

JUST ENERGY TELECONFERENCE
11/9/2010 – 2:00 P.M. EST

OPERATOR: Good afternoon, ladies and gentlemen. Welcome to the Just Energy Income Fund conference call to discuss the second quarter results for the period ended September 30th, 2010. As reminder, our phone lines will be on Listen Only Mode and there will be a Q&A session towards the conclusion of the call. For any assistance you may require, please press star zero to speak to an operator. I would now like to turn the meeting over to Ms. Rebecca MacDonald. Go ahead, Ms. MacDonald..

REBECCA MacDONALD: Good afternoon. My name is Rebecca MacDonald. I'm Executive Chair of Just Energy Income Fund. I'd like to welcome you all to our second quarter conference call. With me this afternoon are Ken Hartwick, our CEO, and Beth Summers, our CFO. Ken and I will make a short presentation and then we will open the call the questions. Let me preface the call by telling you that our earnings release and potentially your answers to your questions will contain forward-looking financial information. This information may eventually prove to be inaccurate. So please read the disclaimer regarding such information at the bottom of our press releases. Our second quarter was another outstanding quarter for customer aggregation. As was the case in the first quarter, our new customer additions were at unprecedented levels. Gross additions were 254,000 up 81% from the levels seen a year ago. Net additions were 92,000 up 156% from the previous second quarter and its record net additions. We were able to generate these results because each of our marketing divisions found that customers were responsive to offerings. Our customer energy division, our consumer energy division had continued success, particularly in the U.S. with offerings centered around our Just Green products. It is clear that despite continued low prices for gas and electricity customers remain receptive towards protecting their commodity prices at what they perceive to be a market bottom. In the case of our commercial division the summer quarter will typically have lowered sales due to decision maker holiday schedules. Despite this, we added 133,000 commercial customers and we added them at the \$100 annual margin per customer, equivalent up from \$67 per customer in Q1. Our new broker channel is functioning smoothly and we are

obviously very happy with our Hudson Energy acquisition so far. Overall, our customer based was up 38% year over year, finishing at over 3.1 million. Even excluding customers acquired with Hudson, our organic net additions year to date are 208,000 which is 9% growth in only six months. It will be good to see double-digit growth in customers this year. As I have always said, more customers lead to more revenue, more revenue leads to more margin, more margin leads to more distributable cash and distribution. I want to thank out marketing team led by Darren Pritchett and Deb Merrill for these excellent results. Let me turn things over to Ken to talk about operations and then we will finish with a brief discussion after Ken's presentation.

KEN HARTWICK: Thanks, Rebecca. We have solid operating results for the quarter. Sales are up 33% year over year in line with our 38% increase in customers. The lower increase was largely due to the decline in the U.S. dollar over the period and lower prices on commercial business. Also remember, there's normally a lag of three to six months between the point of time that we confirm a customer, and the first cash flow from that customer. Accordingly, the full sales and margin benefit from our past two quarters of marketing success will be seen in Q3 and Q4 of this year. Our gross margin was up 7% or 5% per unit. Substantially that's been less than our sales increase, but in line with our 5% to 10% per unit operating target. Margins were up less than sales largely because of the financial reconciliations for gas under consumption during last year's record warm winter. In markets like Ontario and Michigan we were required to true up with the utility in the summer, and this resulted in very low relative gas margins in the quarter. Weather is a fact of life in our business and we continue to grow despite last year record warm winter. Sales of our Just Green products remain strong. During the quarter 38% of our new residential customers contracted to take, on average, 91% of their consumption from green resources. Just Energy remains a North American leader in the provision of green energy. On the cost side I am very pleased that our general and administrative expense was flat year over year despite the addition of the Hudson team and the 38% increase in total customers Rebecca referenced. We are able to do this because of the realization of synergy from our Universal acquisition in fiscal 2010 as well as a heavy focus on cost

