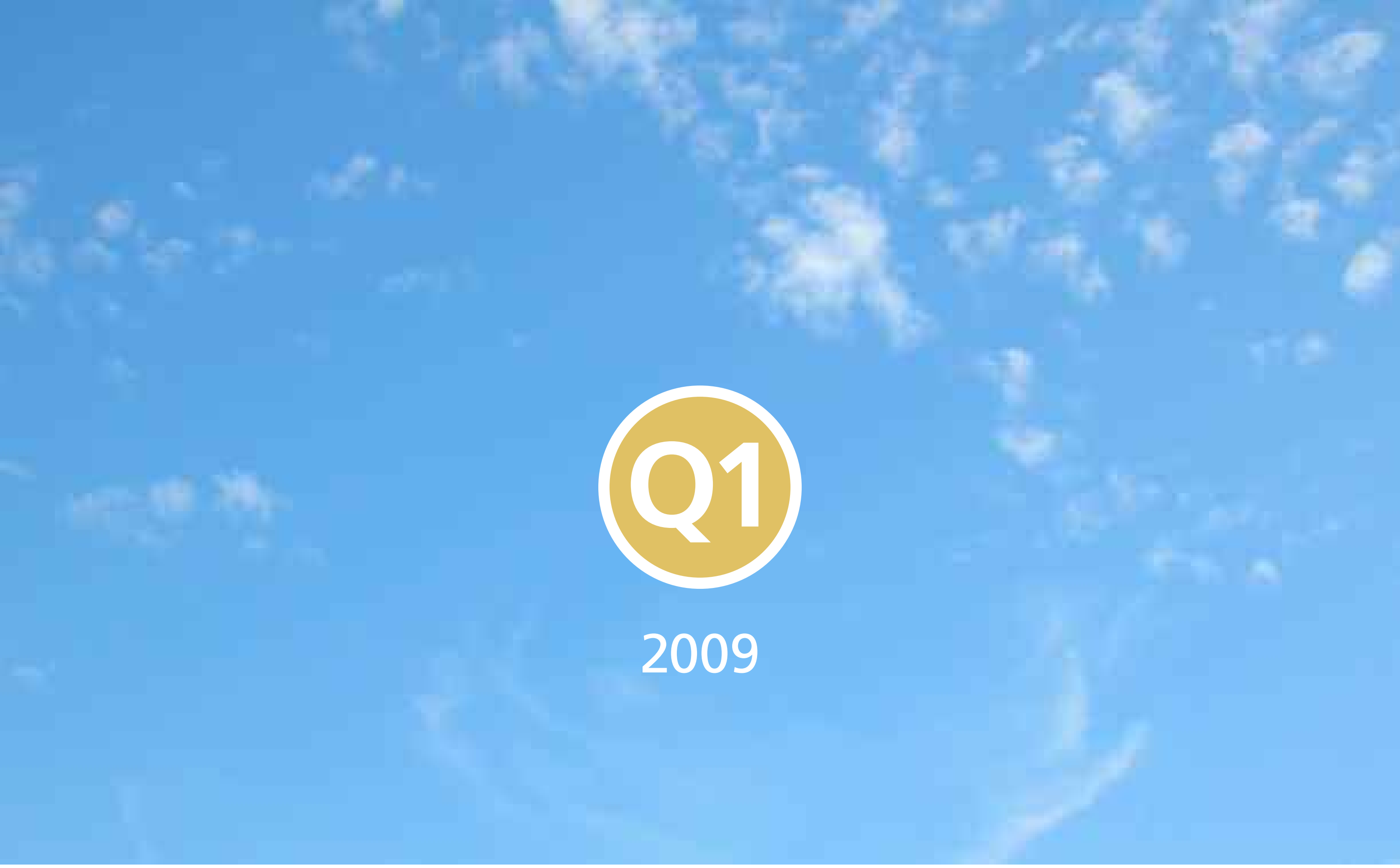

FIRST QUARTER REPORT

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, British Columbia, 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 three months ended June 30, 2008 included:

- **Sales (seasonally adjusted) of $401.8 million, up 7% year over year.**
- **Gross margin (seasonally adjusted) of $59.7 million, up 8% year over year.**
- **Distributable cash after gross margin replacement of $31.0 million ($0.28 per unit), up 1% year over year.**
- **Distributable cash after all marketing expenses of $30.3 million ($0.27 per unit), up 13% year over year.**
- **Net income of $34.2 million ($0.31 per unit), up 32% from $25.9 million ($0.24 per unit).**
- **Distributions up 11% year over year reaching $1.21 per unit, with a subsequent increase to $1.24 per unit announced, effective for the July payment.**

MESSAGE FROM THE CEO

Fellow Unitholders,

Our first quarter showed continued solid performance from Energy Savings. Net income is up 32% and distributable cash is up 13%, providing evidence that the Fund is on firm ground. The Fund also announced the 29th distribution increase to $1.24 per unit, effective July.

Our sales increased by 7% and our gross margin grew by 8%. Sales benefited from high natural gas prices and strong electricity volume growth. Margin growth was impacted by an approximate $5 million loss on largely load-following Texas customers due to weather-driven electricity price spikes in May and June. A portion of the loss will be recovered in the balance of the year. These customers were purchased from Just Energy Texas L.P. ("Just Energy") and have an average remaining life of less than one year. Losses were seen across the Texas industry with the largest supplier of load-following electricity, Reliant Energy, recently reporting that its second quarter retailing results were reduced by $150 million due to the same factors.

Load-following electricity is a higher risk product to supply and has not been and is not an ongoing product for Energy Savings. Going forward, these customers will be renewed to a load balanced product where the customer bears the risk of price spikes on consumption above purchased fixed-price supply.

Sales and gross margin benefited from the stability within the independent sales organization that has been achieved over the past two months. This has resulted in improved retention of the best independent sales contractors.

Our overall profitability remained solid as distributable cash grew by 13%. Our efforts over the past year to increase margin per customer paid off in the quarter. Solid progress on our Green Energy Option ("GEO") product aided our margin growth. Our net income was $34.2 million ($0.31 per unit), up 32% from $25.9 million ($0.24 per unit) last year. The increase was aided by mark to market on some of our derivative supply positions. Management believes that the growth in distributable cash is more reflective of our operating performance for the quarter. Distributions were $33.7 million, up 11% year over year. Traditionally, our distributions have grown with distributable cash.

For the three months ended June 30
(millions of dollars, except per unit amounts)

	Fiscal 2009	Per unit	Fiscal 2008	Per unit
Sales[1]	$ 401.8	$ 3.65	$ 374.3	$ 3.48
Gross margin[1]	59.7	0.54	55.3	0.51
Distributable cash[1]				
– After gross margin replacement	31.0	0.28	30.8	0.29
– After all marketing expense	30.3	0.27	26.7	0.25
Net income	34.2	0.31	25.9	0.24
Distributions	33.7	0.31	30.5	0.28

[1] Seasonally adjusted.

Marketing results were lower than anticipated for the first two months of the quarter. Canadian natural gas volume additions failed to offset attrition and contract expirations while U.S. gas volume growth was hampered by adverse press coverage surrounding legal action in both Illinois and New York. The result was a 3% decline in gas volumes year over year.

