$ 35,893	$ 10,368	$ 46,261
Electricity	20,354	8,507	28,861	20,535	4,451	24,986
	$ 53,857	$ 33,697	$ 87,554	$ 56,428	$ 14,819	$ 71,247
Increase (decrease)	5%	127%	23%			

1 For Ontario, Manitoba and Quebec gas markets.

Gross margin analysis

For the three months ended December 31
(thousands of dollars)

			Fiscal 2009			Fiscal 2008
	Canada	United States	**Total**	Canada	United States	Total
Gas						
Customer margin	$ 34,802	$ 26,977	$ 61,779	$ 37,279	$ 11,678	$ 48,957
Gain (loss) from dispositions of excess supply and financial reconciliations[1]	(1,299)	(1,787)	(3,086)	(1,386)	(1,310)	(2,696)
Gas margin	$ 33,503	$ 25,190	$ 58,693	$ 35,893	$ 10,368	$ 46,261
Electricity						
Customer margin	$ 20,382	$ 8,507	$ 28,889	$ 21,693	$ 4,563	$ 26,256
Loss from dispositions of excess supply[2]	(28)	–	(28)	(1,158)	(112)	(1,270)
Electricity margin	$ 20,354	$ 8,507	$ 28,861	$ 20,535	$ 4,451	$ 24,986
Total	$ 53,857	$ 33,697	$ 87,554	$ 56,428	$ 14,819	$ 71,247

1 Results from variances in customer demand and associated gas reconciliations.

2 Results from excess supply purchased in advance of customer usage or fluctuations in customer usage attributable to remaining customers on load-following contracts.

Sales and gross margin – seasonally adjusted[1]

For the nine months ended December 31
(thousands of dollars)

			Fiscal 2009			Fiscal 2008
	Canada	United States	Total	Canada	United States	Total
Sales						
Gas	$ 459,420	$ 175,873	$ 635,293	$ 434,416	$ 120,910	$ 555,326
Adjustments[1]	113,145	–	113,145	129,444	–	129,444
	$ 572,565	$ 175,873	$ 748,438	$ 563,860	$ 120,910	$ 684,770
Electricity	389,246	161,101	550,347	408,031	122,716	530,747
	$ 961,811	$ 336,974	$ 1,298,785	$ 971,891	$ 243,626	$ 1,215,517
Increase (decrease)	(1)%	38%	7%			
Gross margin						
Gas	$ 80,740	$ 34,344	$ 115,084	$ 77,426	$ 15,776	$ 93,202
Adjustments[1]	19,877	–	19,877	19,905	–	19,905
	$ 100,617	$ 34,344	$ 134,961	$ 97,331	$ 15,776	$ 113,107
Electricity	59,574	14,515	74,089	58,820	12,293	71,113
	$ 160,191	$ 48,859	$ 209,050	$ 156,151	$ 28,069	$ 184,220
Increase	3%	74%	13%			

[1] For Ontario, Manitoba and Quebec gas markets.

Gross margin analysis

For the nine months ended December 31
(thousands of dollars)

			Fiscal 2009			Fiscal 2008
	Canada	United States	Total	Canada	United States	Total
Gas						
Customer margin	$ 97,621	$ 34,316	$ 131,937	$ 103,856	$ 17,988	$ 121,844
Gain (loss) from dispositions of excess supply and financial reconciliations[1]	2,996	28	3,024	(6,525)	(2,212)	(8,737)
Gas margin	$ 100,617	$ 34,344	$ 134,961	$ 97,331	$ 15,776	$ 113,107
Electricity						
Customer margin	$ 60,406	$ 14,515	$ 74,921	$ 62,280	$ 12,482	$ 74,762
Loss from dispositions of excess supply[2]	(832)	–	(832)	(3,460)	(189)	(3,649)
Electricity margin	$ 59,574	$ 14,515	$ 74,089	$ 58,820	$ 12,293	$ 71,113
Total	$ 160,191	$ 48,859	$ 209,050	$ 156,151	$ 28,069	$ 184,220

[1] Results from variances in customer demand and associated gas reconciliations.

[2] Results from excess supply purchased in advance of customer usage or fluctuations in customer usage attributable to remaining customers on load-following contracts.

On a seasonally adjusted basis, sales and gross margin increased by 11% and 23%, respectively, to $510.8 million and $87.6 million, for the three months ended December 31, 2008, over the third quarter of fiscal 2008.

Total sales and gross margin for the first nine months of fiscal 2009 totalled $1.3 billion and $209.1 million versus $1.2 billion and $184.2 million for the same period last year.

Canada

Seasonally adjusted sales were $340.3 million for the quarter, effectively unchanged from $341.6 million for the same quarter of fiscal 2008. Seasonally adjusted gross margins were $53.9 million in the third quarter of fiscal 2009, a decrease of 5% from $56.4 million in the same quarter last year.

Gas

Gas sales increased by 3% and gross margin decreased by 7% from the third quarter of fiscal 2008 to $210.1 million and $33.5 million, respectively. The customer base decreased by 2% with the remainder of gross margin decline attributable to unfavourable weather reconciliations from the summer. In all other markets, reconciliations take place during the quarter. Favourable weather-related reconciliations for December will not be recorded in gross margin until the fourth quarter for Canada gas. Excess volumes sold during the quarter and financial reconciliations resulted in a loss of $1.3 million, slightly below the $1.4 million loss in the third quarter of fiscal 2008.

For the nine months ended December 31, 2008, sales and gross margins were $572.6 million and $100.6 million, an increase of 2% and 3%, respectively, over the prior year comparable period.

After allowance for balancing and inclusive of acquisitions, average gross margin per unit volume ("GM/UV") for the three months ended December 31, 2008, amounted to $1.69/UV, compared to $1.85/UV from the prior year comparable period. The GM/UV value includes an appropriate allowance for the bad debt expense in Alberta.

Electricity

Electricity sales were $130.2 million for the quarter, a decrease of 5% from the third quarter of fiscal 2008. The reduced sales are attributable to a 7% decrease in total consumption of which 6% was attributable to a decline in the number of customers, year over year. Gross margin decreased by only 1% from the prior year comparable quarter to $20.4 million as improved supply management processes, increased GEO customers and gross margin offset the decline in customer numbers and lower consumption.

During the quarter, a small amount of excess volume was sold. The balancing losses for the quarter were negligible, greatly reduced from a $1.2 million loss in the prior year comparable quarter.

For the nine months ended December 31, 2008, sales and gross margins were $389.2 million and $59.6 million, a decrease of 5% and an increase of 1%, respectively, over the same period last year.

Average gross margin per unit volume after all balancing and including acquisitions for the quarter ended December 31, 2008, in Canada, amounted to $13.59/UV, up 3% compared to $13.16/UV from the prior comparable quarter. The GM/UV value includes an appropriate allowance for the bad debt expense in Alberta.

United States

Sales for the third quarter of fiscal 2009 were $170.5 million, an increase of 45% from $117.7 million in the prior year comparable quarter. Seasonally adjusted gross margin was $33.7 million, up 127% from $14.8 million from the same quarter last year.

Gas

Gas sales and gross margin in the U.S. for the third quarter of fiscal 2009 totalled $112.6 million and $25.2 million versus $75.1 million and $10.4 million, respectively, for the same period last year. The sales increase of 50% relates primarily to the 22% increase in customer consumption due to a 9% increase in customers and to the colder weather. Sales and margins also benefited from an increase in the U.S.-dollar exchange rate. The U.S. gas gross margin increased by 143% during the third quarter of fiscal 2009. The increase in gross margin for the quarter resulted from increased customers, higher weather-related consumption combined with low supply costs and higher per customer margins.

Some excess volumes were sold during the quarter at unfavourable prices in the spot market resulting in a balancing loss of $1.8 million versus a balancing loss of $1.3 million in the prior year comparable quarter.

Sales and gross margins for the nine months ended December 31, 2008, totalled $175.9 million and $34.3 million, respectively.

Average gross margin after all balancing costs for the three months ended December 31, 2008, was $2.19/UV, an increase of 49% over the prior year comparable period of $1.47/UV. Strong customer consumption on an increased customer base as well as favourable exchange rates contributed to the increase. The GM/UV value includes an appropriate allowance for bad debt expense in Illinois.

Electricity

Electricity sales and gross margin for the quarter were $57.9 million and $8.5 million, respectively, versus the prior comparable period of fiscal 2008, in which sales and gross margin amounted to $42.6 million and $4.5 million. Sales and gross margin increased by 36% and 91%, respectively, due to an increase in customers, favourable exchange rates and decreases in commodity costs in New York.

For the nine months ended December 31, 2008, the sales and gross margins were $161.1 million and $14.5 million, up 31% and 18%, respectively.

Average gross margin per unit volume for electricity during the current quarter increased by 78% to $18.13/UV as compared to $10.20/UV from the prior year comparable period. U.S. electricity margins benefited from improved supply management and the strong U.S. dollar. The GM/UV value for Texas includes an appropriate allowance for the bad debt expense.

Summary of quarterly results

(thousands of dollars, except per unit amounts)

	Fiscal 2009 Q3	Fiscal 2009 Q2	Fiscal 2009 Q1	Fiscal 2008 Q4
Sales per financial statements	$ **513,608**	$ 294,122	$ 377,910	$ 652,617
Net income (loss)	**(49,094)**	(923,990)	34,232	94,025
Net income (loss) per unit – basic	$ **(0.44)**	$ (8.33)	$ 0.31	$ 0.87
Net income (loss) per unit – diluted	**(0.44)**	(8.31)	0.31	0.87
Adjusted net income	**46,682**	6,872	27,631	87,663
Adjusted net income per unit – basic	**0.42**	0.06	0.25	0.81
Adjusted net income per unit – diluted	**0.42**	0.06	0.25	0.80
Amount available for distribution				
After gross margin replacement	$ **57,475**	$ 34,755	$ 31,046	$ 54,334
After marketing expense	**48,162**	28,394	30,282	53,992
Payout ratio				
After gross margin replacement	**93%**[1]	100%	108%	61%
After marketing expense	**111%**[1]	122%	111%	61%

1 Includes the Special Distribution related to fiscal 2009. If the Special Distribution figure of $18,573 is removed, the payout ratios would be 61% after gross margin replacement and 72% after marketing expense.

	Fiscal 2008 Q3	Fiscal 2008 Q2	Fiscal 2008 Q1	Fiscal 2007 Q4
Sales per financial statements	$ 449,673	$ 283,531	$ 352,869	$ 588,410
Net income	28,064	4,754	25,918	70,052
Net income per unit – basic	$ 0.26	$ 0.05	$ 0.24	$ 0.66
Net income per unit – diluted	0.26	0.04	0.24	0.66
Adjusted net income	34,890	8,393	25,777	68,852
Adjusted net income per unit – basic	0.32	0.08	0.24	0.65
Adjusted net income per unit – diluted	0.32	0.08	0.24	0.64
Amount available for distribution				
After gross margin/customer replacement	$ 47,242	$ 37,589	$ 30,832	$ 54,928
After marketing expense	42,462	29,690	26,690	52,927
Payout ratio				
After gross margin/customer replacement	164%[1]	86%	99%	52%
After marketing expense	183%[1]	109%	114%	54%

1 Includes the Special Distribution related to fiscal 2008. If the Special Distribution figure of $44,691 is removed, the payout ratios would be 70% after gross margin replacement and 77% after marketing expense.

The Fund's results reflect seasonality as consumption is greatest during the third and fourth quarters (winter quarters). While year over year quarterly comparisons are relevant, sequential quarters will vary materially. The main impact of this will be higher distributable cash with a lower payout ratio in the third and fourth quarters and lower distributable cash with a higher payout ratio in the first and second quarters excluding any Special Distribution.

Energy Savings enters into fixed-price contracts with its customers. In order to ensure consistent margins, the Fund also enters into fixed-price supply contracts covering the esitimated demand. While the customer contracts are not marked to market in the financial statements, the future supply contracts are required to be included at their market values. Market prices are subject to significant change from one reporting period to the next. In the past, in order to minimize the impact to net income (loss) due to changes in fair value, Energy Savings had elected to use hedge accounting and thus was able to book the changes in fair value predominantly to other comprehensive income. The Fund continues to economically hedge its risk in accordance with the risk management policies in place and does not trade or enter into commodity derivatives for speculative purposes.

Analysis of the third quarter

Sales are typically higher in the third quarter because gas and electricity consumption are both high during this time period. The overall customer base is 56% gas and 44% electricity. The 14% increase in sales as compared to the prior comparable quarter is primarily attributable to U.S. growth, increased consumption related to cold weather and favourable U.S. exchange rates. Adjusted net income increased by 33% to $46.7 million for the three months ended December 31, 2008.

Excluding the $81.3 million of change in fair value of derivative instruments and associated tax adjustments, net income would have been $46.7 million versus $34.9 million in the prior year comparable period. Per unit net income would have been $0.42 basic ($0.42 diluted) versus $0.32 basic ($0.32 diluted) last year. Due to the volatile nature of commodity markets, management expects that significant changes in the fair value of derivative instruments are likely in future quarters. Adjusted net income which excludes these changes provides a better measure of quarterly performance.

The distributable cash after customer gross margin replacement was $57.5 million, up 22% from $47.2 million in the prior comparable quarter. The increase in gross margin was due to an increased number of customers, favourable exchange rates and improved per unit margins quarter over quarter.

Distributable cash after marketing expenses was $48.2 million, an increase of 13% from $42.5 million in the prior comparable quarter. Distributions, including the Special Distribution, for the quarter were $53.4 million, down 31% over the same period last year due to a smaller Special Distribution in fiscal 2009. The payout ratio including the Special Distribution was 111% versus 183% in the third quarter of fiscal 2008. Excluding Special Distributions, the third quarter payout ratio for fiscal 2009 was 72% versus 77% for the same period last year.

Customer volumes

As disclosed within the Fund's 2008 Annual Report, the expansion of the business outside Ontario makes, in the view of management, the continued sole use of RCEs as a customer measurement inappropriate. With continued focus on commercial, small industrial customers and new markets where customer usage is materially different from Ontario, the Fund believes a move to straight volumetric measurement of the customer base (annual GJ for natural gas and annual MWh for electricity) will provide additional information for analysis. The Fund is therefore reporting volumetric measures for gas and electricity in Canada and the United States effective this fiscal year. Based on requests by external analysts and Unitholders, the Fund will continue to report RCE data going forward as well.

There are two measures of volume which are being reported – "Annualized volumes/customers" and "Delivered volumes in the quarter" in the following two tables on page 21 and 22. The first measure, "Annualized volumes/customers" represents the utility projection of the total volume of gas or electricity to be delivered for each 12-month period for customers in place at a point in time. This is the best measure of the relative success of customer aggregation efforts and the long-term expectations for profitability of the customers. The second measure is "Delivered volumes in the quarter", which details the change in the actual growth of volumes delivered to customers for the third quarter as compared to the same period of fiscal 2008. This measure tracks our actual financial results and reflects weather and other volume variances.

Energy Savings' published targets for fiscal 2009 are to increase natural gas volumes by 5% and electricity volumes by 15%.

Annualized volumes/customers

The following table identifies how the annualized volumes have changed from September 30, 2008 to December 31, 2008:

	Annualized volume as at September 30, 2008	Annualized volume increase	Annualized volume attrition	Annualized volumes not renewed	Annualized volumes as at December 31, 2008	% increase (decrease)
Natural gas (GJ)						
Canada	81,620,000	1,696,000	(2,120,000)	(1,060,000)	80,136,000	(2)%
United States	23,956,000	2,650,000	(1,378,000)	–	25,228,000	5%
Total gas	105,576,000	4,346,000	(3,498,000)	(1,060,000)	105,364,000	–
Electricity (MWh)						
Canada	5,790,000	180,000	(130,000)	(30,000)	5,810,000	–
United States	1,770,000	350,000	(90,000)	(30,000)	2,000,000	13%
Total electricity	7,560,000	530,000	(220,000)	(60,000)	7,810,000	3%

Annualized gas volumes (net of all volume loss) for the third quarter of fiscal 2009 remained unchanged compared to the volume as at September 30, 2008. U.S. gas annualized volume additions increased by 5% due to strong growth in New York and Illinois. For the nine-month period ended December 31, 2008, total gas customer numbers are up over 2% which reflects customer additions which were above targeted levels offset by higher than expected attrition. Gross additions have been above forecast in both the second and third quarters; however, the weak U.S. economy has held attrition above target levels.

Total electricity annualized volumes were up 3% for the three months ended December 31, 2008. All customer growth was in the United States with Canada lagging due to high relative five-year prices in Ontario. All electricity contracts entered into by the Province of Ontario since deregulation have been at prices far higher than the current regulated rate and management believes that, over time, regulated prices should move toward that of our five-year offering. Through nine months, electricity volumes were up 10%, or 67% of the annual target of 15%. The turmoil in the credit and financial markets could create potential acquisitions of customers at very attractive prices, which would aid the Fund in meeting its electricity growth target for the year.

RCE comparison

In past periods, Energy Savings has reported its customer volumes as RCEs. To allow continuity of comparison, the table below shows the growth of RCEs for the third quarter and year to date.