control. We expect these costs to return to Q1 levels as we add new jurisdictions and products. But overhead costs should grow more slowly than customers and revenue. We saw the impact of an improving economy in two areas. Our attrition was down to below our target levels in the U.S. for the first time in over two years. We saw fewer foreclosures and fewer moves in the quarter, and we are optimistic that this downward trend will continue. Our level of bad debt also improved. In the trough of the recession our bad debt peaked at 3.5% of sales in the markets where we bear bad debt risk. In Q2 our debt losses were down to two and a half percent in the middle of our two to three target range. Remember that we only bear a bad debt risk on 35% of our revenues. In all other markets the utility bears the risk as part of its regulated rate base. Our water heater business remains strong. We have more than 100,000 installed units today and we are installing more new high efficiency Energy Star rated units daily. While this high-growth unit does not contribute to distributable cash today, we are building considerable value for our unit holders. Our ethanol plant in Saskatchewan is finally operating at near-capacity levels, and the result will be positive cash flow from this facility. Our distributable cash was up 2% and flat per unit due to the inclusion of our interest on the convertible debentures issued to fund the Hudson acquisition. Given our strong customer additions, a normal winter should result in future distributable cash growth in line with our 5% to 10% per unit target. After all, marketing and distributable cash was up 11% or 8% per unit. The higher interest expense from the convertible debentures was offset by lower taxes payable. Our distributions were steady at 31 cents or \$1.24 annually. Our payout ratio is 92% for the quarter, down from 104% a year earlier. Despite a slow first quarter we are confident that our payout ratio will be under 100% as in past years. Let me turn things back to Rebecca to talk about the future.

REBECCA MacDONALD: Thank you, Ken. We have always been proud of the fact that Just Energy is a unique growth and income vehicle. The results of the past two quarters show that our growth is as strong as ever. We continue to look to new markets and new products will maintain that growth. The United States continues to be the land of opportunity for us as penetration levels remain well below those at the more mature Canadian markets. We must work hard to maintain our position as a North American

market leader and we have every intention of doing so. Let me finish by talking a bit about the coming conversion of Just Energy from a trust to a corporation on December 31st of this year. As a holder of equivalent of more than 6 million units, I'm looking forward to the conversion of my current \$1.24 per unit distribution to \$1.24 per share dividends. Ontario tax rates are approximately 47% on distribution and 27% on dividends. I am pleased that our equity holders will have more money in their pockets going forward. We have planned carefully and worked hard to be one of the few trusts that is able to maintain their level of payout without use of tax loss via acquisitions. It says a lot about solidity of our business model and our ability to grow through the corporate tax we will have to pay. The past few weeks have seen some recognition of our prospects and as reflected in our unit price. We intend to continue spreading the Just Energy story to investors who did not participate in trusts. The results should be a dividend yield more in line with that of other growth companies and a commensurate improvement in what will be our share price. I want to thank all our unit holders for their continued support. This has been another very solid quarter for Just Energy. We are very proud of our record as a trust. A record that ends on December 31st. We look forward to build a similar track record as a corporation in the future. On that note, we will open up for questions.

OPERATOR: Ladies and gentlemen, at this time if you would like to ask a question please press zero one on your telephone keypad. Again, for any questions, please press zero one on your telephone keypad. Our first question comes from Tony Cartwright with Scotia Capital Bank. Go ahead, please.

TONY CARTWRIGHT: Thanks very much. I'd just like to - - either direct me to where the magnitude of the customer initiation on the commercial accounts. Because there either you capitalize them or you pay them as trailers over the course of the contract. And I note that there was about \$3.6 million on the statement of cash flow for contract initiation costs. I presume that's all commercial accounts. What additional magnitude is tagged along as trailers?

BETH SUMMERS: Hi Tony, it's Beth Summers.

REBECCA MacDONALD: Tony, I have to tell you, you were breaking up quite a bit when you were asking the questions. So I don't know if something is wrong with your phone or—

TONY CARTWRIGHT: I've picked up the handset now; I'm not sure if that's better.

REBECCA MacDONALD: Okay.

BETH SUMMERS: Okay. So the question was around for the capitalized contract? Customer initiation cost?

TONY CARTWRIGHT: Well, I know what the—I—I expect to know what the capitalized is, but the amount that is deferred and paid as trailers on aggregating commercial customers.

BETH SUMMERS: Yeah. For the quarter it's roughly 50% of the commercial adds or the broker—commercial broker adds.

TONY CARTWRIGHT: - - .

BETH SUMMERS: And then when you're looking at that capitalized number you just have to also reflect, I believe that number includes both the water heater as well as the commercial capitalization.