Volume growth was stronger in electricity where solid U.S. results lead to a 9% year over year increase. Higher than expected renewals of short-term Texas customers resulted in a 322% increase in U.S. volumes from a year ago.

	Q1 Fiscal 2009	Q1 Fiscal 2008	% increase (decrease)
Market			
Canada – gas	**16,898,440**	18,242,195	(7)%
United States – gas	**2,948,535**	2,135,271	38%
Total gas	**19,846,975**	20,377,466	(3)%
Canada – electricity	**1,483,863**	1,660,014	(11)%
United States – electricity	**429,006**	101,721	322%
Total electricity	**1,912,869**	1,761,735	9%

We took a number of steps during the quarter to significantly strengthen our sales organization to ensure that we can achieve the desired growth in our consumer, commercial and small industrial segments. These steps resulted in higher run rates for both gas and electricity volume additions in June and these run rates have continued subsequent to quarter end.

This improved marketing success allows us to confidently move forward, expanding into the next region. We have recently completed our systems testing and are now expanding into two new utility territories in New York. The investment to enter these areas was made during the first quarter. In the near future, we will expand marketing into our next new state.

We are reviewing a number of acquisition possibilities and these could add to expected volume additions on an accretive basis. Management believes that there will be continued consolidation of the industry over the coming quarters. Consolidation within the industry will result in growth opportunities both from purchasing books of business and by reducing the turnover within the independent sales force.

Energy Savings looks to innovative products to boost new sales and renewal rates. Our Green Energy Option electricity product is being well accepted with over 30,000 customers choosing green since the product's inception. We are involved in the preliminary marketing of tankless water heaters as well as home energy audits as we continue to broaden our green offerings.

Our first quarter is a sound start to another solid and predictable year for Energy Savings. We are pleased that we were able to grow distributable cash by 13% despite a $5 million loss on purchased Texas customers. As these load-following customers are renewed on a load balanced product, we will show the true potential of our U.S. electricity business. This combined with improved marketing run rates leads us to expect that further margin growth will build our base of distributable cash and higher distributions to Unitholders will be the result.

I want to thank my fellow Unitholders for their continued support.

Yours sincerely,

Ken Hartwick

Ken Hartwick
Chief Executive Officer

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

August 6, 2008

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 three months ended June 30, 2008, and has been prepared with all information available up to and including August 6, 2008. This analysis should be read in conjunction with the unaudited interim consolidated financial statements for the three months ended June 30, 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 wholly owned operating subsidiaries and affiliates: Ontario Energy Savings L.P. ("OESLP"), Energy Savings (Manitoba) L.P. ("ESMLP"), Energy Savings (Quebec) L.P. ("ESPQ"), ES (B.C.) Limited Partnership ("ESBC"), Alberta Energy Savings L.P. ("AESLP"), Illinois Energy Savings Corp. ("IESC"), New York Energy Savings Corp. ("NYESC"), Indiana Energy Savings Corp. ("INESC") and Energy Savings Texas Corp. ("ESTC").

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 matching volumes from its suppliers.

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 and decisions by regulatory authorities, competition and dependence on certain suppliers. Additional information on these and other factors that could affect the Fund's operations, financial results or distribution levels are included in the Fund's Annual Information Form and other reports on file with Canadian security regulatory authorities which can be accessed on our corporate website at www.esif.ca or through the SEDAR website at www.sedar.com.

Key terms

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

"RCE" means a 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 GJs or 1,000 Therms or 1,025 CCFs) of natural gas on an annual basis, and as regards electricity, 10,000 kWh (or 10 MWh) 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 utilities for the period.

"Annualized volume" 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.

"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 utilities 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 better represents 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 7.

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 9.

Financial highlights

For the three months ended June 30
(thousands of dollars, except where indicated and per unit amounts)

	Fiscal 2009			Fiscal 2008	
	$	Per unit	Change	$	Per unit
Sales	**377,910**	**$ 3.43**	**7%**	352,869	$ 3.28
Net income	**34,232**	**$ 0.31**	**32%**	25,918	$ 0.24
Distributable cash					
After gross margin replacement	**31,046**	**$ 0.28**	**1%**	30,832	$ 0.29
After marketing expense	**30,282**	**$ 0.27**	**13%**	26,690	$ 0.25
Distributions	**33,681**	**$ 0.31**	**11%**	30,453	$ 0.28
General and administrative	**13,447**	**$ 0.12**	**23%**	10,942	$ 0.10
Distributable cash payout ratio[1]					
After gross margin replacement	**108%**			99%	
After marketing expense	**111%**			114%	

[1] Management targets an annual payout ratio after all marketing expenses of less than 100%, excluding any special distribution for tax reasons.

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 data to enable Energy Savings to purchase back to back matched supply. Furthermore, in many markets, Energy Savings has an option strategy that covers forecast differences in customer consumption due to weather variations. The cost of this strategy is incorporated into 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 British Columbia

In Ontario, Quebec and British Columbia, 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 has been and will continue 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 matched back to back 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 June 30

(thousands of dollars, except per unit amounts)

	Fiscal 2009	Per unit	Fiscal 2008	Per unit
Reconciliation to statements of cash flow				
Cash inflow from operations	$ 45,262		$ 42,693	
Add:				
Decrease in non-cash working capital	(15,665)		(16,893)	
Tax effect on distributions paid to holders of Class A preference shares	685		890	
Cash available for distribution	$ 30,282		$ 26,690	
Cash available for distribution				
Gross margin per financial statements	$ 55,221	$ 0.50	$ 51,809	$ 0.48
Adjustments required to reflect net cash receipts from gas sales	4,482		3,500	
Seasonally adjusted gross margin	$ 59,703	$ 0.54	$ 55,309	$ 0.51
Less:				
General and administrative	(13,447)		(10,942)	
Capital tax expense	(66)		(531)	
Bad debt expense	(1,063)		(1,769)	
Income tax expense	(143)		(35)	
Interest expense	(891)		(861)	
Other adjustment[1]	(223)		29	
	(15,833)		(14,109)	
Distributable cash before marketing expenses	43,870	$ 0.40	41,200	$ 0.39
Marketing expenses to maintain gross margin	(12,824)		(10,368)	
Distributable cash after gross margin replacement	31,046	$ 0.28	30,832	$ 0.29
Marketing expenses to add new gross margin	(764)		(4,142)	
Cash available for distribution	$ 30,282	$ 0.27	$ 26,690	$ 0.25
Distributions				
Unitholder distributions	$ 31,461		$ 27,754	
Class A preference share distributions	1,896		2,463	
Unit appreciation rights and deferred unit grants distributions	324		236	
Total distributions	$ 33,681	$ 0.31	$ 30,453	$ 0.28
Diluted average number of units outstanding		110.2m		107.7m

1 Other adjustment relates to interest income and other items.

Distributable cash

Distributable cash after gross margin replacement for the current quarter was $31.0 million ($0.28 per unit), up slightly from $30.8 million ($0.29 per unit) in the prior year comparable quarter. The higher gross margins in the quarter were offset by increased general and administrative costs and additional spending on marketing to renew and replace expiring or lost customers. Energy Savings spent $12.8 million in marketing expenses to maintain its current level of gross margin, which represents 94% of the total marketing expense for the quarter. Increased general and administrative costs (23%) were incurred in the quarter primarily related to the full quarter of the Texas operations, but were partially offset by lower bad debt expenses.