Customer aggregation

Long-term customers

	September 30, 2008	Additions	Attrition	Failed to renew	December 31, 2008
Natural gas (GJ)					
Canada	770,000	16,000	(20,000)	(10,000)	756,000
United States	226,000	25,000	(13,000)	–	238,000
Total gas	996,000	41,000	(33,000)	(10,000)	994,000
Electricity (MWh)					
Canada	579,000	18,000	(13,000)	(3,000)	581,000
United States	177,000	35,000	(9,000)	(3,000)	200,000
Total electricity	756,000	53,000	(22,000)	(6,000)	781,000
Combined	**1,752,000**	**94,000**	**(55,000)**	**(16,000)**	**1,775,000**

On an RCE basis, the 94,000 gross customers added in the quarter were up 19% from the third quarter additions in fiscal 2008 (excluding 20,000 customers acquired from Just Energy) and up 3% (excluding acquisitions) from the second quarter of this year. Net customer additions were 23,000.

Delivered volumes in the quarter

The following table shows the actual delivered volumes for the current and prior comparable periods:

For the three months ended December 31

	Fiscal 2009	Fiscal 2008	% increase (decrease)
Natural gas (GJ)			
Canada	19,520,757	19,473,061	–
United States	7,631,322	6,267,133	22%
Total gas[1]	27,152,079	25,740,194	5%
Electricity (MWh)			
Canada	1,454,369	1,571,548	(7)%
United States	418,940	188,154	123%
Total electricity[1]	1,873,309	1,759,702	6%

[1] Includes 137,000 GJ of GEO gas and 45,000 MWh of GEO electricity delivered in the last three months.

Gas deliveries increased by 5% in the third quarter despite the fact that the number of customers in the third quarter of fiscal 2009, as compared to the same quarter last year, remained flat. This was due to colder weather conditions in all markets. Electricity volumes increased by 6% in the third quarter mainly due to strong customer additions in Texas and New York. Sales of the GEO product continue to be strong.

Attrition

Natural gas

Natural gas attrition in Canada was 10% on a trailing 12-month basis, in line with management's target of 10%. In the U.S., gas attrition for the trailing 12 months was 31%, above management's annual target of 20% but below the 33% noted in the second quarter of fiscal 2009. Annualized attrition for the quarter was also 10% for Canada but a much improved 22% for the United States. U.S. gas attrition was significantly improved despite continued record home foreclosures and utility shut-offs due to non-payment of bills. Anecdotal evidence shows significantly reduced moves as the logical offset for higher foreclosures. Given the continued weak economic conditions, management expects that the attrition rate in the U.S. will remain above target levels for the foreseeable future.

Electricity

Electricity attrition in Canada for the trailing 12 months was 13%, above management's 10% target level. However, annualized attrition for the quarter was 10%, in line with the target. Management expects that the attrition rate for Canadian electricity will be slightly above our targeted level for the year. Electricity attrition in the United States was 16% over the last 12 months, below management's target of 20%. Annualized U.S. electricity attrition for the quarter was 19%, in line with the target. Management believes that U.S. electricity attrition will be slightly below the targeted level for the year.

Volumes not renewed

The Energy Savings renewal process is a multi-faceted program that aims to maximize the number of customers who choose to sign a new contract prior to the end of their existing contract term. Efforts begin up to 15 months in advance allowing a customer to re-contract for an additional four or five years. Presently, the only contracts whose terms are completed, and are therefore eligible for renewal, are the Ontario and Manitoba gas and electricity customers.

In the Ontario gas market, customers who do not positively elect to renew or terminate their contract receive a one-year fixed price for the ensuing year. During the period, renewals on a trailing 12-month basis for both Ontario and Manitoba were 74%. This renewal rate is a blend of one-year and five-year contracts and 33% of customers renewed were for a one-year term. Management anticipates that renewals for gas customers in fiscal 2009 will be slightly below 80% for the entire year.

In the Ontario electricity market, there is no opportunity to renew a residential or small volume customer for a one-year term should the customer fail to positively renew or terminate his or her contract. Management targets a renewal rate for electricity customers of 60%. For the third quarter, 65% of all expiring electricity customer volumes were successfully renewed and management expects to have an annual renewal rate at or above 65% for the year.

Gas and electricity contract renewals

This table shows the percentage of customers up for renewal in each of the following years:

	Canada – gas	Canada – electricity	U.S. – gas	U.S. – electricity
Fiscal period				
Remainder of 2009	2%	2%	0%	4%
2010	26	7	10	19
2011	24	22	16	8
2012	21	22	13	11
2013	15	30	31	16
Beyond 2013	12	17	30	42
Total	100%	100%	100%	100%

Energy Savings continuously monitors its customer renewal rates and continues to modify its offering to existing customers in order to maximize the number of customers who renew their contracts.

General and administrative expenses

General and administrative costs were $14.8 million for the three months ended December 31, 2008, representing a 19% increase from $12.4 million in the third quarter of fiscal 2008. The expenses increased over the prior year comparable quarter primarily due to staffing in our corporate office to support continued growth, U.S. exchange and an increase in collection outsourcing fees.

Expenditures for general and administrative costs for the nine months ended December 31, 2008, were $41.4 million, an increase of 20% from $34.5 million in the prior comparable period as a result of the additional costs noted above as well as expenses related to our new call centre which opened during the third quarter of last year.

Marketing expenses

Marketing expenses, which consist of commissions paid to independent sales contractors for signing new customers as well as an allocation of corporate costs, were $18.8 million, an increase of 35% from $13.9 million in the third quarter of fiscal 2008. Total gross organic customer additions were up by 19% for the current quarter versus the same period last year. As geographic territories are marketed, increased commissions and overhead costs per customer added result in higher costs. The largest single component of the increase was the impact of the higher U.S. dollar on our U.S.-based marketing costs.

For the nine months ended December 31, 2008, marketing expenses were $49.6 million, an increase of 13% from the $44.0 million reported in the same period last year. This reflects the growth in customer additions, offset by higher costs related to commissions, recruiting and corporate marketing overhead required to build our commercial sales team. During the current fiscal year, management undertook a sales and marketing reorganization to accelerate the quarterly customer additions. The impact of this reorganization has been increased customer gross additions in the last two quarters.

Marketing expenses to maintain gross margin are allocated based on the ratio of gross margin lost from attrition as compared to the gross margin signed from new and renewed customers during the period. Marketing expenses to maintain gross margin were $9.5 million, unchanged from the third quarter of fiscal 2008.

Marketing expenses to add new gross margin are allocated based on the ratio of net new gross margin earned on the customers signed, less attrition, as compared to the gross margin signed from new and renewed customers during the period. Marketing expenses to add new gross margin totalled $9.3 million, an increase of 95% from $4.8 million in the prior year comparable quarter. The large increase is consistent with the net customer additions of 23,000 and commensurate margin additions versus negative net additions when excluding acquired customers and small margin additions in the third quarter of fiscal 2008. The marketing costs related to the GEO product offerings are allocated against new margin. Because net customer growth was entirely in the U.S. and therefore generated by U.S.-denominated commissions, the higher exchange rate also contributed to the year over year increase in marketing costs.

The actual aggregation costs per unit of volume added compared to the fiscal 2009 target were as follows:

	For the nine months ended December 31, 2008	Target Fiscal 2009
Natural gas		
Canada	$ 1.61/UV	
United States	1.69/UV	
Combined	1.66/UV	$ 1.60/UV
Electricity		
Canada	$ 16.81/UV	
United States	14.09/UV	
Combined	14.97/UV	$ 14.25/UV

Actual aggregation costs for Canada gas and electricity customers to date for fiscal 2009 were $1.61 per unit volume for gas and $16.81 per unit volume for electricity. Electricity aggregation costs were higher than target due to lower than expected volume additions for the nine months and therefore, higher corporate, marketing and customer service costs were allocated to each unit of volume. Approximately 40% of the total marketing expense relates to the costs associated with corporate, marketing and customer service overhead.

In the U.S., gas aggregation costs were $1.69 per unit volume which is slightly above target for the year. U.S. electricity aggregation costs were $14.09 which is below our target of $14.25 based on higher than expected additions. U.S. aggregation costs reflect the higher exchange rate.

Unit-based compensation

Compensation in the form of units (non-cash) granted by the Fund to the directors, officers, full-time employees and service providers of its subsidiaries and affiliates pursuant to the 2001 unit option plan, the 2004 unit appreciation rights plan and the directors' deferred compensation plan for the third quarter amounted to $1.1 million, an increase of 79% from the $0.6 million paid in the prior comparable quarter. Total costs for the nine months ended December 31, 2008, totalled $2.9 million, versus $3.2 million for the same period last year. The decreased expense to date in fiscal 2009 is a result of fewer fully paid unit appreciation rights awarded to employees in fiscal 2008.

Bad debt expense

In Illinois, Alberta and Texas, Energy Savings assumes the credit risk associated with the collection of all customer accounts. In addition, for large direct-billed accounts in B.C. and Ontario, the Fund is responsible for the bad debt risk. Credit review processes have been established to manage the customer default rate. Management factors default from credit risk into its margin expectations for all of the above noted markets.

Bad debt expense for the third quarter of fiscal 2009 was $4.2 million versus $1.2 million expensed in the same quarter of last year. Bad debt increased due to the 22% increase in total revenues for the quarter in the markets where Energy Savings assumes the risk for accounts receivable collections. In fiscal 2008, improved collection procedures resulted in a significant excess reserve for bad debt, a portion of which was reversed in the third quarter of 2008. Management integrates its default rate for bad debts within its margin targets and continuously reviews and monitors the credit-approval process to mitigate customer delinquency.

For the nine months ended December 31, 2008, the bad debt expense was $7.7 million, representing approximately 2.3% of $338.2 million in revenues, at the lower end of the Fund's target range. Higher credit losses should be expected with the current North American recession. Management continues to target bad debt expense of approximately 2% to 3% during fiscal 2009 and believes that the upper end of the range will be adequate even during a severe and extended recession.

For each of Energy Savings' other markets, the LDCs provide collection services and assume the risk of any bad debt owing from Energy Savings' customers for a regulated fee.

Interest expense

Total interest expense for the three months ended December 31, 2008, amounted to $1.1 million, down from $1.5 million in the prior year comparable period. For the nine-month period of fiscal 2009, the total interest cost was $3.0 million versus $3.8 million paid in fiscal 2008. Energy Savings is required to meet a number of financial covenants under the credit facility agreement and as at December 31, 2008, all of these covenants have been met.

Foreign exchange

Energy Savings has an exposure to U.S.-dollar exchange rates as a result of its U.S. operations and any changes in the applicable exchange rate may result in a decrease or increase in other comprehensive income (loss) for fiscal 2009. For the quarter, a foreign exchange unrealized loss of $2.3 million was reported in other comprehensive income (loss) versus an unrealized gain of $0.3 million reported in the prior year comparable period. For the nine months ended December 31, 2008, the foreign exchange unrealized gain was $5.8 million versus a loss of $0.1 million for the same period in fiscal 2008. In fiscal 2009 to date, all monies earned in the U.S. have been redeployed in the U.S. to fund continued growth.

Overall, the high U.S. dollar increases sales and gross margin, but this is partially offset by higher operating costs denominated in U.S. dollars in the quarter. While there can be quarterly fluctuations because of relative inflows and outflows, the overall annual impact on adjusted net income is currently not material, given the high growth of the U.S. markets.

Class A preference share distributions

The remaining holder of the Ontario Energy Savings Corp. ("OESC") Class A Preference shares (which are exchangeable into units on a 1:1 basis) is entitled to receive, on a quarterly basis, a payment equal to the amount paid or payable to a Unitholder on an equal number of units. The total amount paid for the three and nine months ended December 31, 2008, including tax and the Special Distribution amounted to $2.5 million and $6.0 million, respectively. In fiscal 2008, the distribution paid for the three- and nine-month periods amounted to $6.2 million and $11.3 million, respectively. The decrease in the preference share distributions resulted from the exchange of 1,442,484 shares into units over the past year. These distributions on the Class A Preference shares are reflected in the statement of Unitholders' equity in the Fund's consolidated financial statements, net of tax.

Special Distribution

The Fund under-distributed its taxable income in calendar 2008 and would have been subject to tax at 46% for any undistributed taxable income. In order to ensure that all of the taxable income is distributed to its Unitholders, the Board of Directors concluded that it would be preferable to pay out a Special Distribution to effectively allocate all of the taxable income to the Unitholders. The Special Distribution is $18.6 million ($0.165 per unit) and will be paid as 100% cash. The amount will be funded by operating cash flow and the Fund's credit facility and will be paid on January 30, 2009. In fiscal 2008, a Special Distribution of $44.7 million ($0.41 per unit) was declared in the third quarter.

Normal course issuer bid

During the third quarter of fiscal 2009, the Fund obtained approval from its Board of Directors to make a normal course issuer bid to purchase up to 9,000,000 units for the 12-month period commencing November 21, 2008, and ending November 20, 2009, with a maximum of 44,754 units that can be purchased during any trading day. The Fund purchased and cancelled 677,700 units for cash consideration of $4.6 million (an average price of $6.79 per unit).

Provision for (recovery of) income tax

(thousands of dollars)

	For the three months ended December 31, Fiscal 2009	For the three months ended December 31, Fiscal 2008	For the nine months ended December 31, Fiscal 2009	For the nine months ended December 31, Fiscal 2008
Current income tax expense (recovery)	$ 1,896	$ 13	$ 2,654	$ (859)
Amount credited to Unitholders' equity	903	2,241	2,177	4,070
Future tax provision (recovery)	14,431	(136)	(77,335)	(7,432)
Provision for (recovery of) income tax	$ 17,230	$ 2,118	$ (72,504)	$ (4,221)

The Fund recorded a current income tax expense of $1.9 million for the third quarter versus nil in the same period last year. A tax expense of $2.7 million has been recorded for the nine-month period of fiscal 2009 versus a recovery of $0.9 million for the same period last year. Also included in the income tax provision is an amount relating to the tax impact of the distributions paid to the Class A preference shareholders of OESC. In accordance with EIC 151, "Exchangeable Securities Issued by Subsidiaries of Income Trusts", all Class A preference shares are included as part of Unitholders' equity and the distributions paid to the shareholders are included as distributions on the Statement of Unitholders' equity, net of tax. For the three and nine months ended December 31, 2008, the tax impact of these distributions amounted to $0.9 million and $2.2 million, respectively, based on an estimated tax rate of 33%.

Effective July 1, 2008, Energy Savings elected to discontinue the practice of hedge accounting. All gains and losses on financial instruments have been recorded in change in fair value of derivative instruments. This change results in significant future tax implications due to the recognition of the impact of the adjustments in the Consolidated Statement of Operations and the future tax provision associated with these gains and losses.

The Fund is a Specified Investment Flow-Through entity ("SIFT") as defined in the SIFT Legislation. Commencing with its taxation year ending December 31, 2011, the Fund will be subject to tax on distributions of certain income earned from investments in its subsidiaries. The Fund is also required to recognize future income tax assets and liabilities with respect to the temporary differences between the carrying amounts and tax bases of its assets and liabilities and those of its flow-through subsidiaries that are expected to reverse in or after 2011. The Fund expects that it will not be subject to tax on its income distributed prior to 2011, and accordingly, has not provided for future income taxes on the remaining portion of its temporary differences which are expected to reverse prior to 2011. The SIFT Legislation does not affect the current and future tax amounts of the Fund's corporate subsidiaries.

The Minister of Finance released a legislative proposal on July 14, 2008, which generally provided for a tax-deferred conversion of a SIFT from a trust or partnership to a corporation. On November 28, 2008, the Minister of Finance released minor changes to the legislative proposal. Energy Savings is currently investigating the detailed implications of the proposed changes to the legislation.

Liquidity and capital resources

(Summary of cash flows)

	For the three months ended December 31, Fiscal 2009	For the three months ended December 31, Fiscal 2008	For the nine months ended December 31, Fiscal 2009	For the nine months ended December 31, Fiscal 2008
Operating activities	$ 15,962	$ 8,773	$ 78,967	$ 72,353
Investing activities	(1,667)	(3,783)	(5,335)	(41,483)
Financing activities, excluding distributions	19,050	26,618	34,624	80,343
Gain (loss) on foreign exchange	(1,473)	(1,794)	(1,003)	(795)
Increase in cash before distributions	31,872	29,814	107,253	110,418
Distributions (cash payments)	(29,326)	(30,670)	(82,851)	(90,430)
Increase (decrease) in cash	2,546	(856)	24,402	19,988
Cash – beginning of period	49,166	37,630	27,310	16,786
Cash – end of period	$ 51,712	$ 36,774	$ 51,712	$ 36,774

Operating activities

Cash flow from operating activities for the three and nine months ended December 31, 2008, was $16.0 million and $79.0 million, an increase from $8.8 million and $72.4 million, respectively, in the prior comparable periods. The increase is primarily attributable to an increase in adjusted net income.