TONY CARTWRIGHT: All right. So 50% would be trailer and 50% capitalized? Is that what I'm hearing?

BETH SUMMERS: Well, just to separate it, a broker commission is either paid upfront and then that gets amortized over the life of the contract, or that contract is paid in a residual basis. So on an annual basis it would be the \$34 a year paid.

TONY CARTWRIGHT: All right. Can you make some remark about where you expect general and administrative expenses—although you said they were flat year over year, quarter over quarter they were up materially. And you hope that they get back to Q1 levels. What's contributing to your optimism in that regard?

BETH SUMMERS: Well, I think actually Tony, the G&A expense was down slightly Q2 to Q1. We—as we've said with Hudson we intend to continue to expand the footprint of the Hudson model into those jurisdictions where we have licenses. And, and Hudson did not. And we intend to spend mostly IT related dollars, some people related dollars to build out the footprint based on what we've seen so far. So the reference is really referring back to being back to probably Q1 related levels for our G&A expense.

TONY CARTWRIGHT: I see. Okay. I apologize for misreading—

BETH SUMMERS: No problem. That's fine.

TONY CARTWRIGHT: And then lastly, in terms of Just Green products I see that they now constitute more of the portfolio and I presume that when you say either it's at 3% or 4% for gas and 11% for electricity, that's on a volumetric basis?

BETH SUMMERS: Yeah, it is. Because it's predominantly, you know, almost entirely residential, it's also volumetric, but similar to our customer as well.

TONY CARTWRIGHT: All right. And how—you indicate that it was tough—the sales continued, but it was tough, but is the enhanced profitability still associated with these products?

REBECCA MacDONALD: Definitely on the, on the green. And again, I think it's—when we reference to it being a, a top sales environment, you know, some of it's just, you know, the continued economy that we're in, and while we think it's getting better in some regards, but definitely on the green product it is a more profitable customer for us and we believe a more stable or stickier customer when they have green associated with their purchasing decision.

TONY CARTWRIGHT: Great. All right. Those are my questions. Appreciate it.

REBECCA MacDONALD: Thanks, Tony.

TONY CARTWRIGHT: Thanks.

OPERATOR: Thank you. Our next question is from Brad Sanders with Citigroup. Go ahead, please.

BRAD SANDERS: Good afternoon. Can you hear me?

[Crosstalk].

BRAD SANDERS: Thanks for taking my call. Can you guys hear me?

KEN HARTWICK: Yes.

BRAD SANDERS: I was just wondering if you could comment on the growth prospects and the strategy for the Waterheater Division. It's a plan to keep gaining market share where you have the existing platform in and around the GTA or, or could we see some expansion out of Ontario even into the U.S. like we've seen from the other divisions?

KEN HARTWICK: Yeah, I think for the—for Waterheater we more or less are across all of Ontario now. So that includes both what was traditionally the Enbridge territory which is more Toronto GTA oriented as well as Union Gas which is other areas of south and southwestern Ontario. So for the most part we are functional in all of Ontario now. I think it's early stages, but we are very happy with the success of the business to date and we are sort of looking at whether or not it is something that we want to take and expand into other jurisdictions. And again, whether that's another Canadian province or whether that's a U.S. state, it's something that we are very actively looking at with the, with the management group right now.

BRAD SANDERS: Do you have a sense on, on what the timing for that would be, as you go through that decision making process?

KEN HARTWICK: Yeah, it's like anything else that Just Energy does, is that we have a lot of customers available to us in Ontario from both of the incumbents—Consumers and Reliance—and the immediate focus is to maximize the yield on that customer base. And looking at other jurisdictions, again, we're not, not in a big rush to do it. You know, that could be something that we do in the next six months or the next year. But the immediate task at hand for the management team is turn our 100,000 customers into 200,000 customers. So we, we have lots we can do right in our home province for the time being.

BRAD SANDERS: Great. Thanks, that helps. And then just lastly, when, when and if you do expand further, does that, does that show up in G&A in terms of the actual infrastructure expansion costs?

KEN HARTWICK: Yeah, it's—the Home Services Division, similar to when we expand our commodity business into another state or, or province there tends to be just infrastructure, IT costs, some of which shows up in the CapEx if it's IT-related, but the vast majority of it just show up in the G&A to put the people and processes in place and, and just a little bit of the infrastructure to allow us to operate.