Distributable cash after marketing expenses amounted to $30.3 million ($0.27 per unit) for the first quarter of fiscal 2009, an increase of 13% from $26.7 million ($0.25 per unit) in the prior comparable quarter. The increase is attributable to the improved gross margin and lower bad debt expense, offset by higher general and administrative expenses. After deduction of all marketing expenses, the payout ratio for the current quarter was 111%, versus 114%, in the prior year comparable quarter.

For further information on the changes in the gross margin, please refer to "Sales and gross margin – seasonally adjusted" on page 11. General and administrative and marketing expenses are further clarified on page 17 and an interest and bad debt expense discussion can be found on page 18.

Discussion of distributions

(thousands of dollars)

	For the three months ended June 30, 2008	For the three months ended June 30, 2007	Fiscal 2008	Fiscal 2007
Cash flow from operations[1] (A)	$ 45,262	$ 42,693	$ 136,007	$ 98,354
Net income (B)	34,232	25,918	152,761	93,912
Total distributions (C)[2]	33,681	30,453	173,531	108,652
Excess (shortfall) of cash flows from operating activities over distributions paid (A-C)	11,581	12,240	(37,524)	(10,298)
Excess (shortfall) of net income over distributions paid (B-C)	551	(4,535)	(20,770)	(14,740)

1 Includes non-cash working capital balances.

2 Fiscal 2008 includes a one-time special distribution of $44.7 million.

As can be seen in the table above, the Fund has historically paid out annual distributions that were higher than both financial statement net income and operating cash flow. In the view of management, the non-GAAP measure, distributable cash, has been 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.

Net income includes non-cash gains and losses associated with the changes in the fair value of some of Energy Savings' financial instruments. These instruments form part of the Fund's commodity match position and, as such, quarterly changes in value do not impact the distribution policy.

The timing differences 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

For the three months ended June 30
(thousands of dollars, except per unit amounts)

	Fiscal 2009	Fiscal 2008
Reconciliation to statements of cash flow		
Cash inflow from operations	**$ 45,262**	$ 42,693
Capital expenditures[1]	**(208)**	(522)
Standardized Distributable Cash	**$ 45,054**	$ 42,171
Adjustments to Standardized Distributable Cash		
Change in non-cash working capital[2]	**$ (15,665)**	$ (16,893)
Tax effect on holders of Class A preference shares[3]	**685**	890
Capital expenditures[1]	**208**	522
Cash available for distribution	**$ 30,282**	$ 26,690
Standardized Distributable Cash – per unit basic	**0.41**	0.39
Standardized Distributable Cash – per unit diluted	**0.41**	0.39
Payout ratio based on Standardized Distributable Cash	**75%**	72%

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 $150.0 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.

In accordance with the Canadian Institute of Chartered Accountants' 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 as reported in the GAAP financial statements, including the effects of changes in non-cash working capital less total capital expenditures as reported in the GAAP financial statements.

Financing strategy

The Fund's $150.0 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 underlying matched 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.

All marketing costs associated with the 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 June 30
(thousands of dollars)

	Fiscal 2009			Fiscal 2008		
	Canada	United States	Total	Canada	United States	Total
Sales						
Gas	$ 159,493	$ 39,963	$ 199,456	$ 162,666	$ 28,110	$ 190,776
Electricity	130,822	47,632	178,454	133,730	28,363	162,093
	$ 290,315	$ 87,595	$ 377,910	$ 296,396	$ 56,473	$ 352,869
Increase/(decrease)	(2)%	55%	7%			
Gross margin						
Gas	$ 30,149	$ 5,980	$ 36,129	$ 26,905	$ 3,944	$ 30,849
Electricity	19,574	(482)	19,092	18,515	2,445	20,960
	$ 49,723	$ 5,498	$ 55,221	$ 45,420	$ 6,389	$ 51,809
Increase/(decrease)	9%	(14)%	7%			

Canada

Sales were $290.3 million for the three months ended June 30, 2008, down 2% from the prior comparative period. Gross margin was $49.7 million for the first quarter of fiscal 2009, an increase of 9% from the first quarter of fiscal 2008.

United States

Sales and gross margin in the U.S. were $87.6 million and $5.5 million for the first quarter, an increase of 55% and decrease of 14%, respectively, from the prior comparable periods.

For additional information, see "Sales and gross margin – seasonally adjusted" on Page 11.

Seasonally adjusted analysis

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

In the first 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.

	Q1 Fiscal 2009	Annual target Fiscal 2009
Quarterly gross margin per unit volume[1]		
Customers added in the quarter		
– Canada – gas (GJ)	$ 1.68	$ 1.60
– Canada – electricity (MWh)	14.98	14.25
– United States – gas (GJ)	1.59	1.60
– United States – electricity (MWh)	14.28	14.25
Customers lost in the quarter[2]		
– Canada – gas (GJ)	1.74	
– Canada – electricity (MWh)	10.56	
– United States – gas (GJ)	1.65	
– United States – electricity (MWh)	10.20	

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

2 Gross margin as calculated above for customers in place at March 31, 2008, and includes balancing and low margin acquired customers.

Sales and gross margin – seasonally adjusted[1]

For the three months ended June 30
(thousands of dollars)

	Fiscal 2009			Fiscal 2008		
	Canada	United States	Total	Canada	United States	Total
Sales						
Gas	$ 159,493	$ 39,963	$ 199,456	$ 162,666	$ 28,110	$ 190,776
Adjustments[1]	23,916	–	23,916	21,409	–	21,409
	183,409	39,963	223,372	184,075	28,110	212,185
Electricity	130,822	47,632	178,454	133,730	28,363	162,093
	$ 314,231	$ 87,595	$ 401,826	$ 317,805	$ 56,473	$ 374,278
Increase/(decrease)	(1)%	55%	7%			
Gross margin						
Gas	$ 30,149	$ 5,980	$ 36,129	$ 26,905	$ 3,944	$ 30,849
Adjustments[1]	4,482	–	4,482	3,500	–	3,500
	34,631	5,980	40,611	30,405	3,944	34,349
Electricity	19,574	(482)	19,092	18,515	2,445	20,960
	$ 54,205	$ 5,498	$ 59,703	$ 48,920	$ 6,389	$ 55,309
Increase/(decrease)	11%	(14)%	8%			

1 For Ontario, Manitoba and Quebec gas markets.

Gross margin analysis

For the three months ended June 30
(thousands of dollars)

	Fiscal 2009			Fiscal 2008		
	Canada	United States	Total	Canada	United States	Total
Gas						
Customer margin	$ 34,513	$ 4,900	$ 39,413	$ 34,666	$ 4,348	$ 39,014
Gain/(loss) from dispositions of excess supply and financial reconciliations[1]	118	1,080	1,198	(4,261)	(404)	(4,665)
Gas margin	$ 34,631	$ 5,980	$ 40,611	$ 30,405	$ 3,944	$ 34,349
Electricity						
Customer margin	$ 20,276	$ (482)	$ 19,794	$ 19,183	$ 2,486	$ 21,669
Loss from dispositions of excess supply[2]	(702)	0	(702)	(668)	(41)	(709)
Electricity margin	$ 19,574	$ (482)	$ 19,092	$ 18,515	$ 2,445	$ 20,960
Total	$ 54,205	$ 5,498	$ 59,703	$ 48,920	$ 6,389	$ 55,309

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 acquired customers on load-following contracts.