Investing activities

The Fund purchased capital assets totalling $1.7 million during the quarter, a decrease from $3.8 million in the prior year comparable quarter. Capital asset purchases amounted to $3.0 million for the nine months ended December 31, 2008, compared with $8.1 million in the same period last year. During the second quarter, Energy Savings purchased substantially all of the commercial and residential customer contracts of Energy Options Inc. ("CEG") in B.C. for $1.8 million. CEG was a western Canadian marketer of natural gas, wholly owned by SemCanada Energy Company ("SemCanada"), both of which filed for creditor protection under the Companies' Creditors Arrangement Act ("CCAA") on July 30, 2008. The customer contracts had annualized volumes of approximately 4.9 million GJ or 46,000 RCEs (16.9 million GJ). The remaining term of the contracts at the time of acquisition was estimated to be 20 months. As well, the Fund entered into a limited partnership to form Newten Home Comfort L.P., a business involving the marketing, leasing, sale and installation of tankless and high-efficiency water heaters for an investment of $0.5 million. In the prior comparable nine-month period of fiscal 2008, Energy Savings completed the acquisition of Just Energy, including all of its electricity contracts for a total, net of cash, of $33.4 million, of which $18.1 million involved the issuance of units of the Fund.

Financing activities

Financing activities excluding distributions relate primarily to the drawdown of the operating line for working capital requirements. During the three months ended December 31, 2008, Energy Savings had drawn a total of $23.8 million against the credit facility versus $7.0 million drawn in the third quarter of fiscal 2008. Credit facility drawdowns year to date have netted to $35.1 million for a total bank indebtedness of $108.0 million. As Energy Savings continues to expand in the United States markets, the need to fund working capital and security requirements will increase, driven primarily by the number of customers aggregated and to a lesser extent by the number of new markets. Based on the markets in which Energy Savings currently operates and others that management expects to enter, funding requirements will be supported through the credit facility. The Bank of Nova Scotia joined the lending syndicate on October 17, 2008, with funding totalling $20.0 million, and the Fund's total commitments under the facility are now $170.0 million.

The Fund's liquidity requirements are driven by the delay from the time that a customer contract is signed until cash flow is generated. Approximately 50% of an independent sales contractor's commission payment is made following reaffirmation or verbal verification of the customer contract with most of the remaining 50% being paid after the energy commodity begins flowing to the customer.

The elapsed period, between the times when a customer is signed to when the first payment is received from the customer, varies with each market. The time delays per market are approximately two to nine months. These periods reflect the time required by the various LDCs to enroll, flow the commodity, bill the customer and remit the first payment to Energy Savings. In Alberta and Texas, Energy Savings receives payment directly from the customer.

Distributions (cash payments)

Investors should note that due to the institution of a distribution reinvestment program ("DRIP") on December 20, 2007, a portion of distributions declared are not paid in cash. Under the program, Unitholders can elect to receive their distributions in units at a 5% discount to the prevailing market price rather than the cash equivalent. The DRIP program was suspended on December 1, 2008, due to the commencement of the normal course issuer bid. During the quarter, the Fund made cash distributions to its Unitholders in the amount of $29.3 million, compared to $30.7 million in the prior year comparable period.

For the nine months ended December 31, 2008, cash distributions totalled $82.9 million compared to $90.4 million in the same period during fiscal 2008.

Energy Savings will continue to utilize its cash resources for expansion into new markets, growth in its existing customer base, acquisitions like the CEG customers as well as distributions to its Unitholders.

At the end of the quarter, the annual rate for distributions per unit was $1.24. The Fund intends to make distributions to its Unitholders, based upon cash receipts of the Fund, excluding proceeds from the issuance of additional Fund units, adjusted for costs and expenses of the Fund. The Fund's intention is for Unitholders of record, on the 15th day of each month, to receive distributions at the end of the month.

Balance sheet as at December 31, 2008, compared to March 31, 2008

Cash increased from $27.3 million as at March 31, 2008, to $51.7 million at December 31, 2008. The utilization of the credit facility increased from $67.6 million to $108.0 million as a result of normal injection of gas into storage and various other working capital requirements. Working capital requirements in the U.S. and Alberta result from the timing difference between customer consumption and cash receipts. For electricity, working capital is required to fund the lag between settlements with the suppliers and settlement with the LDCs. Under the terms of the credit facility, Energy Savings is able to make use of Bankers' Acceptances and LIBOR advances at stamping fees of 150 basis points, prime rate advances at Canadian and U.S. prime plus 0.5% and letters of credit at 1.5%.

The increase in accounts receivable from $207.8 million to $243.3 million is primarily attributable to the improved margin and increased customers for both gas and electricity. Accounts payable and accrued liabilities has also increased from $128.7 million to $155.9 million relating to increased customer consumption associated with the normal seasonality of the Fund.

Gas in storage has increased from $4.3 million to $35.6 million for the third quarter of fiscal 2009. The increased balance reflects injections into storage for the expanding Illinois, New York and Indiana customer base, which occur from April to November.

At the end of the quarter, Energy Savings had delivered more gas to the LDCs in Ontario and Quebec than customers had consumed. Since Energy Savings is paid for this gas when delivered, yet recognizes revenue when the gas is consumed by the customer, the balance sheet includes deferred revenue of $66.0 million and gas delivered in excess of consumption of $54.9 million. At March 31, 2008, customers had consumed more than had been delivered to the LDCs, thereby resulting in unbilled revenues amounting to $47.3 million and accrued gas accounts payable of $38.5 million.

Effective July 1, 2008, Energy Savings elected to discontinue the practice of hedge accounting. Previously, the Fund had elected to use hedge accounting and thus was able to book the changes in fair value predominantly to other comprehensive income. The mark to market gains and losses in these periods of commodity price volatility can result in significant changes in net income and, accordingly, Unitholders' equity from quarter to quarter due to commodity price volatility. Given that the Fund has purchased this supply, to cover future customer usage at fixed prices, management believes that these non-cash quarterly changes are not meaningful.

Contractual obligations

In the normal course of business, the Fund is obligated to make future payments for contracts and other commitments that are known and non-cancellable.

Payments due by period

(thousands of dollars)

	Total	Less than 1 year	1–3 years	4–5 years	After 5 years
Property and equipment lease agreements	$ 24,563	$ 1,376	$ 9,525	$ 6,310	$ 7,352
EPCOR billing, collections and supply commitments	7,618	2,078	5,540	–	–
Gas and electricity supply purchase commitments	3,600,137	389,786	2,208,907	894,375	107,069
	$ 3,632,318	$ 393,240	$ 2,223,972	$ 900,685	$ 114,421

Other obligations

In the opinion of management, the Fund has no material pending actions, claims or proceedings that have not been either included in its accrued liabilities or in the financial statements. In the normal course of business, the Fund could be subject to certain contingent obligations that become payable only if certain events or rulings were to occur. The inherent uncertainty surrounding the timing and financial impact of any events prevents any meaningful measurement, which is necessary to assess any material impact on future liquidity. Such obligations include potential judgments, settlements, fines and other penalties resulting from actions, claims or proceedings.

Transactions with related parties

The Fund does not have any material transactions with any individuals or companies that are not considered independent to the Fund or any of its subsidiaries and/or affiliates.

Critical accounting estimates

The consolidated financial statements of the Fund have been prepared in accordance with Canadian GAAP. Certain accounting policies require management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, cost of sales, marketing and general and administrative expenses. Estimates are based on historical experience, current information and various other assumptions that are believed to be reasonable under the circumstances. The emergence of new information and changed circumstances may result in actual results or changes to estimated amounts that differ materially from current estimates.

The following assessment of critical accounting estimates is not meant to be exhaustive. The Fund might realize different results from the application of new accounting standards promulgated, from time to time, by various rule-making bodies.

Unbilled revenues/Accrued gas accounts payable

Unbilled revenues result when customers consume more gas than has been delivered by Energy Savings to the LDCs. These estimates are stated at net realizable value. Accrued gas accounts payable represents Energy Savings' obligation to the LDC with respect to gas consumed by customers in excess of that delivered. This obligation is also valued at net realizable value. This estimate is required for the gas business unit only, since electricity is consumed at the same time as delivery. Management uses the current average customer contract price and the current average supply cost as a basis for the valuation.

Gas delivered in excess of consumption/Deferred revenues

Gas delivered to LDCs in excess of consumption by customers is valued at the lower of cost and net realizable value. Collections from LDCs in advance of their consumption results in deferred revenues which are valued at net realizable value. This estimate is required for the gas business unit only since electricity is consumed at the same time as delivery. Management uses the current average customer contract price and the current average supply cost as a basis for the valuation.

Allowance for doubtful accounts

Energy Savings assumes the credit risk associated with the collection of customers' accounts in Alberta, Illinois and Texas. In addition, for large direct-billed accounts in B.C. and Ontario the Fund is responsible for the bad debt risk. Management estimates the allowance for doubtful accounts in these markets based on the financial conditions of each jurisdiction, the aging of the receivables, customer and industry concentrations, the current business environment and historical experience.

Goodwill

In assessing the value of goodwill for potential impairment, assumptions are made regarding Energy Savings' future cash flow. If the estimates change in the future, the Fund may be required to record impairment charges related to goodwill. An impairment review of goodwill was performed during fiscal 2008 and, as a result of the review, it was determined that no impairment of goodwill existed at March 31, 2008. There were no events during the quarter which triggered the requirement of an impairment test to be performed as at December 31, 2008.

Fair value of derivative financial instruments and risk management

The Fund has entered into a variety of derivative financial instruments as part of the business of purchasing and selling gas, electricity and the GEO. Energy Savings enters into contracts with customers to provide electricity and gas at fixed prices and provide comfort to certain customers that a specified amount of energy will be derived from "green" generation. These customer contracts expose Energy Savings to changes in market prices to supply these commodities. To reduce the exposure to the commodity market price changes, Energy Savings uses derivative financial and physical contracts to secure fixed-price commodity supply to cover its estimated delivery or "green" commitment obligations.

The Fund's business model objective is to minimize commodity risk other than consumption changes, which are usually attributable to weather. Accordingly, it is Energy Savings' policy to hedge the estimated requirements of its customers with offsetting hedges of natural gas and electricity at fixed prices for terms equal to those of the customer contracts. The cash flow from these supply contracts is expected to be effective in offsetting the Fund's price exposure and serves to fix acquisition costs of gas and electricity to be delivered under the fixed-price or price-protected customer contracts. Energy Savings' policy is not to use derivative instruments for speculative purposes.

Energy Savings' expansion in the U.S. has introduced foreign exchange related risks. Energy Savings has entered into foreign exchange forwards in order to hedge the exposure to fluctuations in cross border cash flows.

The financial statements are in compliance with Section 3855 of the Canadian Institute of Chartered Accountants ("CICA") Handbook, which requires a determination of fair value for all derivative financial instruments. Up to June 30, 2008, the financial statements also applied Section 3865 of the CICA Handbook, which permitted a further calculation for qualified and designated accounting hedges to determine the effective and ineffective portion of the hedge. This calculation permitted the change in fair value to be accounted for in the statement of other comprehensive income. As of July 1, 2008, management decided that the increasing complexity and costs of maintaining this treatment outweigh the benefits. This fair value (and when it was applicable, the ineffectiveness) is determined using market information at the end of each quarter. Management believes the Fund remains economically hedged operationally across all jurisdictions.

Preference shares of OESC and trust units

As at February 5, 2009, there were 5,263,728 Class A Preference Shares of OESC outstanding and 105,999,449 units of the Fund outstanding.

Taxability of distributions

Cash and unit distributions received in calendar 2008 were allocated as 100% other income. Additional information can be found on our website at www.esif.ca. Management estimates the distributions for calendar 2009 to be allocated in a similar manner to that of 2008.

Adoption of new accounting policies

On April 1, 2008, the Fund adopted three new accounting standards that were issued by the CICA: Handbook Section 1535, Capital Disclosures; Handbook Section 3862, Financial Instruments – Disclosures; and Handbook Section 3863, Financial Instruments – Presentation. Energy Savings adopted these standards prospectively as required by the standards.

Capital Disclosures

Section 1535 requires disclosure of information related to the objectives, policies and processes for managing capital. In addition, the disclosure includes whether externally imposed capital requirements have been complied with. As this standard only addresses disclosure requirements, there is no impact on the financial position of the Fund.

Financial Instruments – Disclosures, and Financial Instruments – Presentation

Section 3862, Financial Instruments – Disclosures, and Section 3863, Financial Instruments – Presentation, replace Section 3861, Financial Instruments – Disclosure and Presentation. The new disclosure standards increase the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standards carry forward the former presentation requirements. As these standards only address presentation and disclosure requirements, there is no impact on the financial position of the Fund.

Recently issued accounting standards

The following are new standards, not yet in effect, which are required to be adopted by the Fund on the effective date.

Goodwill and Intangible Assets

As of April 1, 2009, the Fund will be required to adopt Section 3064, Goodwill and Intangible Assets, which establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard is effective for fiscal years beginning on or after October 1, 2008. The Fund has not yet determined the impact of this standard on its financial statements.

International Financial Reporting Standards

In February 2008, CICA announced that GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. Accordingly, the conversion from GAAP to IFRS will be applicable to the Fund's reporting for the first quarter of fiscal 2012 for which the current and comparative information will be prepared under IFRS. The Fund has commenced its IFRS conversion project and has completed a high-level identification of the differences between Canadian GAAP and IFRS. The Fund is currently compiling a detailed project plan and assessing the need for resources.

Credit risk and the fair value of financial assets and financial liabilities

On January 20, 2009, the Emerging Issues Committee ("EIC") of the CICA approved an abstract (EIC 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities) which clarifies that the company's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of derivative instruments. EIC 173 is to be applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after the date of issuance of this abstract. The Fund will incorporate the provisions of EIC 173 in its fair value determinations as at March 31, 2009. The Fund has not yet determined the impact of this change on its financial statements.

Risk factors

The Fund is subject to a number of risks and uncertainties that could have a material adverse effect on the results of operations, business prospects, financial condition, distributions and the trading price of the Fund. A comprehensive discussion of these risks can be found in the Fund's Annual Information Form and the 2008 Annual Report which is available on our corporate website under "reports and filings" at www.esif.ca and from SEDAR through its website at www.sedar.com. There have been no material changes for the period April 1, 2008, to February 5, 2009, that requires an update to the discussion of applicable risks except for the paragraph noted below.

The investigation commenced by the Buffalo office of the New York Attorney General concerning the contract and practices of NYESC has been settled without a material impact on the financial condition or liquidity of the Fund. The action commenced by the Illinois Attorney General in connection with the marketing practices of IESC remains outstanding and settlement negotiations continue.

Other than referenced above, there have been no material developments in our legal proceedings as previously reported in the Fund's 2008 Annual Report.

Changes in internal control over financial reporting

During the most recent interim period, there have been no changes in the Fund's policies and procedures that comprise its internal control over financial reporting, that have materially affected, or are reasonably likely to materially affect, the Fund's internal control over financial reporting.

Corporate governance

Energy Savings is committed to transparency in our operations and our approach to governance meets all recommended standards. Full disclosure of our compliance with existing corporate governance rules is available on our website at www.esif.ca and is included in the Fund's May 15, 2008 management proxy circular. Energy Savings actively monitors the corporate governance and disclosure environment to ensure timely compliance with current and future requirements.

Outlook

The economies of Energy Savings' markets are currently in the midst of a significant recession. These very weak North American economic conditions and the turmoil in the credit and financial markets have had a limited effect on Energy Savings. In general, utility bills are among the last to go unpaid in times of financial hardship. Impact on the Fund to date has been limited to higher than expected attrition in the United States due to record foreclosures and utility shutoffs. Bad debt losses increased in the third quarter but remain comfortably at the lower end of the Fund's long-term target range. There can be no assurance that bad debt losses will not increase further during an extended recession. The Fund does not bear bad debt risk in Ontario, Quebec, Manitoba, B.C. (excluding large volume customers), New York or Indiana. These markets contain approximately 75% of Energy Savings' customers.

As a result of strong customer additions in past quarters and management's success in improving margins per customer, the Fund was able to show substantial year over year growth in all measures of financial performance for the third quarter. The double digit growth seen in the third quarter and the locked-in nature of Energy Savings' cash flows give management confidence that the 5% to 10% growth target for gross margin and distributable cash after gross margin replacement remains a reasonable expectation. Management currently believes that growth for the year in both measures will be at the upper end of this range.

The financial positions of the Fund's commodity suppliers remain sound based on analysis by management, as are those of the banks participating in the credit facility. Management does not believe that weakness in the global credit markets will have any near-term impact on either existing business or the Fund's ability to grow in the future.

The Fund does not require the issuance of units to fund its growth and the recent increase of its working capital line during the peak of the credit market crisis is evidence of the Fund's very conservative balance sheet. However, a weak economy will likely result in continued higher than expected attrition, particularly in the United States. The third quarter saw much improved attrition in the U.S. natural gas market where rates had been highest. Management attributes this improvement to fewer customer moves offsetting higher contract terminations due to foreclosure or utility cut-off.