BRAD SANDERS: Right. Thanks very much.

KEN HARTWICK: All right. Thank you.

OPERATOR: Thank you. As a reminder, ladies and gentlemen, please press zero one on your telephone keypad for any further questions. Our next question comes from Marko Pencak with GMP Securities. Go ahead, please.

MARKO PENCAK: Thank you. Good afternoon. In your MD&A you talk about your expansion into Massachusetts and your G&A's going to increase because of entry into the markets. Can you just update us on what your plans are?

KEN HARTWICK: Sure. So Massachusetts is the most recent consumer residential market that we've expanded into very recently. We've opened one office. Again, are just making sure that everything works from a systems infrastructure standpoint. On the Hudson side we just continue to expand into one or two states a quarter to take the footprint, make sure that the system infrastructure's in place and a sales team is in place to do it. So I think most recently we have opened up Massachusetts for, for the Hudson commercial side as well and we'll more broadly open into Pennsylvania on a commercial basis throughout this quarter which is the immediate state of, of choice that we want to expand into. And that's very actively in process now.

MARKO PENCAK: And over the next 12 months what else might we expect in terms of new markets on your residential side?

OPERATOR: Yeah. Not—you know, I think from, from where we are right now that we'll have Hudson into--virtually by the end of our fiscal year, we'll be—Hudson will be into all the markets where we are currently active in. And then after that I think it's—very much the approach we want to take is to grow the customer base in each of those markets. You know, we have the infrastructure in place, we think we're seeing the economies of scale across our, our infrastructure and cost, and now we think that we can expand each of those markets and just add more customers in Massachusetts and Pennsylvania and New York, you know, and the other jurisdictions that we're in. So I don't think you'll necessarily see us into a new state beyond Pennsylvania until probably midway through next fiscal year.

MARKO PENCAK: Okay. In the national home services business you talk about expanding into furnaces and air conditioning offers. Are you selling—two questions: first, is that primarily—those products being sold into your existing water heater customers? And secondly, will you be using the financing facility you've established for the water heaters to also finance both the furnaces and the air conditioners, or will they somehow be financed and/or structured differently?

KEN HARTWICK: Yeah. On the first—we are doing both. We're directly selling the—or leasing the, the furnaces and/or air conditioners similar to how we do a water heater and it might be separate from the water heater itself. We are also going back to our water heater customers and seeking out their level of interest in upgrading either the other two elements that you have referenced. So we're doing both, to the existing customer base as well as directly to new customers. On the financing question we are packaging in the, the furnace and/or air conditioners into the financing facility that we are, that we have in place with, with Home Trust.

MARKO PENCAK: Okay. And on the natural gas side, I mean, I know we're now going into the heating season so I presume that all the closeout of the contracts that negatively affected your margins in the September quarter, those are sort of all behind us. There's no sort of residual effects into Q3 and anything in Q3 you're sort of effectively—you would have inventoried in the anticipation of a drawdown in the back half of the current quarter, or will there be any residual effects still?

KEN HARTWICK: No. I think the—for both the Ontario and Michigan markets which are the two that have the utility reconciliation processes that we referenced, those are done through the course of the, the quarter that, that we're in. So, you know, we just want to, you know, like say anything going forward will be based on just the weather for this quarter and next quarter and like I say, hopefully return to a winter that is normal.

REBECCA MacDONALD: If we can do anything let's pray for a very cold winter.

MARKO PENCAK: Right. And I presume that given it's only the 8th of November, whatever it is today, that's too early for you to have a sense of consumption or—for the current quarter.

KEN HARTWICK: Yeah. October was, was slightly warmer than normal. Now it tends to be a lower consumption month in general, but like I say, it was warmer than expected. And, you know, we're not—you know, November just more or less see we're nine days into it and it's normal for nine days. But, but, you know, who knows what the rest of November and December brings.

MARKO PENCAK: Okay. One last point that's a request more than anything—on page 20 of your MD&A you've got a schedule which outlines the gross margin per customer and you itemize your customer's size and the quarter in their margins and ones that renewed and the ones that you lost. It would

also be helpful if, if possible for you to provide for us the one, the, the—what the margins were for the customers who failed to renew?

KEN HARTWICK: Okay. Beth will take that under consideration.