On a seasonally adjusted basis, sales and gross margin increased by 7% and 8%, respectively, to $401.8 million and $59.7 million, for the three months ended June 30, 2008, over the first quarter of fiscal 2008.

Canada

Seasonally adjusted sales were $314.2 million for the quarter, down 1% from $317.8 million for the same comparable quarter in fiscal 2008. Seasonally adjusted gross margins were $54.2 million in the first quarter of fiscal 2009, an increase of 11% from the same quarter last year.

Gas

Gas sales in the first quarter of fiscal 2009 were flat in comparison to the same quarter last year; however, gross margin increased by 14% to $34.6 million. The increase in customer gross margin was attributable to higher average margin per unit volume during the quarter offsetting the 7% lower total volumes. This higher margin per unit volume is the cumulative effect of higher margins on customers signed or renewed over the past year. Excess volumes sold during the quarter and financial reconciliations resulted in a gain for the quarter of $0.1 million versus a $4.3 million loss in the first quarter of fiscal 2008, which accounted for the majority of the margin increase.

After allowance for balancing and inclusive of acquisitions, average gross margin per unit volume ("GM/UV") for the three months ended June 30, 2008, for all customers amounted to $2.04/UV, compared to $1.64/UV from the prior comparable quarter. The GM/UV value includes an appropriate allowance for the bad debt expense in Alberta.

Electricity

Electricity sales were $130.8 million for the quarter, a decrease of 2% from the first quarter of fiscal 2008. The reduced sales are attributable to an 11% decrease in total consumption quarter over quarter. Gross margin increased by 6% from the prior year comparable quarter to $19.6 million despite the drop in customer consumption due to efforts to increase margin per customer over the past year. Margin was also positively impacted since effectively all Ontario load-following customers that produce low margins have now expired and have been either renewed on load balanced products or terminated.

During the quarter, excess volume due to lower than expected customer additions resulted in supply being sold in the spot market at unfavourable prices. Balancing losses for the quarter amounted to $0.7 million, effectively unchanged from the $0.7 million loss in the prior year comparable quarter.

Average gross margin per unit volume after all balancing and including acquisitions for the quarter ended June 30, 2008, in Canada amounted to $13.08/UV, up 21%, compared to $10.85/UV from the prior comparable quarter. The GM/UV value includes an appropriate allowance for the bad debt expense in Alberta.

United States

Seasonally adjusted sales for the first quarter of fiscal 2009 were $87.6 million, an increase of 55% from $56.5 million in the prior comparable quarter. Seasonally adjusted gross margin was $5.5 million, down 14% from $6.4 million from the same quarter last year.

Gas

Gas sales in the U.S. increased by 42% from $28.1 million to $40.0 million for the quarter ended June 30, 2008. This increase reflects a 38% increase in customer volumes and higher selling prices. Gas margin increased 52% for the first quarter of fiscal 2009 to $6.0 million from $3.9 million. The increase in gross margin resulted from the higher volumes for the current quarter as well as higher per customer margins.

Excess volumes were sold during the quarter at favourable prices in the spot market resulting in a balancing gain of $1.1 million versus a balancing loss of $0.4 million in the prior year comparable quarter.

Average gross margin after all balancing costs was $1.69/UV, an increase of 10% above the prior comparable quarter of $1.53/UV. The GM/UV value includes an appropriate allowance for bad debt expense in Illinois.

Electricity

Electricity sales and margin for the quarter were $47.6 million and $(0.5) million, respectively. In the prior comparable period of fiscal 2008, sales and gross margin amounted to $28.4 million and $2.4 million, respectively. Sales for the quarter increased by 68% due to the inclusion of a full quarter of the Texas operations and increased customer consumption in New York. In the first quarter of fiscal 2008, Texas was included for five weeks from the acquisition date of May 24, 2007. Gross margins were negatively impacted for the first quarter largely due to the load-following contracts acquired from Just Energy. The warmer than normal Texas weather in May and June resulted in high peak prices and losses as the load-following customers were balanced at Energy Savings' expense. Management estimates this loss at approximately $5.0 million, a portion of which is recoverable in the balance of the year. These load-following customers have an average remaining life of less than one year. Management expects that, when the load-following customers expire, U.S. electricity margin growth should directly track volume growth as new customers are added. Effectively all new customers are signed on balanced contracts similar to those in Ontario and New York.

Customer margin for electricity was $(1.84)/UV including acquisitions, compared to $9.35/UV from the prior year comparable period. 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 Q1	Fiscal 2008 Q4	Fiscal 2008 Q3	Fiscal 2008 Q2
Sales per financial statements	**$ 377,910**	$ 652,617	$ 449,673	$ 283,531
Net income	**34,232**	94,025	28,064	4,754
Net income per unit – basic	**$ 0.31**	$ 0.87	$ 0.26	$ 0.05
Net income per unit – diluted	**0.31**	0.87	0.26	0.04
Amount available for distribution				
After gross margin replacement	**$ 31,046**	$ 54,334	$ 47,242	$ 37,589
After marketing expense	**30,282**	53,992	42,462	29,690
Payout ratio				
After gross margin replacement	**108%**	61%	164%[1]	86%
After marketing expense	**111%**	61%	183%[1]	109%

[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.

	Fiscal 2008 Q1	Fiscal 2007 Q4	Fiscal 2007 Q3	Fiscal 2007 Q2
Sales per financial statements	$ 352,869	$ 588,410	$ 422,230	$ 236,127
Net income (loss)	25,918	70,052	14,112	(1,257)
Net income (loss) per unit – basic	$ 0.24	$ 0.66	$ 0.13	$ (0.01)
Net income (loss) per unit – diluted	0.24	0.66	0.13	(0.01)
Amount available for distribution				
After gross margin/customer replacement	$ 30,832	$ 54,928	$ 39,772	$ 26,490
After marketing expense	26,690	52,927	36,500	19,068
Payout ratio				
After gross margin/customer replacement	99%	52%	69%	102%
After marketing expense	114%	54%	75%	141%

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.

Analysis of the first quarter

Sales are typically lower in the first quarter because gas consumption is highest during the winter months and approximately 56% of the current customer base is gas customers. The 7% increase in sales compared to the prior comparable quarter is primarily attributable to U.S. growth and higher gas prices. Net income increased by 32% to $34.2 million for the three months ended June 30, 2008. The increase in net income for the quarter was higher than the increase in sales and distributable cash due to the impact of unrealized financial instruments income that was recorded in the quarter.