In the past, times of financial stress have increased the importance of accurate budgeting for homeowners and small businesses. This would be positive for Energy Savings and its insurance-type contracts, and strong marketing results for the past two quarters bear this out. Finally, tight credit and a weak economy should increase the number of competitors that fail or are forced to sell out. This will be favourable for a well-capitalized company like Energy Savings.

Energy Savings is expanding its product offerings to include other energy conservation-related products and services such as tankless, high-efficiency water heaters and home energy audits. These products will provide homeowners with the opportunity to reduce their environmental footprints while, at the same time, lowering their energy bills.

The Fund intends to continue its geographic expansion into new markets in the United States through both organic growth and focused acquisitions. The Fund is actively reviewing a number of possible acquisitions. Management has concluded that this expansion should also include a broadening of the Energy Savings product offering to include some shorter-term contract options as well as products that will appeal to larger commercial customers.

Energy Savings continues to actively monitor the progress of the deregulated markets in various jurisdictions, including Massachusetts, Connecticut, Maryland, New Jersey and Michigan.

While the October 31, 2006 announcement to tax income trusts does not affect existing income trusts until 2011 except as noted in the future tax provision discussion, the announcement has had a material impact on the trading value of Energy Savings' units. Management is presently investigating alternative corporate forms and is committed to reinstating value to Unitholders. Like many income trusts, Energy Savings is actively analyzing potential restructuring options in preparation for conversion from a trust to a corporation on or before 2011. The Minister of Finance released a legislative proposal on July 14, 2008, that generally provided for a tax-deferred conversion of a SIFT from a trust or partnership to a corporation. On November 28, 2008, the Minister of Finance released minor changes to the legislative proposal.

CONSOLIDATED BALANCE SHEETS

(Unaudited – thousands of dollars)

	December 31, 2008	March 31, 2008
Assets		
Current		
Cash	$ 51,712	$ 27,310
Restricted cash	9,848	4,749
Accounts receivable	243,271	207,793
Gas delivered in excess of consumption	54,871	–
Gas in storage	35,552	4,268
Inventory	44	–
Unbilled revenues	164	47,299
Prepaid expenses	2,534	2,343
Corporate taxes recoverable	–	2,665
Other assets – current *(Note 7a)*	6,070	193,398
	404,066	489,825
Electricity contracts (less accumulated amortization – $36,521; March 31, 2008 – $32,401)	3,786	1,527
Gas contracts (less accumulated amortization – $414; March 31, 2008 – $nil)	1,428	–
Goodwill	116,670	116,146
Capital assets (less accumulated amortization – $18,162; March 31, 2008 – $14,114)	17,697	16,637
Future income tax assets	–	9,420
Other assets – long-term *(Note 7a)*	8,177	75,560
	$ 551,824	$ 709,115
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 155,864	$ 128,682
Customer rebates payable	10,213	4,617
Management incentive program payable	1,675	2,235
Unit distribution payable	28,513	30,696
Deferred revenue	66,011	–
Accrued gas accounts payable	124	38,522
Corporate taxes payable	1,494	–
Other liabilities – current *(Note 7a)*	302,482	59,150
	566,376	263,902
Long-term debt	108,047	67,583
Other liabilities – long-term *(Note 7a)*	300,889	159,207
Future income tax liabilities	–	19,458
	975,312	510,150
Non-controlling interest *(Note 5b)*	322	–
Equity (deficit)		
Deficit	$ (1,270,329)	$ (211,931)
Accumulated other comprehensive income	433,644	40,789
	(836,685)	(171,142)
Unitholders' capital	398,649	358,103
Contributed surplus	14,226	12,004
Unitholders' equity (deficit)	(423,810)	198,965
	$ 551,824	$ 709,115

Commitments *(Note 11)*

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

(Unaudited – thousands of dollars)
For the nine months ended December 31

	2008	2007
Accumulated earnings (deficit)		
Accumulated earnings, beginning of period	$ 392,082	$ 237,802
Adjustment for change in accounting policy – (2007 – net of income taxes of $49)	–	1,519
Net income (loss)	(938,852)	58,736
Accumulated earnings (deficit), end of period	(546,770)	298,057
Distributions		
Distributions, beginning of period	(604,013)	(435,430)
Distributions	(115,695)	(129,131)
Class A preference share distributions – net of income taxes of $2,177 (2007 – $4,070)	(3,851)	(7,197)
Distributions, end of period	(723,559)	(571,758)
Deficit	(1,270,329)	(273,701)
Accumulated other comprehensive income (loss)		
Accumulated other comprehensive income, beginning of period	40,789	–
Transitional adjustment upon implementation – derivative instruments designated as cash flow hedges and derivative gains previously deferred – (2007 – net of income taxes of $1,536)	–	113,865
Adjustment upon conversion – unrealized losses on translation of self-sustaining foreign operations	–	(87)
Other comprehensive income (loss)	392,855	(423,813)
Accumulated other comprehensive income (loss), end of period	433,644	(310,035)
Unitholders' capital *(Note 6a)*		
Unitholders' capital, beginning of period	358,103	328,153
Trust units exchanged	3,606	–
Trust units issued on exercise/exchange of unit compensation	4,981	3,128
Trust units issued	40,204	18,079
Repurchase and cancellation of units	(4,639)	–
Class A preference shares exchanged	(3,606)	–
Unitholders' capital, end of period	398,649	349,360
Contributed surplus *(Note 6b)*	14,226	12,511
Unitholders' deficit, end of period	$ (423,810)	$ (221,865)

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited – thousands of dollars, except per unit amount)

	For the three months ended December 31, 2008	For the three months ended December 31, 2007	For the nine months ended December 31, 2008	For the nine months ended December 31, 2007
Sales	$ 513,608	$ 449,673	$ 1,185,640	$ 1,086,073
Cost of sales	423,782	380,774	996,467	921,758
Gross margin	89,826	68,899	189,173	164,315
Expenses				
General and administrative expenses	14,753	12,416	41,436	34,500
Capital tax expense	198	31	198	826
Marketing expenses	18,779	13,936	49,619	43,996
Unit based compensation	1,119	625	2,873	3,236
Bad debt expense	4,224	1,153	7,749	3,679
Amortization of electricity contracts	323	1,995	2,553	5,350
Amortization of gas contracts	276	–	414	177
Amortization of capital assets	1,245	1,024	3,586	2,626
	40,917	31,180	108,428	94,390
Income before the undernoted	48,909	37,719	80,745	69,925
Interest expense	1,121	1,511	2,977	3,815
Change in fair value of derivative instruments *(Note 7a)*	81,345	6,372	1,092,859	12,116
Other income	(1,665)	(346)	(3,707)	(521)
Income (loss) before income tax	(31,892)	30,182	(1,011,384)	54,515
Provision for (recovery of) income tax	17,230	2,118	(72,504)	(4,221)
Non-controlling interest	(28)	–	(28)	–
Net income (loss)	$ (49,094)	$ 28,064	$ (938,852)	$ 58,736
Net income per unit *(Note 9)*				
Basic	$ (0.44)	$ 0.26	$ (8.52)	$ 0.55
Diluted	$ (0.44)	$ 0.26	$ (8.44)	$ 0.54

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited – thousands of dollars)

	For the three months ended December 31, 2008	For the three months ended December 31, 2007	For the nine months ended December 31, 2008	For the nine months ended December 31, 2007
Net income (loss)	**$ (49,094)**	$ 28,064	**$ (938,852)**	$ 58,736
Unrealized gain (loss) on translation of self-sustaining operations	**(2,252)**	275	**5,846**	(147)
Unrealized and realized gain (loss) on derivative instruments designated as cash flow hedges prior to July 1, 2008, net of income taxes of $nil (2007 – ($5,418)) and ($89,257) (2007 – $16,216) for the three and nine months, respectively *(Note 7a)*	**–**	68,865	**498,654**	(423,666)
Amortization of deferred unrealized gain of discontinued hedges net of income taxes of $14,431 and $25,558 for the three and nine months, respectively *(Note 7a)*	**(64,145)**	–	**(111,645)**	–
Other comprehensive income (loss)	**(66,397)**	69,140	**392,855**	(423,813)
Comprehensive income (loss)	**$ (115,491)**	$ 97,204	**$ (545,997)**	$ (365,077)

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited – thousands of dollars)

	For the three months ended December 31, 2008	For the three months ended December 31, 2007	For the nine months ended December 31, 2008	For the nine months ended December 31, 2007
Net inflow (outflow) of cash related to the following activities				
Operating				
Net income (loss)	$ (49,094)	$ 28,064	$ (938,852)	$ 58,736
Items not affecting cash				
Amortization of gas contracts	276	–	414	177
Amortization of electricity contracts	323	1,995	2,553	5,350
Amortization of capital assets	1,245	1,024	3,586	2,626
Unit based compensation	1,119	625	2,873	3,236
Non-controlling interest	(28)	–	(28)	–
Future income taxes	14,431	(136)	(77,335)	(7,432)
Other	(86)	(71)	(1,286)	58
Change in fair value of derivative instruments	81,345	6,372	1,092,859	12,116
	98,625	9,809	1,023,636	16,131
Adjustments required to reflect net cash receipts from gas sales	(2,272)	2,348	19,877	19,905
Changes in non-cash working capital	(31,297)	(31,448)	(25,694)	(22,419)
	15,962	8,773	78,967	72,353
Financing				
Exercise of trust unit options *(Note 6a)*	–	1,660	4,293	2,748
Issue of trust units	–	18,079	–	18,079
Distributions paid to Unitholders	(28,597)	(30,310)	(79,068)	(87,069)
Distributions to Class A preference shareholder	(1,632)	(2,601)	(5,960)	(7,431)
Tax impact on distributions to Class A preference shareholder	903	2,241	2,177	4,070
Units purchased for cancellation	(4,639)	–	(4,639)	–
Issuance of long-term debt	39,628	19,331	63,226	83,854
Repayment of long-term debt	(15,841)	(12,293)	(28,149)	(26,246)
Restricted cash	(98)	(159)	(107)	1,908
	(10,276)	(4,052)	(48,227)	(10,087)
Investing				
Purchase of capital assets	(1,667)	(3,783)	(2,993)	(8,083)
Acquisitions *(Note 5)*	–	–	(2,342)	(33,400)
	(1,667)	(3,783)	(5,335)	(41,483)
Effect of foreign currency translation on cash balances	(1,473)	(1,794)	(1,003)	(795)
Net cash inflow (outflow)	2,546	(856)	24,402	19,988
Cash, beginning of period	49,166	37,630	27,310	16,786
Cash, end of period	$ 51,712	$ 36,774	$ 51,712	$ 36,774
Supplemental information				
Interest paid	$ 1,134	$ 1,447	$ 3,049	$ 4,020
Income taxes paid	$ 22	$ 382	$ 154	$ 1,185

See accompanying notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – thousands of dollars, except where indicated and per unit amounts)

NOTE 1 Interim financial statements

The unaudited interim consolidated financial statements do not conform in all respects to the requirements of Canadian generally accepted accounting principles ("GAAP") for annual financial statements and should therefore be read in conjunction with the audited consolidated financial statements and notes thereto included in the Fund's annual report for fiscal 2008. The unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian GAAP applicable to interim consolidated financial statements and follow the same accounting policies and methods in their applications as the most recent annual financial statements, except as described in Note 3.

NOTE 2 Organization

Energy Savings Income Fund ("Energy Savings" or the "Fund")

Energy Savings is an open-ended, limited-purpose trust established under the laws of the Province of Ontario to hold securities and to distribute the income of its directly or indirectly owned operating subsidiaries and affiliates: Ontario Energy Savings L.P. ("OESLP"), Energy Savings (Manitoba) L.P. ("ESMLP"), Energy Savings (Quebec) L.P. ("ESPQ"), ES (B.C.) Limited Partnership ("ESBC"), Alberta Energy Savings L.P. ("AESLP"), Illinois Energy Savings Corp. ("IESC"), New York Energy Savings Corp. ("NYESC"), Indiana Energy Savings Corp. ("INESC"), Energy Savings Texas Corp. ("ESTC") and Newten Home Comfort L.P. ("NHCLP") (collectively the "Energy Savings Group").

NOTE 3 Changes in significant accounting policies/practices

(a) Change in accounting practices

Effective July 1, 2008, the Fund ceased the utilization of hedge accounting. In accordance with CICA Section 3865, Hedges, the Fund is amortizing the accumulated gains and losses to June 30, 2008, from other comprehensive income in the same period in which the original hedged item affects the Statement of Operations. No retrospective restatement is required for this change.

(b) New accounting standards

On April 1, 2008, the Fund adopted three new accounting standards that were issued by the CICA: Handbook Section 1535, Capital Disclosures; Handbook Section 3862, Financial Instruments – Disclosures; and Handbook Section 3863, Financial Instruments – Presentation. Energy Savings adopted these standards prospectively as required by the standards.

Capital Disclosure

Section 1535 requires disclosure of information related to the objectives, policies and processes for managing capital. In addition, disclosures include whether externally imposed capital requirements have been complied with. As this standard only addresses disclosure requirements, there is no impact on the financial position of the Fund (Note 8).

Financial Instruments – Disclosures, and Financial Instruments – Presentation

Section 3862, Financial Instruments – Disclosures, and Section 3863, Financial Instruments – Presentation, which replace Section 3861, Financial Instruments – Disclosure and Presentation, increase the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standards carry forward the former presentation requirements. As this standard only addresses presentation and disclosure requirements, there is no impact on the financial position of the Fund (Note 7).

(c) Recently issued accounting standards

The following outlines new standards, not yet in effect, which are required to be adopted by the Fund on the effective dates.

Goodwill and Intangible Assets

As of April 1, 2009, the Fund will be required to adopt Section 3064, Goodwill and Intangible Assets, which establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard is effective for fiscal years beginning on or after October 1, 2008. The Fund has not yet determined the impact of this standard on its financial statements.

International Financial Reporting Standards

In February 2008, CICA announced that GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. Accordingly, the conversion from GAAP to IFRS will be applicable to the Fund's reporting for the first quarter of fiscal 2012 for which the current and comparative information will be prepared under IFRS. The Fund is currently assessing the impact of the transition to IFRS and is developing a plan accordingly.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

On January 20, 2009, the Emerging Issues Committee ("EIC") of the CICA approved an abstract (EIC 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities) which clarifies that the company's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of derivative instruments. EIC 173 is to be applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after the date of issuance of this abstract. The Fund will incorporate the provisions of EIC 173 in its fair value determinations as at March 31, 2009. The Fund has not yet determined the impact of this change on its financial statements.

NOTE 4 Seasonality of operations

Energy Savings' operations are seasonal. Gas consumption by customers is typically highest in October through March and lowest in April through September. Electricity consumption is typically highest in January through March and July through September. Electricity consumption is lowest in October through December and April through June.

NOTE 5 Acquisitions

(a) Acquisition of CEG Energy Options Inc.'s ("CEG") natural gas customers

On August 14, 2008, Energy Savings purchased substantially all of the commercial and residential customer contracts of CEG in B.C. CEG was a Western Canada marketer of natural gas, wholly owned by SemCanada Energy Company, both of which filed for creditor protection under the Companies' Creditors Arrangement Act ("CCAA") on July 30, 2008. The customer contracts had annualized volumes of approximately 4.9 million GJ.

The purchase price has been allocated as follows:

Net assets acquired	
Gas contracts	$ 1,842
Consideration	
Cash	$ 1,842

The gas contracts will be amortized over the average remaining life of the contracts, which at the time of the acquisition was 20 months.

(b) Partnership with Newten Home Comfort Inc.

On July 18, 2008, the Fund through its affiliates entered into a limited partnership to form Newten Home Comfort L.P., a business involving the marketing, leasing, sale, and installation of tankless and high-efficiency water heaters. The Fund will hold an approximate 80% equity interest and will invest up to $1,400 as equity and up to $1,850 as convertible debt financing in Newten Home Comfort L.P. As at December 31, 2008, the Fund had invested $500 as equity.

(c) Acquisition of Just Energy Texas L.P.

During the prior fiscal year, Energy Savings completed the acquisition of Just Energy Texas L.P. ("Just Energy"), including all of its electricity contracts. The aggregate cost of this transaction, including transaction costs, was US$34,165 including cash acquired in the amount of US$3,373. Pursuant to the agreement, Energy Savings acquired approximately 1.3 million MWh. The acquisition was funded through a credit facility drawdown, of which $18,079 (US$18,362) including interest of $356 (US$362) was returned to the Fund on October 9, 2007, in exchange for 1,169,399 units of the Fund issued from treasury. The units are subject to the terms of an escrow agreement for the benefit of the Just Energy vendors and are being released to the vendors over a three-year period.