MARKO PENCAK: Thank you.

KEN HARTWICK: Thank you.

OPERATOR: Thank you. Our next question is from Trevor Johnson with the National Bank. Go ahead, please.

TREVOR JOHNSON: Hey, good afternoon folks.

REBECCA MacDONALD: Hi.

TREVOR JOHNSON: Just, I have a couple quick questions. I know that the four last quarters weather related complications. I believe that management had given guidance on the Hudson acquisition to the tune of roughly 5% accretive to bottom line DC per unit. I was just wondering if we were to take, you know, the weather hit last quarter and this quarter, ignore that, would you still say that Hudson would be tracking for those type of economics?

KEN HARTWICK: Yeah, we think so. If you just simply took a normalized weather pattern, like the average for the last 30 versus the warmest for the last 30, we think we would be definitely within the, the range.

TREVOR JOHNSON: Okay. And I guess we were a bit, a bit too aggressive on the U.S. electricity margin side. Just, you know, it looked like it was a double year over year from a gross margin standpoint contribution, but your customer account for the U.S. electricity portfolio was obviously a lot higher than that. Is the difference just on the back of the commercial accounts representing a big chunk of the, the Hudson and just the lower margin prior CE? Is that the right way to look at that?

BETH SUMMERS: Yeah, I think that that's a good way of looking at it, as we start having this commercial customer size growth. I mean, we'll tend to draw down that overall average margin a little bit.

TREVOR JOHNSON: Perfect. And then I guess this, finally. I notice that there was—in their MD&A you mentioned a number of Ontario electricity customers were contacted for a blend and extend offer. I'm just guessing that the renewal rates, when you reach out to customers through this way are probably higher than if you just let the contract either expire or them come back to you. Is that a right way to look at this program you have?

KEN HARTWICK: Yeah, I think you're right. And that's sort of the approach that we've taken on. And going to a customer and saying you're at a higher rate; we can bring your rate down immediately and secure the rate for the next—you know, if it's tacking on four years onto a one year remaining, has both the cut pause [phonetic] to customer impact that we want and the reaction by the customer's been very good. So we just think it's, you know, like say, terms out the book for us which, which we like, and is a much more, let's say very customer-friendly renewal process which is what we, what we wanted to do. So it's something I think we will continue to do as we reset the back part of that customer book and try to blend them onto longer terms now with—and giving the customer a benefit as well.

TREVOR JOHNSON: And the cost of a customer renewal I know, and it was roughly, I think, 60%, the cost of a new addition. Under this blend and extend reach out to the customer can we see the same type of

economics from a, from a marketing expense standpoint?

KEN HARTWICK: Yes.

TREVOR JOHNSON: Perfect. Thanks for the help. I appreciate it.

OPERATOR: Thank you. Our next question is from Tal Woolley with RBC Capital Markets. Go ahead please.

TAL WOOLLEY: Hi - - .

REBECCA MacDONALD: Hello? Something doesn't seem to be right.

TAL WOOLLEY: Hello?

REBECCA MacDONALD: There you go.

TAL WOOLLEY: Okay, perfect. Thanks. I was just wondering if you can outline what you sort of see as the RCE market for Massachusetts and Pennsylvania. What's the outside opportunity there?

KEN HARTWICK: Yeah. For, for Massachusetts, for starters, it's only an electricity market. So it's a single fuel similar to Texas. There are approximately, from an RCE standpoint, you know, between—or in and around 2.5 million. Pennsylvania is both fuels and is—just because of that is closer to a—I think it's a 4 million RCE market. In both cases very low penetration levels. So it's something that we think has a lot of growth potential in, in both markets.

REBECCA MacDONALD: And I would just like to add let's not, like we obviously are saying we went into a new jurisdiction. We cannot lose the sight of all the markets we are offering today. Low penetration rate in those markets, and our ability to generate customers in the states we are in today, and most of the states are way larger than Ontario is, and we have been generating customers in Ontario over—I mean, not necessarily this company, but the industry for over 20 years. So our desire is really to put as much effort to solidify our position in every state that we operate in right now versus going for a larger footprint.

TAL WOOLLEY: Okay. And that—those numbers that you give in that is residential and commercial combined?