The distributable cash after customer gross margin replacement was $31.0 million, effectively the same as the prior comparable quarter. The increase in gross margin per unit volume quarter over quarter was offset by increased administration costs and higher marketing expenses to maintain gross margin related to attrition and expiring customers.

Distributable cash after marketing expenses was $30.3 million, an increase of 13% from $26.7 million in the prior comparable quarter. Distributions for the quarter were $33.7 million, up 11% quarter over quarter. The payout ratio in the seasonally slow quarter was 111% versus 114% in the first quarter of fiscal 2008.

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 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 better information for analysis. The Fund is therefore reporting volumetric measures for gas and electricity in Canada and the United States, effective this quarter.

There are two measures of volume which are being reported – "Delivered volumes" and "Annualized volumes" – in the following two schedules shown below and on page 15. The first measure is "Delivered volumes", which details the change in the actual growth of volumes delivered to customers for the first quarter as compared to the first quarter of fiscal 2008. This measure tracks our actual financial results and reflects weather and other volume variances. See page 6 – "Operations" – for a discussion of the timing of deliveries to the utilities for each market. The second measure, "Annualized volumes", 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.

Delivered volumes in the quarter

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

The following table shows the actual delivered volumes for the first quarter of fiscal 2009 and the prior comparable quarter:

For the three months ended June 30

	Fiscal 2009	Fiscal 2008	% increase (decrease)
Natural gas (GJ)			
Canada	**16,898,440**	18,242,195	(7)%
United States	**2,948,535**	2,135,271	38%
Total gas	**19,846,975**	20,377,466	(3)%
Electricity (MWh)			
Canada	**1,483,863**	1,660,014	(11)%
United States	**429,006**	101,721	322%
Total electricity	**1,912,869**	1,761,735	9%

Gas deliveries were down 3% mainly due to lower than expected net volume additions. Electricity volumes increased by 9%. Management expects improved volume growth for both gas and electricity in the coming quarters based on higher marketing run rates in June and the second quarter to date.

Annualized volumes

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

	Annualized volumes as at March 31, 2008	Annualized volumes increase	Annualized volumes attrition[1]	Annualized volumes not renewed[2]	Annualized volumes as at June 30, 2008	% increase (decrease)
Natural gas (GJ)						
Canada[3]	80,666,000	954,000	(2,438,000)	(636,000)	78,546,000	(3)%
United States[4]	22,578,000	2,120,000	(2,120,000)	–	22,578,000	–
Total gas	103,244,000	3,074,000	(4,558,000)	(636,000)	101,124,000	(2)%
Electricity (MWh)						
Canada[5]	6,090,000	180,000	(220,000)	(170,000)	5,880,000	3%
United States[6]	1,040,000	550,000[7]	(40,000)	–	1,550,000	49%
Total electricity	7,130,000	730,000	(260,000)	(170,000)	7,430,000	4%

1 Volumes attrition – customers whose contracts were terminated primarily due to relocation or delinquency.

2 Volumes not renewed – customers who did not renew expiring contracts at the end of their term.

3 Includes Ontario, Quebec, British Columbia, Manitoba and Alberta.

4 Includes Illinois, New York and Indiana.

5 Includes Ontario and Alberta.

6 Includes New York and Texas.

7 Includes short-term customers (320,000 annual MWh) purchased in the Just Energy acquisition, which based on experience to date, are now considered renewable as Energy Savings' customers. Previously these had not been included as long-term customers.

To assist with the transition in reporting from RCEs to annualized volumes, the calculation of annualized volumes as at the year ended March 31, 2008, is provided in the following table:

	Ending RCEs	Standard RCE volume	Volumetric measure
Natural gas (GJ)			
Canada	761,000	106 GJ	80,666,000
United States	213,000	106 GJ	22,578,000
Total gas	974,000	106 GJ	103,244,000
Electricity (MWh)			
Canada	609,000	10 MWh	6,090,000
United States	104,000	10 MWh	1,040,000
Total electricity	713,000	10 MWh	7,130,000

Annualized gas volumes (net of all volume loss) for the first quarter of fiscal 2009 declined by 2% compared to the volume as at March 31, 2008. The weak volume additions in Canada for the quarter resulted from a B.C. residential market nearing saturation and a lower number of independent contractors than expected in Ontario, and consequently, lower productivity in this market. Management does not anticipate annual net volume growth in Canada for this fiscal year. U.S. gas volume additions were lower than expected through the early part of the quarter due, in the view of management, from press coverage of legal actions in Illinois and New York. Volume additions picked up in the month of June and continue at strong levels to date in the second quarter.

Electricity volumes were up 4% after all volume losses. The vast majority of volume additions were in the United States with Canada lagging due to high relative five-year prices, particularly in Ontario. As referred to in the annual report, Texas short-term customers continue to renew at higher than expected levels and are included in these volumes. These customers made up a significant portion of growth in the period.

Attrition

Natural gas

Natural gas attrition in Canada was 10% on an annualized basis, in line with management's target of 10%. In the U.S., gas attrition was 33% on the same basis, above management's annual target of 20%. U.S. gas attrition was adversely impacted by negative press coverage surrounding the actions of the Attorney General in both Illinois and New York. As expected with a continued rise in utility natural gas prices, we have seen a decline in attrition in recent weeks. The settlement of the New York investigation in the first quarter and the general validation of the product through very high current spot gas prices should result in lower attrition going forward.

Electricity

Electricity attrition in Canada for the first quarter was 13%, above management's 10% target level. The regulated rates provided by the utilities are artificially low which makes it difficult for Energy Savings to compete. All electricity contracts entered into by the Province since deregulation have been set at prices far higher than the current regulated rate. Logically, this should result in higher power prices going forward. Eventually, it is anticipated that these higher prices will be reflected in Ontario rates, making fixed-price contracts more attractive. Electricity attrition in the United States was 18% over the last 12 months, in line with management's target of 20%.

Volumes not renewed

The Energy Savings renewal process is a multi-faceted program and 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 that have completed their terms, and therefore are eligible for renewal, are the Ontario gas and electricity customers and an immaterial number of Manitoba customers.

In the Ontario gas market, customers who do not positively elect to renew or terminate their contracts receive a one-year fixed-price for the ensuing year. During the period, renewals on an annualized basis were 81%. This renewal rate is a blend of one-year and five-year contracts, and 21% of these customers renewed for a one-year term. Management continues to anticipate that renewals for gas customers in fiscal 2009 will be 80% or above.

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 first quarter, 56% of all expiring electricity customer volumes were successfully renewed. The renewal level was disappointing and reflected Energy Savings' difficulty in selling against an Ontario regulated price, which appears subsidized to the small consumer. The Province has publicly stated that it will not subsidize prices, so greater transparency should allow for improved renewal rates over time.

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	11%	9%	1%	17%
2010	25	6	11	28
2011	24	23	19	9
2012	19	23	16	13
2013	14	31	40	19
Beyond 2013	7	8	13	14
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 $13.4 million for the three months ended June 30, 2008, representing a 23% increase from $10.9 million in the first quarter of fiscal 2008. The expenses increased over the prior year comparable quarter primarily due to the inclusion of the Texas operating costs for the full quarter versus only a five-week period in fiscal 2008. Other increases relate to office rent for the new call centre which opened in the fourth quarter of the last fiscal year. Staffing in our corporate offices has also increased to support our growth into new markets.