The purchase price was allocated as follows:

	US$	CAD$
Net assets acquired		
Working capital (including cash of US$3,373, CAD$3,659)	$ 7,236	$ 7,849
Electricity contracts	11,400	12,365
Goodwill	17,826	19,336
Capital assets	18	20
Long-term liabilities	(2,315)	(2,511)
	$ 34,165	$ 37,059
Consideration		
Cash	$ 34,165	$ 37,059

The acquisition of Just Energy was accounted for using the purchase method of accounting. Energy Savings allocated the purchase price to the identified assets and liabilities acquired based on their fair values at the time of acquisition. The electricity contracts acquired are amortized over the average estimated remaining life of the contracts. During the first quarter of fiscal 2009, upon finalization of the purchase price allocation there was an increase of $3,457 (US$3,187) in intangible assets relating to electricity contracts and a resulting reduction in goodwill.

NOTE 6 Unitholders' capital

(a) Trust units of the Fund

An unlimited number of units may be issued. Each unit is transferable, voting and represents an equal undivided beneficial interest in any distributions from the Fund whether of net income, net realized capital gains or other amounts, and in the net assets of the Fund, in the event of termination or winding-up of the Fund.

The Fund intends to make distributions to its Unitholders based on: (a) the cash receipts of the Fund, excluding proceeds from the issuance of additional Fund units, adjusted for costs and expenses of the Fund; (b) amounts which may be paid by the Fund in connection with any cash redemptions or repurchases of units; and (c) any other amounts that the Board of Directors considers necessary to provide for the payment of any costs which have been or will be incurred in the activities and operations of the Fund. The Fund's intention is for Unitholders of record on the 15th day of each month to receive distributions at the end of the month, excluding any Special Distributions.

Class A preference shares of OESC

The terms of the unlimited Class A preference shares of OESC are non-voting, non-cumulative and exchangeable into trust units in accordance with the OESC shareholders' agreement as restated and amended, with no priority on dissolution. Pursuant to the amended and restated Declaration of Trust which governs the Fund, the holder of Class A preference shares are entitled to vote in all votes of Unitholders as if they were the holders of the number of units that they would receive if they exercised their shareholder exchange rights. Class A preference shareholders have equal entitlement to distributions from the Fund as Unitholders.

Issued and outstanding	Units/shares		2008	Units/shares		2007
Trust units						
Balance, beginning of period	102,152,194	$	341,337	98,082,535	$	306,387
Options exercised	355,000		4,840	235,833		3,086
Unit appreciation rights exchanged	9,788		141	3,002		42
Distribution reinvestment plan	1,604,484		17,891	–		–
Units issued	1,336,115		22,313	1,169,399		18,079
Units cancelled	(677,700)		(4,639)	–		–
Exchanged from Class A preference shares	1,442,484		3,606	–		–
Balance, end of period	106,222,365		385,489	99,490,769		327,594
Class A preference shares						
Balance, beginning of period	6,706,212		16,766	8,706,212		21,766
Exchanged into units	(1,442,484)		(3,606)	–		–
Balance, end of period	5,263,728		13,160	8,706,212		21,766
Unitholders' capital, end of period	111,486,093	$	398,649	108,196,981	$	349,360

Distribution reinvestment plan

During the prior fiscal year, the Fund established a distribution reinvestment plan ("DRIP"). Under the plan, Unitholders holding a minimum of 100 units can elect to receive their distributions (both regular and special) in units rather than cash at a 5% discount to the simple average closing price of the units for five trading days preceding the applicable distribution payment date, providing the units are issued from treasury and not purchased on the open market. Effective December 1, 2008, the Fund suspended the DRIP program until further notice due to the commencement of the normal course issuer bid.

Units cancelled

During the quarter, the Fund obtained approval from its Board of Directors to make a normal course issuer bid to purchase up to 9,000,000 units, for the 12-month period commencing November 21, 2008, and ending November 20, 2009. A maximum of 44,754 units can be purchased during any trading day.

During the quarter, the Fund purchased and cancelled 677,700 units for a cash consideration of $4,639.

(b) Contributed surplus

Amounts credited to contributed surplus include unit based compensation awards, unit appreciation rights ("UARs") and deferred unit grants ("DUGs"). Amounts charged to contributed surplus are awards exercised during the period.

		For the three months ended December 31, 2008		For the three months ended December 31, 2007		For the nine months ended December 31, 2008		For the nine months ended December 31, 2007
Contributed surplus								
Balance, beginning of period	$	13,094	$	12,082	$	12,004	$	9,633
Add: unit based compensation awards		1,119		625		2,873		3,236
non-cash deferred unit grant distributions		13		9		38		23
Less: unit based awards exercised		–		(205)		(689)		(381)
Balance, end of period	$	14,226	$	12,511	$	14,226	$	12,511

Total amounts credited to Unitholders' capital in respect of options and UARs exercised or exchanged during the three and nine months ended December 31, 2008, amounted to $nil (2007 – $1,865) and $4,981 (2007 – $3,128).

Cash received from options exercised for the three and nine months ended December 31, 2008, amounted to $nil (2007 – $1,660) and $4,293 (2007 – $2,748).

NOTE 7

Financial instruments

(a) Fair value

The Fund has a variety of gas and electricity supply contracts that are captured under CICA section 3855, Financial Instruments – Measurement and Recognition. Fair value is the estimated amount that Energy Savings would pay or receive to dispose of these supply contracts in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Management has estimated the value of electricity and gas swap and forward contracts using a discounted cash flow method, which employs market forward curves that are either directly sourced from third parties or are developed internally based on third party market data. Gas options have been valued using the Black option value model using the applicable market forward curves and the implied volatility from other market traded gas options.

Effective July 1, 2008, the Fund ceased the utilization of hedge accounting. Accordingly, all the mark to market changes on the Fund's derivative instruments are recorded on a single line on the consolidated statements of operations. Due to the commodity volatility and size of the Fund, the quarterly swings in mark to market on these positions will increase the volatility in the Fund's earnings.

The following table contains the components of the change in fair value related to the Fund's derivative financial instruments:

	For the three months ended December 31, 2008	For the nine months ended December 31, 2008
(Gain) loss in fair value of derivative instruments		
Canada		
Fixed-for-floating electricity swaps (i)	$ (31,802)	$ 121,597
Renewable energy certificates (vii)	(272)	448
Options (viii)	(1,650)	(1,259)
Physical gas forward contracts (xii)	51,386	621,146
Transportation forward contract (xiii)	(11,121)	(7,086)
United States		
Fixed-for-floating electricity swaps (ii)	26,614	79,687
Physical electricity forwards (iii)	30,098	108,037
Unforced capacity forward contracts (iv)	2,237	5,725
Renewable energy certificates (v)	(323)	(206)
Verified emission reduction certificates (vi)	122	63
Options (ix)	(871)	4,308
Physical gas forward contracts (xiv)	90,191	294,024
Transportation forward contract (xv)	4,202	3,370
Heat rate swaps (x)	315	87
Foreign exchange forward contracts (xi)	795	121
Amortization of deferred unrealized gains of discontinued hedges	(78,576)	(137,203)
Change in fair value of derivative instruments	$ 81,345	$ 1,092,859

The following table summarizes certain aspects of the financial assets and liabilities recorded in the financial statements as at December 31, 2008.

	Other assets – current	Other assets – long-term	Other liabilities – current	Other liabilities – long-term
Description				
Canada				
Fixed-for-floating electricity swaps (i)	$ 956	$ 3,228	$ 95,653	$ 118,573
Renewable energy certificates (vii)	110	295	–	–
Options (viii)	–	–	811	3,309
Physical gas forward contracts (xii)	–	40	94,511	56,856
Transportation forward contract (xiii)	1,106	3,251	549	97
United States				
Fixed-for-floating electricity swaps (ii)	–	–	22,338	19,468
Physical electricity forwards (iii)	–	–	30,074	34,480
Unforced capacity forward contracts (iv)	361	–	386	563
Renewable energy certificates (v)	94	248	19	51
Verified emission reduction certificates (vi)	–	–	18	35
Options (ix)	77	–	1,641	2,965
Physical gas forward contracts (xiv)	–	–	53,589	53,242
Transportation forward contract (xv)	–	–	2,819	8,781
Heat rate swaps (x)	–	26	74	–
Foreign exchange forward contracts (xi)	3,366	1,089	–	–
Deferred lease inducements	–	–	–	2,469
As at December 31, 2008	$ 6,070	$ 8,177	$ 302,482	$ 300,889

(i) Energy Savings has electricity fixed-for-floating swap contracts in its Canadian subsidiaries and affiliates. Hedge accounting was applied to most of these forward contracts up to June 30, 2008, after which the hedges were de-designated and classified as held-for-trading. As the required hedge accounting effectiveness was achieved to June 30, 2008, the related net gain of $58,078 has been deferred in AOCI and is being recognized in the Statement of Operations over the remaining term of the hedging relationship. At December 31, 2008, Energy Savings had electricity fixed-for-floating swap contracts in its Canadian subsidiaries and affiliates classified as held-for-trading with the following terms:

Notional volumes (peak, flat, off peak and weekend)	0.0001–35 MW/h
Total remaining notional volume (peak, flat, off peak and weekend)	14,456,705 MWh
Maturity dates	January 31, 2009 – December 31, 2015
Fixed price per MWh (in dollars)	$55.24–$128.13
Fair value	$210,042 unfavourable
Notional value	$1,091,658

With respect to the contracts classified as held-for-trading as of June 30, 2008, a gain of $31,802 (2007 – $1,124 loss) and a loss of $122,073 (2007 – $2,511 loss) for the three and nine months ended December 31, 2008, respectively, has been recorded against other assets and in other liabilities with their offsetting value being recorded in change in fair value of derivative instruments. With respect to the designated hedges to June 30, 2008, there is no change to the gain of $75,830 recorded as at June 30, 2008 (2007 – loss of $11,384 and $158,500, for the three and nine months, respectively) with the offsetting values recorded as a gain of $nil (2007 – $6,145 gain) and gain of $75,354 (2007 – $150,372 gain) in other comprehensive income and a gain of $nil (2007 – $5,238 gain) and gain of $476 (2007 – $8,127 gain), respectively, in change in fair value of derivative instruments for the three and nine months ended December 31, 2008.

The electricity fixed-for-floating contracts related to the Province of Alberta are predominantly load-following, wherein the quantity of electricity contained in the supply contract "follows" the usage of customers designated by the supply contract. Notional volumes associated with these contracts are estimates and subject to change with customer usage requirements. There are also load shaped fixed-for-floating contracts in Ontario wherein the quantity of electricity is established but varies throughout the term of the contracts.

(ii) Energy Savings has electricity fixed-for-floating swap contracts in its U.S. subsidiaries and affiliates. Hedge accounting was applied to most of these swaps up to June 30, 2008, after which, the hedges were de-designated and classified as held-for-trading. As the required hedge accounting effectiveness was achieved to June 30, 2008, the related net gain of $37,740 recorded as of June 30, 2008, has been deferred in AOCI and is being recognized in the Statement of Operations over the remaining term of the hedging relationship. At December 31, 2008, Energy Savings had electricity fixed-for-floating swap contracts in its U.S. subsidiaries and affiliates classified as held-for-trading to which it has committed with the following terms:

Notional volumes (peak, flat, off peak and weekend)	0.10–14.70 MW/h
Total remaining notional volume (peak, flat, off peak and weekend)	1,609,798 MWh
Maturity dates	January 31, 2009 – January 31, 2014
Fixed price per MWh (in dollars)	$63.34–$166.56 (US$52.00–US$136.75)
Fair value	$41,806 (US$34,324) unfavourable
Notional value	$191,266 (US$157,033)

With respect to the contracts classified as held-for-trading as of June 30, 2008, a loss of $26,614 (US$21,559) (2007 – $nil) and a loss of $79,520 (US$71,445) (2007 – $nil) for the three and nine months ended December 31, 2008, respectively, has been recorded against other assets and in other liabilities with their offsetting values being recorded in change in fair value of derivative instruments. With respect to the designated hedges to June 30, 2008, there is no change to the gain of $40,306 (US$39,645) recorded as at June 30, 2008 (2007 – gain of $8,535 (US$8,509) and gain of $6,866 (US$6,772) for the three and nine months, respectively) with the offsetting values recorded as to a loss of $nil (2007 – gain of $8,577 (US$8,551)) and gain of $40,473 (US$39,808) (2007 – gain of $7,347 (US$7,293)) in other comprehensive income and a loss of $nil (US$nil) (2007 – loss of $42 (US$42)) and $167 (US$164) (2007 – loss of $481 (US$521)) in change in fair value of derivative instruments, respectively, for the three and nine months ended December 31, 2008.

(iii) Energy Savings has electricity physical forward contracts in its U.S. subsidiaries and affiliates. Hedge accounting was applied to most of these forward contracts up to June 30, 2008, after which the hedges were de-designated and classified as held-for-trading. As the required hedge accounting effectiveness was achieved to June 30, 2008, the related gain of $45,027 has been deferred in AOCI and is being recognized in the Statement of Operations over the remaining term of the hedging relationship. At December 31, 2008, Energy Savings had electricity physical forward contracts in its U.S. subsidiaries and affiliates classified as held-for-trading to which it has committed with the following terms:

Notional volumes (peak and off peak)	1.0–25.0 MW/h
Total remaining notional volume (peak and off peak)	3,425,105 MWh
Maturity dates	January 1, 2009 – April 30, 2014
Fixed price per MWh (in dollars)	$44.15–$134.28 (US$36.25–US$110.25)
Fair value	$64,554 (US$52,999) unfavourable
Notional value	$294,947 (US$242,157)

With respect to the contracts classified as held-for-trading as of June 30, 2008, a loss of $30,098 (US$24,381) (2007 – $nil) and a loss of $108,037 (US$98,027) (2007 – $nil) for the three and nine months ended December 31, 2008, respectively, has been recorded against other assets and in other liabilities with their offsetting values being recorded in change in fair value of derivative instruments. With respect to the designated hedges to June 30, 2008, there is no change to the gain of $30,573 (US$30,071) recorded as at June 30, 2008 (2007 – gain of $6,296 (US$6,277) and loss of $4,560 (US$3,990) for the three and nine months, respectively) with the offsetting values recorded as to a loss of $nil (2007 – gain of $6,396 (US$6,376)) and gain of $30,573 (US$30,071) (2007 – loss of $4,241 (US$3,671)) in other comprehensive income and a loss of $nil (US$nil) (2007 – loss of $100 (US$99)) and a loss of $nil (US$nil) (2007 – loss of $319 (US$319)) in change in fair value of derivative instruments, respectively, for the three and nine months ended December 31, 2008.

(iv) Energy Savings has unforced capacity contracts in its U.S. subsidiaries and affiliates. Hedge accounting was applied to most of these forward contracts up to June 30, 2008, after which the hedges were de-designated and classified as held-for-trading. As the required hedge accounting effectiveness was achieved to June 30, 2008, this net gain of $4,665 has been deferred in AOCI and is being recognized in the Statement of Operations over the remaining term of the hedging relationship. At December 31, 2008, Energy Savings had unforced capacity contracts in its U.S. subsidiaries and affiliates classified as held-for-trading to which it has committed with the following terms:

Notional volumes	5–102.6 MW/month
Total remaining notional volume	2,611 MW/month
Maturity dates	January 31, 2009 – November 30, 2012
Fixed price per MW (in dollars)	$1,827–$9,744 (US$1,500–US$8,000) MW/month
Fair value	$588 (US$483) unfavourable
Notional value	$16,132 (US$13,245)

With respect to the contracts classified as held-for-trading as of June 30, 2008, a loss of $2,237 (US$1,812) (2007 – gain of $43 (US$43)) and a loss of $5,725 (US$5,106) (2007 – gain of $76 (US$73)) for the three and nine months ended December 31, 2008, respectively, has been recorded against other assets and in other liabilities with their offsetting values being recorded in change in fair value of derivative instruments. With respect to the designated hedges to June 30, 2008, there is no change to the gain of $4,742 (US$4,665) recorded as at June 30, 2008 (2007 – n/a), with the offsetting values recorded as to a loss of $nil (2007 – n/a) and gain of $4,742 (US$4,665) (2007 – n/a) in other comprehensive income, respectively, for the three and nine months ended December 31, 2008.

(v) As at December 31, 2008, Energy Savings had renewable energy certificates in its U.S. subsidiaries and affiliates which have been classified as held-for-trading and marked to market with the following terms:

Notional volume	2,000–40,000 MWh
Total remaining notional volume	426,400 MWh
Maturity dates	December 31, 2009 – December 31, 2013
Fixed price per MWh (in dollars)	$5.60–$27.41 (US$4.60–US$22.50)
Fair value	$272 (US$224) favourable
Notional value	$4,175 (US$3,428)

A gain of $323 (US$262) (2007 – gain of $177 (US$176)) and a gain of $206 (US$149) (2007 – gain of $177 (US$176)) for the three and nine months ended December 31, 2008, respectively, has been recorded against other assets and in other liabilities with its offsetting values being recorded in change in fair value of derivative instruments.

(vi) As at December 31, 2008, Energy Savings had verified emission reduction certificates in its U.S. subsidiaries and affiliates which have been classified as held-for-trading and marked to market with the following terms:

Notional volume	10,000 Tonnes
Total remaining notional volume	60,000 Tonnes
Maturity dates	December 31, 2009 – December 31, 2012
Fixed price per MWh (in dollars)	$10.05 (US$8.25)
Fair value	$53 (US$44) unfavourable
Notional value	$603 (US$495)

A loss of $122 (US$100) (2007 – n/a) and a loss of $63 (US$43) (2007 – n/a) for the three and nine months ended December 31, 2008, respectively, has been recorded in other liabilities with its offsetting values being recorded in change in fair value of derivative instruments.