KEN HARTWICK: Correct. So what we would consider a, an RCE that we, we would accumulate, whether through Hudson or whether through our consumer business.

TAL WOOLLEY: Okay. And then just a, you know, now it looks like we're starting to turn the corner at Terra Grain. Has there been any sort of further discussion on what you might—you know, what you're thinking about in terms of your holding period on that asset?

KEN HARTWICK: Yeah. I think on, you know, what we had committed to as a, as a management group is to get the plant operating the way that it was meant to operate which we think we are substantially there. We continue with the same view that the fit of an ethanol business with the Just Energy business is inconsistent, but at the same time wanting to get the plant working. So I think now that we have a plant operating the way we want, it gives us the op—opportunity to look at what options are available to us with regards to going forward with the plant. But—so we sort of view it as step one, you know, is never complete, but is well on its way. And now as a, as a company we can look at what options are available to us.

TAL WOOLLEY: Okay. And in, you know, we've had some real changes in markets like Ontario. I'm just wondering, you know, you're talking about blend and extend contracts and stuff like that. Is that a bit of a response to some of the rule changes that have been made?

KEN HARTWICK: No, actually the, the Ontario blend and extends we were doing, we started—we would done with or without the rule changes that are, that are coming in force in Ontario. So again, we just viewed it as a very customer-friendly way to help the customer and to help ourselves as far as extending out the terms in the presentation to the customer. So it's very, very independent of each other.

REBECCA MacDONALD: And I think you'll be doing blend and extend over a number of years. This is not—we are just doing more of a blend and extend now just because our book is that much larger, but even we did blend and extend before this company even went public so it has been there for a while.

TAL WOOLLEY: Okay. No, I just wanted to confirm the magnitude. For—and to day with the, with the—you mention that—I just wanted to be clear about the—you were talking about, so you think that 5% to 10% growth is achievable in the back half; not necessarily the full year, or you're saying that it's possible for the full year?

KEN HARTWICK: Yeah. I think it's, it's really for the, the back half of the year. Whether or not we can make up, or the weather, you know, whatever weather we get in Qs 3 and 4 will be sufficient to make up the, the winter impact that we've gone through. You know, probably not. But we do think that the overall growth, as you look at it going forward will be very consistent with that 5% to 10%.

TAL WOOLLEY: Okay. And just my last question. With more of he business coming out of the EUS now are you going to have to look at a functional currency change in your statements at the end of this

year?

KEN HARTWICK: Yeah. I don't think as far as moving towards U.S. dollar reporting. Yeah. I don't think so. I don't think within this year. You know, roughly speaking, I think we're sort of half-half as far as Canadian and U.S. So, you know, that might be something that becomes more relevant, you know, a couple years out for us to look at.

TAL WOOLLEY: And no further update on timing of a U.S. listing or anything like that?

KEN HARTWICK: No actually, we're just trying to get through the conversion first. And I don't think you want to hear us talking about a listing right now. Not until January 3rd.

TAL WOOLLEY: Okay. Sounds good. Thank you very much.

KEN HARTWICK: Thank you.

OPERATOR: Thank you. As a reminder, ladies and gentlemen, please press zero one on your telephone keypads for any further questions. We have a question from Damir Gunja with TD Securities. Go ahead please.

DAMIR GUNJA: Thanks. Can you touch on the acquisition environment out there in terms of books of business that might be available?

REBECCA MacDONALD: Well Damir, there—the books are always available, particularly in the States. Not that much left in Canada. There are hardly any people left here. But as you know, we are very selective. Are we going to look at different books? Of course. Do we have something that we need to talk

about today? No. Potentially are we going to have something within the next 12 months? Yeah. There is potential acquisition options and, but we can grow organically, as you saw, the last two quarters in particular. So we're in no rush to acquire anything.

DAMIR GUNJA: Okay, thanks.

KEN HARTWICK: Thanks, Dinir.

OPERATOR: Thank you. And that was our last question.

REBECCA MacDONALD: Thank you very much. If there are no more questions we would like to thank you for support of Just Energy. If there are any further questions that you would like to ask, Beth, Ken or myself are available so you can call us directly and we look forward speaking to you when we report our third quarter. Thanks a lot. Bye-bye.

OPERATOR: Ladies and gentlemen, thank you for your time and attendance today. This conference is now concluded.

[END]