Marketing expenses

Marketing expenses, which consist of commissions paid to independent sales contractors for signing new customers, as well as an allocation of corporate marketing costs, were $13.6 million, a decrease from $14.5 million in the first quarter of fiscal 2008. This reflects lower than expected customer additions offset by higher than expected costs related to recruiting and corporate marketing overhead.

Marketing expenses to maintain gross margin increased by 24% to $12.8 million as compared to $10.4 million in the first quarter of fiscal 2008. The increased costs resulted from the high customer attrition in the quarter. Marketing expenses to add new gross margin totalled $0.8 million, a decrease of 82% from $4.1 million in the prior year comparable quarter. The majority of the marketing expenses to add new gross margin relate to the GEO products sold during the quarter.

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

	For the three months ended June 30, 2008	Target fiscal 2009
Natural gas		
Canada	$ 2.40/UV	
United States	1.77/UV	
Combined	1.96/UV	$ 1.60/UV
Electricity		
Canada	$ 18.51/UV	
United States	15.65/UV	
Combined	17.21/UV	$ 14.25/UV

Actual aggregation costs for Canada gas and electricity customers to date for fiscal 2009 were $2.40 per unit volume for gas and $18.51 per unit volume for electricity. The aggregation costs were above target as a result of lower than expected volume additions, and therefore, higher corporate, marketing and customer service costs were allocated to each unit of volume. Approximately 30% of the total marketing expense relates to the costs associated with corporate, marketing and customer service overhead.

In the U.S., aggregation costs were $1.77 per unit volume and $15.65 per unit volume for gas and electricity customers, respectively. These costs were slightly above target based on lower than expected customer additions. As noted above, current run rates are stronger than those seen in the first quarter and the result should be lower aggregation costs per unit volume in the following quarter.

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 amounted to $0.9 million, a decrease of 29% from the $1.2 million paid in the prior comparable quarter. 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 its customers' accounts. 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 three months ended June 30, 2008, was $1.1 million versus $1.8 million expensed in the first quarter of last year. The bad debt expense represents approximately 1.2% of $92.0 million in revenues in these markets for the three-month current reporting period. In the first quarter of fiscal 2008, the bad debt expense was 2.5% of the $70.2 million total revenue reported for the same markets. Continued improvements made to the credit and collection processes have reduced the bad debt expense. 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. Management continues to target bad debt expense of approximately 2.0% to 3.0% of annual revenue earned in Alberta, Illinois and Texas during fiscal 2009.

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 fee.

Interest expense

Total interest expense for the three months ended June 30, 2008, amounted to $0.9 million unchanged from the same period last year. Energy Savings is required to meet a number of financial covenants under the credit facility agreement and as at June 30, 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 loss of $0.3 million was reported in other comprehensive income (loss) versus a loss of $1.6 million reported in the prior comparable period. The operations of the Fund's U.S.-based subsidiaries became self-sustaining effective April 1, 2007. Energy Savings remains adequately hedged for any exposure to fluctuations in cross border cash flow. In fiscal 2009 to date, all monies earned in the U.S. have been redeployed in the U.S. to fund continued growth.

Class A preference share distributions

Each of the holders 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 months ended June 30, 2008, including tax amounted to $1.9 million versus $2.5 million paid in the first quarter of 2008. The decrease in the preference share distributions resulted from the exchange of 3,442,484 shares into units over the past year. These distributions on the Class A preference shares are reflected in the Statement of Unitholders' Equity of the Fund's consolidated financial statements, net of tax.

Recovery of income tax

Income tax breakdown

For the three months ended June 30
(thousands of dollars)

	Fiscal 2009	Fiscal 2008
Current tax provision	$ 143	$ 35
Amount credited to Unitholders' equity	685	890
Future tax recovery	(1,014)	(7,358)
Recovery of income tax	$ (186)	$ (6,433)

For the three months ended June 30, 2008, the Fund recorded an income tax provision of $0.1 million. 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 months ended June 30, 2008, the tax impact of these distributions amounted to $0.7 million versus $0.9 million in the prior year comparable period, based on a tax rate of 33% and 36%, respectively.

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 taxes 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 its distributions will not be subject to tax prior to 2011, and accordingly, has not provided for future income taxes on the remaining portion of temporary differences which are expected to reverse prior to 2011. The SIFT Legislation does not affect the current and future tax amounts of the Fund's corporate subsidiaries.

While the October 31, 2006 announcement to tax income trusts does not affect existing income trusts until 2011, the announcement has had a material impact on the trading value of Energy Savings' units. While the price declines have been felt across the entire income fund sector, management believes that the current unit price is not representative of the financial strength and sustainability inherent in the Energy Savings model. 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 which would see Energy Savings convert from a trust to a corporation.

The Minister of Finance released a legislative proposal on July 14, 2008, which generally provides for a tax-deferred conversion of a SIFT from a trust or partnership to a corporation. Energy Savings is currently investigating the detailed implications of the change in the regulations.

Liquidity and capital resources

Summary of cash flows

For the three months ended June 30
(thousands of dollars)

	Fiscal 2009	Fiscal 2008
Operating activities	$ 45,262	$ 42,693
Investing activities	(208)	(33,922)
Financing activities, excluding distributions	(4,725)	32,580
Loss on foreign exchange	(22)	(2,125)
Increase in cash before distributions	40,307	39,226
Distributions (cash payments)	(26,573)	(29,146)
Increase in cash	13,734	10,080
Cash – beginning of period	27,310	16,786
Cash – end of period	$ 41,044	$ 26,866

Operating activities

Cash flow from operating activities for the three months ended June 30, 2008, was $45.3 million as compared to $42.7 million in the prior comparable period. The increase is primarily attributable to an increase in net income offset by unrealized income related to the financial instruments recorded in the quarter.

Investing activities

The Fund purchased capital assets totalling $0.2 million during the quarter, a decrease from $0.5 million in the prior year comparable quarter. Energy Savings completed the acquisition of Just Energy, including all of its electricity contracts in the first quarter of fiscal 2008, for a total, net of cash, of $33.4 million, of which $18.1 million involved the issuance of units of the Fund on October 9, 2007.

Financing activities

Financing activities excluding distributions relate primarily to the drawdown of the operating line for working capital requirements. During the three months ended June 30, 2008, Energy Savings had drawn a total of $62.3 million against the credit facility versus $71.9 million in the first quarter of fiscal 2008. As Energy Savings continues to expand in the U.S. markets and Alberta, 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 $150.0 million credit facility.

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 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 six months. These periods reflect the time required by the various LDCs to enrol, 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)

During the quarter, the Fund made distributions to its Unitholders in the amount of $26.6 million, compared to $29.1 million in the prior year comparable period, a decrease of 9% due to the creation of the distribution reinvestment program ("DRIP") on December 20, 2007. 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 Fund has current participation equating to 21.73% of the issued and outstanding units.

Energy Savings will continue to utilize its cash resources for expansion into new markets including growth in its customer base as well as distributions to its Unitholders.