(vii) As at December 31, 2008, Energy Savings had renewable energy certificates in its Canadian subsidiaries and affiliates which have been classified as held-for-trading and marked to market with the following terms:

Notional volume	10–26,100 MWh
Total remaining notional volume	452,922 MWh
Maturity dates	December 31, 2009 – December 31, 2014
Fixed price per MWh (in dollars)	$3.00–$9.00
Fair value	$405 favourable
Notional value	$1,991

A gain of $272 (2007 – gain of $210) and a loss of $448 (2007 – gain of $210) for the three and nine months ended December 31, 2008, respectively, has been recorded in other assets with its offsetting values being recorded in change in fair value of derivative instruments.

(viii) At December 31, 2008, Energy Savings had gas put and call options in its Canadian subsidiaries and affiliates which have been classified as held-for-trading and marked to market with the following terms:

Notional volume	46–40,500 GJ/month
Total remaining notional volume	9,515,427 GJ
Maturity dates	January 31, 2009 – November 30, 2013
Fixed price per GJ (in dollars)	$5.50–$13.20
Fair value	$4,120 unfavourable

The fair value is net of the present value of premiums which have yet to be paid. A gain of $1,650 (2007 – $832 loss) and a gain of $1,259 (2007 – $881 loss) for the three and nine months ended December 31, 2008, respectively, has been recorded against other liabilities with its offsetting values being recorded in change in fair value of derivative instruments.

(ix) At December 31, 2008, Energy Savings had other gas put and call options in its U.S. subsidiaries and affiliates which have been classified as held-for-trading and marked to market with the following terms:

Notional volume	5–140,000 MmBTU/month
Total remaining notional volume	9,755,383 MmBTU
Maturity dates	January 31, 2009 – May 31, 2013
Fixed price per MmBTU (in dollars)	$6.70–$16.81 (US$5.50–US$13.80)
Fair value	$4,529 (US$3,718) unfavourable

The fair value is net of the present value of premiums which have yet to be paid. A gain of $871 (US$706) (2007 – $1,557 (US$1,552) loss) and a loss of $4,307 (US$3,851) (2007 – $4,430 (US$4,297) loss) for the three and nine months ended December 31, 2008, respectively, has been recorded against other assets and in other liabilities with its offsetting values being recorded in change in fair value of derivative instruments.

(x) As at December 31, 2008, Energy Savings had heat rate swaps in its U.S. subsidiaries and affiliates which have been classified as held-for-trading and marked to market with the following terms:

Notional volume	1–6 MWh
Total remaining notional volume	26,217 MWh
Maturity dates	January 31, 2009 – May 31, 2012
Fixed price per MWh (in dollars)	$60.04–$82.79 (US$49.29–US$67.97)
Fair value	$48 (US$39) unfavourable
Notional value	$1,824 (US$1,498)

A loss of $315 (US$255) (2007 – n/a) and a loss of $87 (US$39) for the three and nine months ended December 31, 2008, respectively, has been recorded in other assets and other liabilities with its offsetting values being recorded in change in fair value of derivative instruments.

(xi) The Fund has foreign exchange forwards that are considered derivative financial instruments. The fair value of derivative financial instruments is the estimated amount that Energy Savings would pay or receive to dispose of these forwards at market. Management has estimated the value of its foreign exchange forwards using a discounted cash flow method that employs market forward curves. Hedge accounting was applied to most of these forwards up to September 30, 2006. However, the hedge was de-designated and a loss of $195 for the year ended March 31, 2007, was recorded in other liabilities. As the required hedge accounting effectiveness was achieved for certain quarters of fiscal 2007, a $1,933 gain has been deferred and recorded in AOCI and is being recognized in the Statement of Operations over the remaining term of each hedging relationship. At December 31, 2008, Energy Savings had foreign exchange forwards classified as held-for-trading to which it has committed with the following terms:

Notional amount	\$1,981–\$2,276 (US\$2,000)
Total remaining notional amount	\$67,898 (US\$64,000)
Maturity dates	January 8, 2009 – April 7, 2010
Exchange rates	\$0.9905–\$1.1381
Fair value	\$4,455 favourable

A loss of \$795 (2007 – \$75 gain) and a loss of \$121 (2007 – \$6,503 gain) for the three and nine months ended December 31, 2008, respectively, has been recorded against other assets with the offsetting values being recorded in change in fair value of derivative instruments.

(xii) Energy Savings has physical gas forward contracts in its Canadian subsidiaries and affiliates. Hedge accounting was applied to most of these forward contracts up to June 30, 2008, after which the hedges were de-designated and classified as held-for-trading. As the required hedge accounting effectiveness was achieved to June 30, 2008, the related net gain of \$469,784 has been deferred in AOCI and is being recognized in the Statement of Operations over the remaining term of the hedging relationship. At December 31, 2008, Energy Savings had physical gas forward contracts in its Canadian subsidiaries and affiliates classified as held-for-trading to which it has committed with the following terms:

Notional volume	0.14410–13,000 GJ/day
Total remaining notional volume	168,596,048 GJ
Maturity dates	January 31, 2009 – April 30, 2015
Fixed price per GJ (in dollars)	\$5.05–\$10.00
Fair value	\$151,327 unfavourable
Notional value	\$1,344,643

With respect to the contracts classified as held-for-trading as of June 30, 2008, a loss of \$51,386 (2007 – n/a) and a loss of \$621,146 (2007 – n/a) for the three and nine months ended December 31, 2008, respectively, has been recorded against other assets and in other liabilities with their offsetting value being recorded in change in fair value of derivative instruments. With respect to the designated hedges to June 30, 2008, there is no change to the gain of \$313,071 recorded as at June 30, 2008 (2007 – gain of \$51,995 and loss of \$272,649, for the three and nine months, respectively), with the offsetting values recorded as to a gain of \$nil (2007 – gain of \$51,995) and \$313,071 (2007 – loss of \$272,649) in other comprehensive income, respectively, for each of the three and nine months ended December 31, 2008.

(xiii) Energy Savings has gas transportation forward contracts in its Canadian subsidiaries and affiliates. Hedge accounting was applied to most of these forward contracts up to June 30, 2008, after which the hedges were de-designated and classified as held-for-trading. As the required hedge accounting effectiveness was achieved to June 30, 2008, the net loss of \$3,340 recorded as of June 30, 2008, has been deferred in AOCI and is being recognized in the Statement of Operations over the remaining term of the hedging relationship. At December 31, 2008, Energy Savings had gas transportation forward contracts in its Canadian subsidiaries and affiliates classified as held-for-trading to which it has committed with the following terms:

Notional volume	35–50,000 GJ/day
Total remaining notional volume	93,959,508 GJ
Maturity dates	January 31, 2009 – October 31, 2013
Fixed price per GJ (in dollars)	\$0.01–\$1.68
Fair value	\$3,711 favourable
Notional value	\$90,432

With respect to the contracts classified as held-for-trading as of June 30, 2008, a gain of \$11,121 (2007 – n/a) and a gain of \$7,086 (2007 – n/a) for the three and nine months ended December 31, 2008, respectively, has been recorded in other assets and other liabilities with their offsetting value being recorded in change in fair value of derivative instruments. With respect to the designated hedges to June 30, 2008, there is no change to the gain of \$5,958 recorded as at June 30, 2008 (2007 – loss of \$3,100 and gain of \$373, for the three and nine months, respectively), with the offsetting values recorded as to a gain of \$nil (2007 – \$3,100 loss) and gain of \$5,958 (2007 – \$373) in other comprehensive income, respectively, for each of the three and nine months ended December 31, 2008.

(xiv) Energy Savings has physical gas forward contracts in its U.S. subsidiaries and affiliates. Hedge accounting was applied to most of these forward contracts up to June 30, 2008, after which the hedges were de-designated and classified as held-for-trading. As the required hedge accounting effectiveness was achieved to June 30, 2008, the related net gain of $177,953 recorded as of June 30, 2008 has been deferred in AOCI and is being recognized in the Statement of Operations over the remaining term of the hedging relationship. At December 31, 2008, Energy Savings had physical gas forward contracts in its U.S. subsidiaries and affiliates classified as held-for-trading to which it has committed with the following terms:

Notional volume	5–12,471 MmBTU/day
Total remaining notional volume	49,458,014 MmBTU
Maturity dates	January 2, 2009 – January 31, 2014
Fixed price per GJ (in dollars)	$6.46–$15.32 (US$5.30–US$12.58)
Fair value	$106,831 (US$87,710) unfavourable
Notional value	$520,274 (US$427,154)

With respect to the contracts classified as held-for-trading as of June 30, 2008, a loss of $90,191 (US$73,059) (2007 – n/a) and a loss of $294,024 (US$265,663) (2007 – n/a) for the three and nine months ended December 31, 2008, respectively, has been recorded against other assets and in other liabilities with their offsetting values being recorded in change in fair value of derivative instruments. With respect to the designated hedges to June 30, 2008, there is no change to the gain of $124,759 (US$122,710) recorded as at June 30, 2008 (2007 – gain of $18,901 (US$18,842) and loss of $31,933 (US$30,319)) (2007 – loss of $13,032 (US$11,477), for the three and nine months, respectively), with the offsetting values recorded as to a gain of $nil (2007 – $18,901 (US$18,842) gain) and $124,759 (US$122,710) (2007 – $13,032 (US$11,477) loss) in other comprehensive income, respectively, for each of the three and nine months ended December 31, 2008.

(xv) Energy Savings has gas transportation forward contracts in its U.S. subsidiaries and affiliates. Hedge accounting was applied to most of these forward contracts up to June 30, 2008, after which the hedges were de-designated and classified as held-for-trading. As the required hedge accounting effectiveness was achieved to June 30, 2008, the related net loss of $6,906 recorded as of June 30, 2008, has been deferred in AOCI and is being recognized in the Statement of Operations over the remaining term of the hedging relationship. At December 31, 2008, Energy Savings had physical gas forward contracts in its U.S. subsidiaries and affiliates classified as held-for-trading which it has committed with the following terms:

Notional volume	380–17,700 MmBTU/day
Total remaining notional volume	19,332,771 MmBTU
Maturity dates	January 31, 2009 – January 31, 2013
Fixed price per GJ (in dollars)	$0.01–$0.73 (US$0.01–US$0.60)
Fair value	$11,600 (US$9,524) unfavourable
Notional value	$7,315 (US$6,006)

With respect to the contracts classified as held-for-trading as of June 30, 2008, a loss of $4,202 (US$3,404) (2007 – n/a) and a loss of $3,370 (US$2,617) (2007 – n/a) for the three and nine months ended December 31, 2008, respectively, has been recorded in other liabilities with their offsetting values being recorded in change in fair value of derivative instruments. With respect to the designated hedges to June 30, 2008, there is no change to the loss of $7,022 (US$6,906) recorded as at June 30, 2008 (2007 – $nil (US$nil) and $nil (US$nil), for the three and nine months, respectively), with the offsetting values recorded as to a gain of $nil (2007 – $nil (US$nil)) and $7,022 (US$6,906) (2007 – $nil (US$nil)) in other comprehensive income, respectively, for each of the three and nine months ended December 31, 2008.

	For the three months ended December 31, 2008		For the nine months ended December 31, 2008	
	Loss on cash flow hedges transferred from other comprehensive income to the Statement of Operations	Unrealized gain (loss) recorded in other comprehensive income	Loss on cash flow hedges transferred from other comprehensive income to the Statement of Operations	Unrealized gain recorded in other comprehensive income
Description				
Canada				
Fixed-for-floating electricity swaps	$ –	$ –	$ (19,208)	$ 94,562
Physical gas forward contracts and transportation forward contracts	–	–	(135,808)	454,838
United States				
Fixed-for-floating electricity swaps	–	–	(13,826)	54,299
Physical electricity forwards	–	–	(30,659)	61,232
Physical gas forward contracts and transportation forward contracts	–	–	(26,184)	143,922
Unforced capacity forward contracts	–	–	–	4,743
Amortization of deferred unrealized gains of discontinued hedges	(78,576)	–	(137,203)	–
Total realized and unrealized gains (losses)	$ (78,576)	$ –	$ (362,888)	$ 813,596

	For the three months ended December 31, 2007		For the nine months ended December 31, 2007	
	Gain (loss) on cash flow hedges transferred from other comprehensive income to the Statement of Operations	Unrealized gain (loss) recorded in other comprehensive income	Gain (loss) on cash flow hedges transferred from other comprehensive income to the Statement of Operations	Unrealized gain (loss) recorded in other comprehensive income
Description				
Canada				
Fixed-for-floating swaps	$ (22,443)	$ (28,589)	$ (54,278)	$ (210,683)
Physical gas forward contracts	(25,182)	26,813	(33,288)	(305,937)
Transportation forward contract	(980)	(4,080)	(1,874)	(1,500)
United States				
Fixed-for-floating swaps	(3,930)	4,647	(8,931)	8,372
Physical electricity forwards	2,006	8,402	(1,009)	769
Physical gas forward contracts	(7,865)	11,036	(14,780)	(13,969)
Amortization of fair value that was inherent upon inception of derivative contracts	2,019	–	(1,338)	–
Total realized and unrealized gains (losses)	$ (56,375)	$ 18,229	$ (115,498)	$ (522,948)

The estimated amortization of deferred gains and losses reported in AOCI that is expected to be amortized to net income within the next 12 months is a gain of $239,516.

These derivative financial instruments create a credit risk for Energy Savings since they have been transacted with a limited number of counterparties. Should any counterparty be unable to fulfill its obligations under the contracts, Energy Savings may not be able to realize the other asset balance recognized in the financial statements.

In Illinois, Texas and Alberta, Energy Savings assumes the credit risk associated with cash collection from its customers. Credit review processes have been put in place for these markets where Energy Savings has credit risk to manage the customer default rate. If a significant number of customers were to default on their payments, it could have a material adverse effect on Energy Savings' operations and cash flow. Management factors default from credit risk in its margin expectations for Illinois, Texas and Alberta.

(b) Classification of financial assets and liabilities

The carrying values of the Fund's financial instruments are classified as follows:

As at December 31, 2008	Carrying amount	Fair value
Cash and cash equivalents and restricted cash	$ 61,560	$ 61,560
Accounts receivable	243,271	243,271
Accounts payable and accrued liabilities, customer rebates payable, management incentive program payable and unit distribution payable	196,265	196,265
Long-term debt	108,047	108,047

	For the three months ended December 31, 2008	For the nine months ended December 31, 2008
Gain (loss) on accounts payable and accrued liabilities, customer rebates payable, management incentive program payable and unit distribution payable	$ –	$ 6
Interest expense on financial liabilities not held-for-trading	1,109	2,953

The carrying value of cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, management incentive program payable and unit distribution payable approximates their fair value due to their short-term liquidity.

The carrying value of the long-term debt approximates its fair value as the interest payable on outstanding amounts at rates that vary with Bankers' Acceptances, LIBOR, Canadian bank prime rate or U.S. prime rate.

(c) Management of risks arising from financial instruments

The risks associated with the Fund's financial instruments are as follows:

(i) Market risk

Market risk is the potential loss that may be incurred as a result of changes in the market or fair value of a particular instrument or commodity. Components of market risk to which the Fund is exposed are discussed below:

Foreign currency risk

Foreign currency risk is created by fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates.

A portion of Energy Savings' earnings is generated in U.S. dollars and is subject to currency fluctuations. The performance of the Canadian dollar relative to the U.S. dollar could positively or negatively affect Energy Savings' earnings. Due to its growing operations in the U.S., Energy Savings expects to have a greater exposure to U.S. fluctuations than in prior years. Currently, all U.S. cash generated by the U.S. operations is reinvested back into U.S. operations, resulting in no repatriation of U.S. funds back to Canada. If needed, Energy Savings would enter into derivative instruments to manage exposures to changes in foreign currency rates for the repatriation of U.S. funds to Canada.

The Fund may nevertheless, from time to time, experience losses resulting from fluctuations in the values of these foreign currencies, which could adversely affect operating results.

With respect to translation exposure, as at December 31, 2008, if the Canadian dollar had been 5% stronger or weaker against the U.S. dollar, assuming that all the other variables had remained constant, net income for the three and nine months ended December 31, 2008, would have been $5,786 and $18,254 higher or lower, respectively, and other comprehensive income would have been $5,738 lower or higher.

Interest rate risk
Energy Savings is also exposed to interest rate fluctuations associated with its floating rate credit facility. Energy Savings' current exposure to interest rates does not economically warrant the use of derivative instruments.

The Fund's exposure to interest rate risk is relatively immaterial and temporary in nature. As such, the Fund does not believe that this long-term debt exposes it to material financial risks and sees no need to set out parameters to manage that said risk.

