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
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.

		2008		2007
Issued and outstanding	Units/shares		Units/shares	
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.

Description	Other assets – current	Other assets – long-term	Other liabilities – current	Other liabilities – long-term
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	
Description	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
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	
Description	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
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.

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