At the end of the quarter, the annual rate for distributions per unit was $1.21 with a subsequent increase to $1.24 in July 2008. 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 June 30, 2008 compared to March 31, 2008

Cash increased from $27.3 million as at March 31, 2008, to $41.0 million at June 30, 2008. The credit facility decreased from $71.9 million to $62.3 million as a result of higher cash receipts from the winter billings (higher customer consumption). The credit facility continues to be utilized to fund various 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 decrease in accounts receivable from $207.8 million to $160.5 million is primarily attributable to the decrease in margin associated with the period of lower gas consumption in the first quarter in comparison to the fourth quarter. Accounts payable and accrued liabilities has also decreased from $128.7 million to $114.5 million relating to decreased customer consumption associated with the seasonality of the Fund.

Gas in storage has increased from $4.3 million to $21.6 million for the first 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 first quarter, customers in Ontario and Manitoba had consumed more gas than was supplied to the LDCs for their use. Since Energy Savings is paid for this gas when delivered yet recognizes revenue when the gas is consumed by the customer, the result on the balance sheet is the unbilled revenue amount of $24.4 million and accrued gas accounts payable of $19.8 million. The decrease in the amounts as compared to March 31, 2008, is a result of increased deliveries to the utilities which are greater than the amount consumed by our customer base.

The acquisition of Just Energy during the first quarter of fiscal 2008 included the purchase of electricity contracts valued at $11.4 million, which are amortized over the average remaining life of the contracts.

As of April 1, 2007, Energy Savings was required to record other assets and liabilities representing the estimated fair value on a mark to market basis of all financial instruments. Where the financial instruments qualify as a cash flow hedge, any changes to the fair value are calculated and the effective portion of the change is recorded in other comprehensive income (loss). All other changes in fair value are recorded in other income (expense). Hedge accounting has been applied to most of the Fund's fixed-for-floating swaps and forward contracts but certain other financial instruments, such as options, do not qualify for this treatment. The settlements of all these contracts are recognized as a component of cost of sales when settled.

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
Long-term debt	$ 62,286	$ –	$ 62,286	$ –	$ –
Property and equipment lease agreements	25,862	3,924	8,906	5,859	7,173
EPCOR billing, collections and supply commitments	12,012	6,359	5,653	–	–
Gas and electricity supply purchase commitments	3,345,042	950,063	1,752,989	605,003	36,987
	$ 3,445,202	$ 960,346	$ 1,829,834	$ 610,862	$ 44,160

Other obligations

The Fund is also 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 these events or rulings 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 lawsuits, claims or proceedings. In the opinion of management, the Fund has no material pending lawsuits, claims or proceedings that have not been either included in its accrued liabilities or in the financial statements.

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. 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 June 30, 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 Green Energy Option ("GEO"). Energy Savings enters into contracts with customers to provide electricity and gas at fixed prices. It also provides 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, matching its delivery or green commitment obligations.

The Fund's business model objective is to minimize commodity risk other than consumption, 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 estimation of the fair value of certain electricity and gas supply contracts and foreign exchange risks requires considerable judgment and is based on market prices or management's best estimates if there is no market and/or if the market is illiquid.

The financial statements are in compliance with Sections 3855 and 3865 of the Canadian Institute of Chartered Accountants' ("CICA") Handbook, which require a determination of fair value for all derivative financial instruments with further calculation for qualified and designated accounting hedges to determine the effective and ineffective portion of the hedge. This fair value and, where applicable, the ineffectiveness, is determined using market information at the end of each quarter. Management believes the Fund remains effectively hedged operationally across all jurisdictions.

Preference shares of OESC and trust units

As at August 6, 2008, there were 5,263,728 Class A preference shares of OESC outstanding and 104,817,999 units of the Fund outstanding.

Taxability of distributions

Cash and unit distributions received in calendar 2007 were allocated as 100% other income. Additional information can be found on our website at www.esif.ca. Management estimates the distributions for calendar 2008 to be allocated in a similar manner to that of 2007.

Adoption of new accounting policies

On April 1, 2008, the Fund adopted three new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"); Handbook Section 1535, "Capital Disclosures"; Handbook Section 3862, "Financial Instruments – Disclosures"; 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, 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.

Financial Instruments – Disclosures and Financial Instruments – Presentation

Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation", replaces Section 3861, "Financial Instruments – Disclosures 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 is a new standard, not yet in effect, which is required to be adopted by the Fund on the effective date.

Goodwill and Intangible Assets – CICA Section 3064

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

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 August 6, 2008 which require 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. 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

To date, a difficult Ontario electricity pricing environment combined with adverse impacts of Attorney General activity in Illinois and New York has resulted in lower than expected customer additions and associated volumes. Despite this, first quarter distributable cash is up 13% year over year. Net income was up 32% year over year. Based on results to date and existing economic conditions, management believes that these levels of growth will be lower the remainder of the fiscal year but that improved customer additions and volumes will be seen in coming quarters. These higher volumes plus potential consolidation in the industry should mitigate lower profitability growth. While early in the fiscal year, all things considered, management believes that Energy Savings is tracking slightly below the Fund's guidance of 10% growth in distributable cash after gross margin replacement for the year.

Margin growth in the first quarter was impacted by an approximate $5 million loss on largely load-following Texas customers due to weather-driven electricity price increases in May and June. A portion of the loss will be recovered in the balance of the year. These customers were purchased from Just Energy Texas LP and have an average remaining term of less than one year. Going forward, these customers will be renewed on a load balanced product where the customer bears the risk of price changes for consumption above purchased fixed-price supply.

The Fund intends to continue its geographic expansion into new markets in the United States both through 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.

Sales of the Fund's Green Energy Option product to date exceeds 31,000 customers taking more than 100,000 volume units. It is management's expectation that customers who purchase GEO will have lower attrition rates with a higher level of customer loyalty, and therefore, an increased likelihood of renewal at end of term. As GEO participation continues to grow, gross margin from the product will meaningfully add to distributable cash in future periods.

Energy Savings is moving to expand its product offerings to include other energy conservation-related products and services such as tankless 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.

While the October 31, 2006 announcement to tax income trusts does not affect existing income trusts until 2011, except as noted in the "Recovery of income tax" discussion on page 19, the announcement has had a material impact on the trading value of Energy Savings' units. While the price declines have been felt across the entire income fund sector, management believes that the current unit price is not representative of the financial strength and sustainability inherent in the Energy Savings model. 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. Energy Savings is currently investigating the detailed implications of the change in the regulations.