A 1% increase (decrease) in interest rates would have resulted in a decrease (increase) in income before taxes for the three and nine months ended December 31, 2008, of approximately $249 and $601, respectively.

Commodity price risk
Energy Savings is exposed to market risks associated with commodity prices and market volatility where estimated customer requirements do not match actual customer requirements. Energy Savings' exposure to market risk is affected by a number of factors, including accuracy of estimation of customer commodity requirements, commodity prices, volatility and liquidity of markets. Energy Savings enters into derivative instruments in order to manage exposures to changes in commodity prices. The derivative instruments that are used are designed to fix the price of supply for estimated customer commodity demand in Canadian dollars and thereby fix margins such that Unitholder distributions can be appropriately established. Derivative instruments are generally transacted over the counter. The inability or failure of Energy Savings to manage and monitor the above market risks could have a material adverse effect on the operations and cash flow of Energy Savings.

As at December 31, 2008, if the electricity prices had risen (fallen) by 10%, assuming that all the other variables had remained constant, income before taxes for the nine-month period ended December 31, 2008, would have increased (decreased) by $121,947 ($122,207) primarily as a result of the change in the fair value of the Fund's derivative instruments.

As at December 31, 2008, if the natural gas prices had risen (fallen) by 10%, assuming that all the other variables had remained constant, income before taxes for the nine-month period ended December 31, 2008, would have increased (decreased) by $126,868 ($200,529) primarily as a result of the change in the fair value of the Fund's derivative instruments.

Changes in gas and electricity prices will not significantly impact the Fund's gross margin.

(ii) Credit risk
Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Energy Savings is exposed to credit risk in two specific areas: customer credit risk and counterparty credit risk.

Customer credit risk
In Alberta, Texas and Illinois, Energy Savings has customer credit risk, and therefore, credit review processes have been implemented to perform credit evaluations of customers and manage customer default. If a significant number of customers were to default on their payments, it could have a material adverse affect on the operations and cash flow of Energy Savings. Management factors default from credit risk in its margin expectations for Illinois, Texas and Alberta.

As at December 31, 2008, accounts receivables from Alberta, Texas and Illinois with a carrying value of $19,069 (March 31, 2008 – $14,285) were past due but not doubtful. As at December 31, 2008, the aging of the accounts receivables from Alberta, Texas and Illinois was as follows:

Current	$	37,247
1–30 days		8,868
31–60 days		3,690
61–90 days		1,893
Over 90 days		4,618
	$	56,316

For the nine months ended December 31, 2008, changes in the allowance for doubtful accounts were as follows:

Balance, beginning of period	$	9,162
Provision for doubtful accounts		7,749
Bad debts written off		(9,171)
Others		853
Balance, end of period	$	8,593

For the remaining markets, the LDCs provide collection services and assume the risk of any bad debts owing from Energy Savings' customers for a fee. Management believes that the risk of the LDCs failing to deliver payment to Energy Savings is minimal. There is no assurance that the LDCs that provide these services will continue to do so in the future.

Counterparty credit risk
Counterparty credit risk represents the loss that Energy Savings would incur if a counterparty fails to perform under its contractual obligations. This risk would manifest itself in Energy Savings replacing contracted supply at prevailing market rates thus impacting the related customer margin or replacing contracted foreign exchange at prevailing market rates impacting the related Canadian dollar denominated distributions. Counterparty limits are established within the Risk Management Policy. Any exception to these limits requires approval from the Board of Directors of OESC. The Risk Office and Risk Committee monitor current and potential credit exposure to individual counterparties and also monitor overall aggregate counterparty exposure. However, the failure of a counterparty to meet its contractual obligations could have a material adverse effect on the operations and cash flow of Energy Savings.

As at December 31, 2008, the maximum credit risk exposure amounted to $3,656,453, representing the notional value of its derivative financial instruments and accounts receivable.

(iii) Liquidity risk
Liquidity risk is the potential inability to meet financial obligations as they fall due. The Fund manages this risk by monitoring detailed weekly cash flow forecasts covering a rolling six-week period, monthly cash forecasts for the next 12 months, and quarterly forecasts for the following two-year period to ensure adequate and efficient use of cash resources and credit facilities.

(iv) Supplier risk
Energy Savings purchases the majority of the gas and electricity delivered to its customers through long-term contracts entered into with various suppliers. Energy Savings has an exposure to supplier risk as the ability to continue to deliver gas and electricity to its customers is reliant upon the ongoing operations of these suppliers and their ability to fulfill their contractual obligations. Energy Savings has discounted the fair value of its financial assets by $259 to accommodate for its counterparties' risk of default. A significant portion of these gas and electricity purchases is from Shell Energy North America and its affiliates.

NOTE 8 Capital disclosure

Energy Savings' defines capital as Unitholders' equity (excluding accumulated other comprehensive income) and long-term debt. The Fund's objectives when managing capital are to maintain flexibility between:

(a) enabling it to operate efficiently;

(b) providing liquidity and access to capital for growth opportunities; and

(c) providing returns and generating predictable cash flow for distribution to Unitholders.

The Fund manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year over year sustainable profitable growth. The Fund's capital management objectives have remained unchanged from the prior year. The Fund is not subject to any externally imposed capital requirements other than financial covenants in its credit facility and as at December 31, 2008, all of these covenants have been met.

NOTE 9 Net income (loss) per unit

	For the three months ended December 31, 2008	For the three months ended December 31, 2007	For the nine months ended December 31, 2008	For the nine months ended December 31, 2007
Basic income (loss) per unit				
Net income (loss) available to Unitholders	$ (49,094)	$ 28,064	$ (938,852)	$ 58,736
Weighted average number of units outstanding	106,049	99,332	104,439	98,521
Weighted average number of Class A preference shares	5,264	8,706	5,741	8,706
Basic units and shares outstanding	111,313	108,038	110,180	107,227
Basic income (loss) per unit	$ (0.44)	$ 0.26	$ (8.52)	$ 0.55
Diluted income (loss) per unit				
Net income (loss) available to Unitholders	$ (49,094)	$ 28,064	$ (938,852)	$ 58,736
Basic units and shares outstanding	111,313	108,038	110,180	107,227
Dilutive effect of:				
Unit options	–	132	21	132
Unit appreciation rights	1,021	771	1,023	767
Deferred unit grants	47	30	42	26
Units outstanding on a diluted basis	112,381	108,971	111,266	108,152
Diluted income (loss) per unit	$ (0.44)	$ 0.26	$ (8.44)	$ 0.54

NOTE 10 Reportable business segments

Energy Savings operates in two reportable geographic segments, Canada and the United States. Reporting by geographic region is in line with Energy Savings' performance measurement parameters. Both the Canadian and U.S. operations have both gas and electricity business segments.

Energy Savings evaluates segment performance based on gross margin.

The following table presents Energy Savings' results from continuing operations by geographic segment:

For the three months ended December 31, 2008	Canada	United States	Consolidated
Sales gas	$ 212,875	$ 112,563	$ 325,438
Sales electricity	130,227	57,943	188,170
Sales	$ 343,102	$ 170,506	$ 513,608
Gross margin	$ 56,129	$ 33,697	$ 89,826
Amortization of electricity contracts	–	(323)	(323)
Amortization of gas contracts	(276)	–	(276)
Amortization of capital assets	(1,150)	(95)	(1,245)
Other operating expenses	(21,569)	(17,504)	(39,073)
Income (loss) before the undernoted	33,134	15,775	48,909
Interest expense	(634)	(487)	(1,121)
Change in fair value of derivative instruments	34,337	(115,682)	(81,345)
Other income (expense)	1,926	(261)	1,665
Non-controlling interest	28	–	28
Provision for income tax	(2,752)	(14,478)	(17,230)
Net income (loss)	$ 66,039	$ (115,133)	$ (49,094)
Additions to capital assets	$ 1,602	$ 65	$ 1,667

For the three months ended December 31, 2007	Canada	United States	Consolidated
Sales gas	$ 194,565	$ 75,102	$ 269,667
Sales electricity	137,366	42,640	180,006
Sales	$ 331,931	$ 117,742	$ 449,673
Gross margin	$ 54,080	$ 14,819	$ 68,899
Amortization of electricity contracts	(266)	(1,729)	(1,995)
Amortization of capital assets	(885)	(139)	(1,024)
Other operating expenses	(14,393)	(13,768)	(28,161)
Income (loss) before the undernoted	38,536	(817)	37,719
Interest expense	(624)	(887)	(1,511)
Change in fair value of derivative instruments	(7,399)	1,027	(6,372)
Other income (expense)	872	(526)	346
Provision for income tax	(2,105)	(13)	(2,118)
Net income (loss)	$ 29,280	$ (1,216)	$ 28,064
Additions to capital assets	$ 3,572	$ 211	$ 3,783

For the nine months ended December 31, 2008	Canada	United States	Consolidated
Sales gas	$ 459,420	$ 175,873	$ 635,293
Sales electricity	389,246	161,101	550,347
Sales	$ 848,666	$ 336,974	$ 1,185,640
Gross margin	$ 140,314	$ 48,859	$ 189,173
Amortization of electricity contracts	(178)	(2,375)	(2,553)
Amortization of gas contracts	(414)	–	(414)
Amortization of capital assets	(3,252)	(334)	(3,586)
Other operating expenses	(54,715)	(47,160)	(101,875)
Income (loss) before the undernoted	81,755	(1,010)	80,745
Interest expense	(1,908)	(1,069)	(2,977)
Change in fair value of derivative instruments	(662,467)	(430,392)	(1,092,859)
Other income (expense)	3,973	(266)	3,707
Non-controlling interest	28	–	28
Recovery of income tax	2,543	69,961	72,504
Net loss	$ (576,076)	$ (362,776)	$ (938,852)
Additions to capital assets	$ 2,839	$ 154	$ 2,993
Total goodwill	$ 94,957	$ 21,713	$ 116,670
Total assets	$ 371,600	$ 180,224	$ 551,824

For the nine months ended December 31, 2007	Canada	United States	Consolidated
Sales gas	$ 434,416	$ 120,910	$ 555,326
Sales electricity	408,031	122,716	530,747
Sales	$ 842,447	$ 243,626	$ 1,086,073
Gross margin	$ 136,246	$ 28,069	$ 164,315
Amortization of electricity contracts	(1,017)	(4,333)	(5,350)
Amortization of gas contracts	(177)	–	(177)
Amortization of capital assets	(2,240)	(386)	(2,626)
Other operating expenses	(51,099)	(35,138)	(86,237)
Income (loss) before the undernoted	81,713	(11,788)	69,925
Interest expense	(1,455)	(2,360)	(3,815)
Change in fair value of derivative instruments	(5,933)	(6,183)	(12,116)
Other income (expense)	1,741	(1,220)	521
Recovery of (provision for) income tax	4,269	(48)	4,221
Net income (loss)	$ 80,335	$ (21,599)	$ 58,736
Additions to capital assets	$ 7,657	$ 426	$ 8,083
Total goodwill	$ 94,576	$ 20,831	$ 115,407
Total assets	$ 400,905	$ 146,677	$ 547,582

NOTE 11 Commitments

(a) Commitments for premises and equipment under operating lease obligations for each of the next five years and thereafter are as follows:

2009	$ 1,376
2010	5,113
2011	4,412
2012	3,816
2013	2,494
Thereafter	7,352
	$ 24,563

(b) Commitments under the Master Services Agreement with EPCOR for the duration of the agreement are as follows:

2009	$ 2,078
2010	5,540
	$ 7,618

(c) Commitments under long-term gas and electricity contracts with various suppliers for each of the next five years and thereafter are as follows:

2009	$ 389,786
2010	1,273,636
2011	935,271
2012	578,354
2013	316,021
Thereafter	107,069
	$ 3,600,137

Energy Savings is also committed under long-term contracts with customers to supply gas and electricity. These contracts have various expiry dates and renewal options.

NOTE 12 Comparative consolidated financial statements

Certain figures from the comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the current year's consolidated financial statements.

EXHIBIT C-3
FINANCIAL STATEMENTS
Commerce Energy, Inc. d.b.a. Commerce Energy of Ohio

Please see Exhibit C-1 -Annual Reports.

EXHIBIT C-4
FINANCIAL ARRANGEMENTS
Commerce Energy, Inc. d.b.a. Commerce Energy of Ohio

Please see Exhibit C-1 -Annual Reports.

EXHIBIT C-5
FORECASTED FINANCIAL STATEMENTS
Commerce Energy, Inc. d.b.a. Commerce Energy of Ohio

Please see Exhibit C-1 -Annual Reports.

EXHIBIT C-6 and C-7
CREDIT REPORT
Commerce Energy, Inc. d.b.a. Commerce Energy of Ohio

The 2009 Dunn and Bradstreet Business Information report for the parent company, Just Energy Income Fund is attached.

DNBi®
Risk Management

ATTN: Gianni Sellitto
Report Printed: July 13, 2009

Live Report : Just Energy Income Fund

D-U-N-S® Number: 25-193-0624
Trade Names: No trade names for this company.
Endorsement/Billing Reference: gsellitto@energysavings.com

D&B Address

Address	100 King St Suite 3630 Toronto,ON - M9N 1L3	**Location Type**	Headquarters
Phone	416-367-5930	**Web**	
Fax	416-367-4749		

Company Summary

Score Bar

PAYDEX®	74
Commercial Credit Score Class	2
Financial Stress Class	1
D&B Rating	--

Current PAYDEX®

Current PAYDEX : 74
(Lowest Risk:100; Highest Risk:1)

When weighted by dollar amount, Payments to suppliers average Prompt - Slow 9 days beyond terms

D&B Company Overview

This is a Headquarters Location
Rebecca MacDonald Chairman of the Board

Year Started	2001
Employees	600 (5 Here)
SIC	6211
Line of business	Engaged as managers or agents for mutual funds
Record	Clear
D&B Rating	--
Former D&B Rating	5A3
Actual Sales	$1,899,213,000 (CAD)
Actual Net Worth	-$809,647,000 (CAD)

Financial Stress Score Class

Financial Stress Score Class: 1
(Lowest Risk:1; Highest Risk:5)

Low risk of severe financial stress over the next 12 months.

Commercial Credit Score Class

Commercial Credit Score Class: 2
(Lowest Risk:1; Highest Risk:5)

Low To Moderate risk of severe payment delinquency over next 12 months.

Corporate Linkage

Subsidiaries (Domestic)

Company	City , Province	D-U-N-S® NUMBER
Ontario Energy Savings Corp	Mississauga , ONTARIO	24-885-7518

Branches (Domestic)

Company	City , Province	D-U-N-S® NUMBER
Just Energy Income Fund	Mississauga , ONTARIO	24-340-3743

Predictive Scores

Credit Capacity Summary

This credit rating was assigned because of D&B's assessment of the company's financial ratios and its cash flow. For more information, see the
" D&B Rating Key.".

Current Rating --
Former Rating 5A3

Sales:	$1,899,213,000
Total Employees	600(5 here)
Net Worth	-$809,647,000
Payment Activity:	Based on 5 experiences.
Average High Credit:	N/A
Largest High Credit:	$2,500

Note: The Worth amount in this section may have been adjusted by D&B to reflect typical deductions, such as certain intangible assets.

Financial Stress Class Summary

Financial Stress Score Class

Financial Stress Score Class : 1

(Lowest Risk:1; Highest Risk:5)

Financial Stress National Percentile :	**36 (Highest Risk: 1; Lowest Risk: 100)**
Industry Median Percentile:	**43 (Highest Risk: 1; Lowest Risk: 100)**
Financial Stress Score:	**1354 (Highest Risk: 1001; Lowest Risk: 1850)**

The Financial Stress Class of this business is based on the following factors:

Clear D&B Record present for this firm
Indication of lower risk industry classification.
No Record of facilities ownership in D&B's file.
Negative Net worth
Company Age or Date suggest potential higher risk of fin. stress
Total Assets to Sales ratio suggests higher risk of fin. stress
Solvency (Current) ratio suggests higher risk of fin. stress
Yrs. under Current Mgmt. suggests higher risk of fin. stress
Solvency (Quick) ratio suggests higher risk of fin. stress
No record of open suits/liens/judgements in D&B files in 3 years

Credit Score Class Summary

Credit Score Class

Credit Score Class : 2

(Lowest Risk:1; Highest Risk:5)

Credit Score National Percentile:	**79 (Highest Risk: 1; Lowest Risk: 100)**
Industry Median Percentile:	**41 (Highest Risk: 1; Lowest Risk: 100)**
Credit Score:	**535 (Highest Risk: 101; Lowest Risk: 660)**
Negative Pay Experience Percent:	**40 %**
Bad Rate:	**4**

The Credit Score Class of this business is based on the following factors:

Company Type suggests potential higher risk.
Company Age or Date suggest potential higher risk of fin. stress
Some trade experiences are slow or negative.
Payment experiences suggests potential higher risk.

Trade Payments

D&B PAYDEX®

The D&B PAYDEX is a unique, dollar weighted indicator of payment performance based on payment experiences as reported to D&B by trader references. Learn more about the D&B PAYDEX.

Current Paydex is	74	Prompt - Slow 9 days beyond terms
Industry Median is	79	
Payment Trend currently is	⇔	unchanged , compared to 3 month ago.

Indications of slowness can be the result of dispute over merchandise, skipped invoices etc. Accounts are sometimes placed for collection even though the existence or amount of the debt is disputed.

Total payment Experiences in D&Bs File	5
Payments Within Terms (not dollar weighted)	N/A
Total Placed For Collection	0
Average High Credit	N/A
Largest High Credit	$2,500
Highest Now Owing	$0

Current PAYDEX

Current PAYDEX : 74 Based on payments collected over last 12 months.

(Lowest Risk:100; Highest Risk:1) When weighted by dollar amount, Payments to suppliers average Prompt - Slow 9 days beyond terms

PAYDEX® Yearly Trend - 24 Month PAYDEX®

>Top Quartile	80
>Industry Median	79
>Bottom Quartile	69

Payment Habits

	# Payment Experiences	$ Total Amount	% Prompt	Days Slow <31 (%)	31-60	61-90	90>
12 months ending Jul 2009	5	$12,500	80 %	20	0	0	0
3 months ending Jul 2009	3	$7,500	100 %	0	0	0	0
Credit Extended							
Over 100,000	0	$0	0 %	0	0	0	0
50,000 - 99,999	0	$0	0 %	0	0	0	0
15,000 - 49,999	0	$0	0 %	0	0	0	0
5,000 - 14,999	0	$0	0 %	0	0	0	0
1,000 - 4,999	5	$12,500	80 %	20	0	0	0
Under 1000	0	$0	0 %	0	0	0	0
Trade at Net terms	0	$0	0 %	0	0	0	0
Trade at Discount	0	$0	0 %	0	0	0	0
Cash Experiences	0	$0					
Placed for Collection	0	$0					
Unfavorable Comments	0	$0					

Based on payments collected over last 12 months.

For all Payment experiences reflect how bills are met in relation to the terms granted. In some instances, payment beyond terms can be the result of disputes over merchandise, skipped invoices etc.

Industry Payments

The highest Now Owes on file is $0 .
The Highest Past Due on file is $0 .

Below is an overview of the company's dollar-weighted payments, segmented by its suppliers' primary industries:

	Total Revd (#)	Total Dollar Amts ($)	Largest High Credit ($)	Within Terms (%)	Days Slow <31 (%)	31-60	61-90	90>
Top Industries								
WHL COMMERCL EQUIP	5	$12,500	$2,500	80	20	0	0	
Other payment categories								
Cash Experiences	0	$0	$0					
Payment Records Unknown	0	$0	$0					
Unfavorable Comments	0	$0	$0					
Placed For Collection	0	N/A						

Accounts are sometimes placed for collection even though the existence or amount of the debt is disputed.

Indications of slowness can be result of dispute over merchandise, skipped invoices etc.

Payment Details

Date Reported (mm/yy)	Paying Record	High Credit ($)	Now Owes ($)	Past Due ($)	Selling Terms	Last Sale Within (month)
03/08	Ppt	2,500	0	0		12
02/08	Ppt	2,500	0	0		12
01/08	Ppt	2,500	0	0		12
12/07	Ppt-Slow 30	2,500	0	0		12
11/07	Ppt-Slow 30	2,500	0	0		12

Payments Detail Key : red - 30 or more days beyond terms

Payment experiences reflect how bills are met in relation to the terms granted. In some instances payment beyond terms can be the result of disputes over merchandise, skipped invoices etc.

History and Operations

Company Overview

Company Name	Just Energy Income Fund
Address	100 King St Suite 3630 Toronto , ON - M9N 1L3
Phone	416 - 367 - 5930
Fax	416 - 367 - 4749

History

Principals and Management

MacDonald, Rebecca Chairman of the Board, Director. Active since 2001. In current position since 2001.
1990 to date Ontario Energy Savings Corporation, President.

Brussa, John A Director. Not active in daily affairs. In current position since 2001.
Currently Burnet Duckworth & Palmer LLP, Partner.

Segal, Hugh D. Director. Not active in daily affairs. In current position since 2001.
Currently Institute for Research on Public Policy, President.

Smith, Brian R.D. Director. Not active in daily affairs. In current position since 2001.
1996-2001 BC Hydro, Chairman of the Board.
Currently Federal Chief Treaty Negotiator and Energy Consultant.

Kirby, Michael Director. Not active in daily affairs. In current position since 2001.
Currently Member of the Senate of Canada.

Giffin, Gordon D. Director. In current position since 2006.
Currently McKenna, Long & Aldridge LLP, Senior Partner.

Hartwick, Ken President, Chief Executive Officer, CA. Active since 2004. In current position since 2006.
2001-2004 Hydro One, Chief Financial Officer.

BACKGROUND / OWNERSHIP

Public Corporation. Registration Details Unavailable.

Business Commenced On	Feb-14-2001
Present Control Succeeded	2001

Operations

Total Employees	600
Total Employees (last year)	500
Employees Here	5

SIC
6211 0007 Engaged as managers or agents for mutual funds 100 %

Principal Clients	Commerical Entities, General Public
Principal Territory	North America, Export
Principal Selling Terms	Special agreement 100%
Facilities	Rents Brick building
Location	Central Business

Bank Reference

CIBC
6266 Dixie Rd ,
Mississauga ,
ON
TEL 905 - 670 - 1946

Financial Statements

D&B Financial Statements

All currency amounts in the tables below are denominated in Canadian Dollars unless otherwise stated

	Fiscal Consolidated 2007-03-31 000's	Fiscal Consolidated 2008-03-31 000's	Fiscal Consolidated 2009-03-31 000's
Current Assets	$247,328	$489,825	$388,473
Current Liabilities	$197,560	$263,902	$747,447
Total Assets	$357,227	$709,115	$535,755
Long Term Debt	$19,509	$246,248	$480,894
Total Liabilities			
Tangible Worth	$45,582	$82,819	($809,647)
Sales	$1,532,317	$1,738,690	$1,899,213
Net Income	$93,912	$152,761	($1,107,473)

Fiscal Financial Statement Mar 31 2009 000's Consolidated

Assets	
Cash	$66,703
Accounts Receivable	$249,480
Inventory	$6,947
Prepaid Expenses	$2,020
Other Current Assets	$5,544
Total Current Assets	$388,473
Fixed Assets	$19,971
Goodwill	$117,061
Other Assets	$10,250
Total Assets	$535,755

Liabilities	
Accounts Payable & Accruals	$165,431
Accruals	$41,379
Taxes	$1,906
Employees Deduction	$1,093
Owing Clients	$7,309
Other Current Liabilities	$519,352
Total Current Liabilities	$747,447
Long Term Debt	$76,500
Minority Interest	$292
Other Non-Current Liabilities	$404,102
Capital Stock	$398,454
Accumulated Deficit	($1,105,711)
Surplus	$14,671
Total Liabilities + Equity	$535,755

Fiscal Profit And Loss Mar 31 2009 000's Consolidated

Sales/Revenue	$1,899,213
Net Income after Taxes(Loss)	($1,107,473)
At start amount	$82,819
Changes in Capital Stock	$40,351
Withdrawls	$153,837
Extraordinary Items	$19,067

Intangible Adjustements	($915)
At end amount	($809,647)

Net Worth in Summary Section was computed after deduction of Intangibles
Date Received: Jul 3 2009 , Source: publicsources
Accountant: KPMG LLP, Toronto ON Status: audited

Jul 03 2009 Attempts to contact principals(s) were unsuccessful

Key Business Ratios

Based on this Number of Establishments 40

	The Business	Industry Median	Industry Quartile
Profitability			
Return on Sales	-58.31	2.62	1
Return on Net Worth	-268.07	0.4	1
Return on Assets	-206.71	-0.53	1
Short-Term Solvency			
Current Ratio	0.51	1.2	4
Quick Ratio	0.42	1.12	4
Current Liabilities/Net Worth	180.92	24.54	1
Current Liabilities/Inventory	-999.99	24.54	1
Fixed Assets/Net Worth	4.83	8.36	4
Efficiency			
Asset /Sales	28.2	89.78	4
Sales/Net Working Capital	-5.29	1.66	4
Collection Period	47.94	61.47	4
Sales /Inventory	273.38	22.08	1
Accounts Payable/Sales	8.71	16.16	4
Utilization			
Total Liabs/Net Worth	129.68	125.99	2

EXHIBIT C-8
BANKRUPTCY INFORMATION
Commerce Energy, Inc. d.b.a. Commerce Energy of Ohio

Not Applicable.

EXHIBIT C-9
MERGER INFORMATION
Commerce Energy, Inc. d.b.a. Commerce Energy of Ohio

Commerce Acquisition by Universal:

On December 11, 2008, all of the issued and outstanding shares of Commerce were indirectly acquired by Universal Energy Group Ltd. ("UEGL").

Universal Acquisition by Just Energy:

On July 1, 2009, all of the issued and outstanding shares of UEGL were indirectly acquired by Just Energy Income Fund.

EXHIBIT D-1
OPERATIONS
Commerce Energy, Inc. d.b.a. Commerce Energy of Ohio

Commerce Energy is a third party electricity and natural gas supplier that provides customer choice and competitive pricing of energy to retail customers. The operations department contracts bilaterally with other energy suppliers to serve our retail load and to fulfill other company requirements, such as filling storage facilities and balancing supply pools. Commerce Energy utilizes these facilities and pools to fulfill delivery requirements to various local distribution companies and their city gates. Contract supply purchases range from daily spot to long term.

EXHIBIT D-2
OPERATIONS EXPERTISE
Commerce Energy, Inc. d.b.a. Commerce Energy of Ohio

Commerce Energy's operations and supply department handles all nominations and scheduling of the purchases referenced in Exhibit D-1, retail load and other company requirements. The analysts monitor the individual markets and the marketplace closely. They are on call 24 hours a day to ensure that all necessary pipeline and utility requirements are met. The supply department is responsible for nominations, balancing, scheduling and purchasing requirements in-house for both gas and electric in all U.S. markets.

EXHIBIT D-3
KEY TECHNICAL PERSONNEL
Commerce Energy, Inc. d.b.a. Commerce Energy of Ohio

KEN HARTWICK, C.A.

Chief Executive Officer and President

Mr. Hartwick has over 13 years of management experience in the energy sector, and 20 years experience in the financial sector. Mr. Hartwick's experience in the energy industry spans several markets having played an integral role as Energy Savings' Chief Financial Officer since April 2004 launching Energy Savings' businesses in Alberta, British Columbia, Indiana, and Texas as well as growing the businesses already established in Manitoba, Ontario, Quebec, Illinois, and New York. As well as serving as the current President and CEO for Energy Savings, an integrated retailer of commodity products, Mr. Hartwick understand the issues facing generation businesses through his role on the Board of the Atlantic Power Corporation. He has been engaged in the energy industry with one of the largest distribution companies in North America, Hydro One Inc, gaining increasing executive-level responsibility throughout his career there, and providing strategic direction as Ontario transitions towards a competitive energy marketplace. Please see Exhibit A-10 for contact information.

ROBERT SCOTT GAHN

Chief Operating Officer and Executive Vice President

Scott was appointed Chief Operating Officer in February 2009 after serving as Executive Vice President of U.S. Energy Savings since May 2007. Prior to this Mr. Gahn was Chief Executive Officer and co-founder of Just Energy Texas LP, which was acquired by Energy Savings.

Scott began his career in the energy business in 1986 at the Virginia State Corporation Commission, where he focused on energy utilities with specific focus on the newly deregulated natural gas market. In 1992 he moved from the Virginia SCC to New York State Electric & Gas Corporation where he rose to the position of Manager of Rates, with responsibility for rate and regulatory matters, commodity risk management and policies related to deregulation and customer choice. In 1997, Scott joined Enron Capital & Trade Resources where he worked in various positions leading ultimately to Managing Director of Enron Direct, a rapidly growing business focused on selling and supplying natural gas and electricity to small and medium sized businesses throughout the United States.

Scott is a graduate of Virginia Tech and has a Master of Economics degree from Virginia Commonwealth University.
Please see Exhibit A-10 for contact information.

BETH SUMMERS, C.A.

Chief Financial Officer

Beth Summers has been the Chief Financial Officer of Energy Savings since February, 2009. Prior to joining the company, she served as the Executive Vice President and Chief Financial Officer at Hydro One which operates the Province of Ontario's largest electricity transmission and distribution systems and directly serves 1.2 million customers. Prior to being at Hydro One, Beth served as a Senior Manager, Assurance & Advisory Services with Ernst & Young LLP where she was involved with fully integrated utilities as well as generation, utility distribution and services organizations.
Please see Exhibit A-10 for contact information.

DEBORAH D. MERRIL,

Senior Vice President Commercial Sales & Marketing

Deb joined Energy Savings in May 2007 as Senior Vice President Commercial Sales and Marketing. Prior to joining Energy Savings, she was a founding partner of Just Energy where she also ran the sales and marketing functions. Deb has over 13 years of experience in the retail energy industry, ranging from Transaction Structuring, Large Commercial Sales, Commodity Risk Management and Logistics. She is a graduate of The College of Wooster and has a Master of Business Administration from Texas A&M University.
Please see Exhibit A-10 for contact information.

FRANCIS E. PULLARO ESQ.

Vice President Regulatory Affairs

Francis E. Pullaro has advocated for competitive energy markets since 2002. He is currently vice president of regulatory affairs for Just Energy a marketer of natural gas and electricity to residential and commercial customers in the U.S. and Canada. Mr. Pullaro managed regulatory affairs in the New York market for Strategic Energy from 2002 to 2005.
Before turning to the energy field, Mr. Pullaro served for several years as the legal counsel to the Republican Leader of the Massachusetts House of Representatives.

Mr. Pullaro received his J.D. from the University of Connecticut School of Law in 1999 and his B.A. in religion and international studies from Colby College. He is a member of the Energy Bar Association and has been admitted to the bar in the states of Massachusetts and Connecticut.
Please see Exhibit A-10 for contact information.

LORI MCDONALD

Director of Account Management

Lori McDonald brings 15 years of experience in direct response marketing, acquisition marketing and loyalty retention and customer satisfaction programs. She brings strong sales, customer service and business management skills. She has an outstanding record of achievement in improving profit through automation, development of human resources and six-sigma process improvement analysis.
Prior to joining Commerce Energy, McDonald served as Vice President of Operations at Alta Resources L.L.C in Fullerton, California a local provider of outsource services focused on increasing customer satisfaction, sales and brand loyalty for their customers. Previously McDonald was Consumer Sales Manager for Freedom Communications, Inc. and held customer service management roles at Baxter Healthcare, Edwards Cardiovascular Group in Irvine California.
Tel: 714-481-6623
Email: lmcdonald@commerceenergy.com

BLAKE LASUZZO

Vice President, Energy Management

Blake Lasuzzo runs the Commerce Energy Management group. This group is responsible for all aspects related to procurement, scheduling, pricing, structuring, load forecasting, and monthly rate setting for all Commerce Energy Natural Gas and Electricity markets. Lasuzzo joined Commerce Energy in 2004. Prior to joining Commerce Energy, he worked in various arenas of the energy business with EOTT Energy and Devon Energy. Lasuzzo has over 8 years combined energy sales and trading experience. He is based in the Costa Mesa office. Lasuzzo earned Bachelor of Arts degrees in both Finance and Energy Management from the University of Oklahoma.
Tel: 714-259-2581

Email: blasuzzo@commerceenergy.com

MICHAEL CHOA

Energy Trader/Scheduler

Michael Choa joined Commerce Energy in 2006. He originally held a position as an Energy Accountant, managing settlement in the California electric market. He currently holds the position as Energy Trader and Scheduler within the Commerce Energy Supply Management Group. He is responsible for the short-term procurement and scheduling of natural gas and electricity for the Western region. Previously, he held power scheduling and settlements related positions at Sempra Energy Solutions. He has over 8 years of energy experience. Choa earned a Bachelor of Arts degree in Economics from the University of California, San Diego.

Tel: 714-259-2534
Email: mchoa@commerceenergy.com

INGER GOODMAN

Supervisor, Regulatory Compliance and Consumer Affairs

Mrs. Goodman joined Commerce Energy in 1999. She started out managing Quality Assurance concerning customer billing and local taxes. In 2000, she was given the responsibility of managing consumer complaints filed through State Commissions. She joined the Regulatory department at Commerce Energy in 2002. She is currently serving as Commerce Energy's Supervisor over the Regulatory Compliance and Consumer Affairs department. In her position, she manages all formal complaints, state and federal compliance reporting and represents Commerce Energy internally and externally across the business spectrum. She keeps the company up to date on regulatory matters and insures compliance and identification of business risks and opportunities. Ms. Goodman has over 10 years of operational experience, and over 8 years regulatory experience.

Tel: 714-259-2508
Email: igoodman@commerceenergy.com

EXHIBIT D-4
FERC POWER MARKETER LICENSE
Commerce Energy, Inc. d.b.a. Commerce Energy of Ohio

Commerce Energy is an energy marketer with a Category 1 FERC status. Docket No. ER05-737-002.