CONSOLIDATED BALANCE SHEETS

(Unaudited – thousands of dollars)

	June 30, 2008	March 31, 2008
Assets		
Current		
Cash	$ 41,044	$ 27,310
Restricted cash	5,542	4,749
Accounts receivable	160,544	207,793
Gas delivered in excess of consumption	761	–
Gas in storage	21,645	4,268
Unbilled revenues	24,404	47,299
Prepaid expenses	2,680	2,343
Corporate taxes recoverable	958	2,665
Other assets – current *(Note 9a)*	448,709	193,398
	706,287	489,825
Electricity contracts (less accumulated amortization – $34,333; March 31, 2008 – $32,401)	3,635	1,527
Goodwill	112,754	116,146
Capital assets (less accumulated amortization – $15,324; March 31, 2008 – $14,114)	16,294	16,637
Future income tax assets *(Note 6)*	–	9,420
Other assets – long term *(Note 9a)*	322,558	75,560
	$ 1,161,528	$ 709,115
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 114,541	$ 128,682
Customer rebates payable	5,402	4,617
Management incentive program payable	1,005	2,235
Unit distribution payable	24,408	30,696
Deferred revenue	1,021	–
Accrued gas accounts payable	19,849	38,522
Other liabilities – current *(Note 9a)*	35,156	59,150
	201,382	263,902
Long-term debt	62,286	67,583
Other liabilities – long term *(Note 8)*	81,903	159,207
Future income tax liabilities *(Note 6)*	98,487	19,458
	444,058	510,150
Equity		
Deficit	$ (210,695)	$ (211,931)
Accumulated other comprehensive income	543,617	40,789
	332,922	(171,142)
Unitholders' capital	371,806	358,103
Contributed surplus	12,742	12,004
Unitholders' equity	717,470	198,965
	$ 1,161,528	$ 709,115

Commitments *(Note 13)*

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

For the three months ended June 30
(Unaudited – thousands of dollars)

	2008	2007
Accumulated earnings		
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	34,232	25,918
Accumulated earnings, end of period	426,314	265,239
Distributions		
Distributions, beginning of period	(604,013)	(435,430)
Distributions	(31,785)	(27,990)
Class A preference share distributions – net of income taxes of $685 (2007 – $890)	(1,211)	(1,573)
Distributions, end of period	(637,009)	(464,993)
Deficit	(210,695)	(199,754)
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)	502,828	(293,738)
Accumulated other comprehensive income (loss), end of period	543,617	(179,960)
Unitholders' capital *(Note 7a)*		
Unitholders' capital, beginning of period	358,103	328,153
Trust units exchanged	3,606	–
Trust units issued on exercise/exchange of unit compensation	468	93
Trust units issued	13,235	–
Class A preference shares exchanged	(3,606)	–
Unitholders' capital, end of period	371,806	328,246
Contributed surplus *(Note 7b)*	12,742	10,816
Unitholders' equity, end of period	$ 717,470	$ (40,652)

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF OPERATIONS

For the three months ended June 30
(Unaudited – thousands of dollars, except per unit amount)

	2008	2007
Sales	$ 377,910	$ 352,869
Cost of sales	322,689	301,060
Gross margin	55,221	51,809
Expenses		
General and administrative expenses	13,447	10,942
Capital tax	66	531
Marketing expenses	13,588	14,510
Unit-based compensation	857	1,215
Bad debt expense	1,063	1,769
Amortization of gas contracts	–	177
Amortization of electricity contracts	1,967	1,249
Amortization of capital assets	1,216	766
	32,204	31,159
Income before interest expense and other (income) expense	23,017	20,650
Interest expense	891	861
Other (income) expense	(11,920)	304
Income before income tax	34,046	19,485
Recovery of income tax *(Note 6)*	(186)	(6,433)
Net income	$ 34,232	$ 25,918
Net income per unit *(Note 11)*		
Basic	$ 0.31	$ 0.24
Diluted	$ 0.31	$ 0.24

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months ended June 30
(Unaudited – thousands of dollars)

	2008	2007
Net income	$ 34,232	$ 25,918
Unrealized loss on translation of self-sustaining operations	(288)	(1,615)
Unrealized and realized gain (loss) on derivative instruments designated as cash flow hedges (net of income taxes of $89,344 (2007 – $12,681)) *(Note 9a)*	503,116	(292,123)
Other comprehensive income (loss)	502,828	(293,738)
Comprehensive income (loss)	$ 537,060	$ (267,820)

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended June 30
(Unaudited – thousands of dollars)

	2008	2007
Net inflow (outflow) of cash related to the following activities		
Operating		
Net income	$ 34,232	$ 25,918
Items not affecting cash		
Amortization of gas contracts	–	177
Amortization of electricity contracts	1,967	1,249
Amortization of capital assets	1,216	766
Unit-based compensation	857	1,215
Future income taxes *(Note 6)*	(1,014)	(7,358)
Other	(1,028)	–
Other (income) expenses – unrealized	(11,115)	333
	(9,117)	(3,618)
Adjustments required to reflect net cash receipts from gas sales	4,482	3,500
Changes in non-cash working capital	15,665	16,893
	45,262	42,693
Financing		
Exercise of trust unit options *(Note 7a)*	338	55
Distributions paid to Unitholders	(24,826)	(27,573)
Distributions to Class A preference shareholders	(2,432)	(2,463)
Tax impact on distributions to Class A preference shareholders	685	890
Issuance of long-term debt and increase in bank indebtedness	2,500	47,871
Repayment of long-term debt and bank indebtedness	(7,554)	(14,589)
Decrease in restricted cash	(9)	(757)
	(31,298)	3,434
Investing		
Purchase of capital assets	(208)	(522)
Acquisition of subsidiary *(Note 5)*	–	(33,400)
	(208)	(33,922)
Effect of foreign currency translation on cash balances	(22)	(2,125)
Net cash inflow	13,734	10,080
Cash, beginning of period	27,310	16,786
Cash, end of period	$ 41,044	$ 26,866
Supplemental Information		
Interest paid	$ 941	$ 968
Income taxes paid	$ 66	$ 393

See accompanying notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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 wholly owned operating subsidiaries and affiliates: Ontario Energy Savings L.P. ("OESLP"), Energy Savings (Manitoba) L.P. ("ESMLP"), Energy Savings (Quebec) L.P. ("ESPQ"), ES (B.C.) Limited Partnership ("ESBC"), Alberta Energy Savings L.P. ("AESLP"), Illinois Energy Savings Corp. ("IESC"), New York Energy Savings Corp. ("NYESC"), Indiana Energy Savings Corp. ("INESC") and Energy Savings Texas Corp. ("ESTC") (collectively the "Energy Savings Group").

NOTE 3

Changes in significant accounting policies

(a) New accounting standards

On April 1, 2008, the Fund adopted three new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"); Handbook Section 1535, "Capital Disclosures"; Handbook Section 3862, "Financial Instruments – Disclosures"; 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, 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 10).

Financial Instruments – Disclosures and Financial Instruments – Presentation

Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation", which replace Section 3861, "Financial Instruments – Disclosures 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 9).

(b) Recently issued accounting standards

The following outlines a new standard, not yet in effect, which is required to be adopted by the Fund on the effective date.

Goodwill and Intangible Assets – CICA Section 3064

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

NOTE 4

Seasonality of operations

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

NOTE 5 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 130,000 residential customer equivalents (RCEs). The acquisition was funded through a credit facility drawdown, of which $18,079 (US$18,362) including interest of $356 (US$362) was returned to the Fund on October 9, 2007, in exchange for 1,169,399 units of the Fund issued from treasury. The units are subject to the terms of an escrow agreement for the benefit of the Just Energy vendors and are being released to the vendors over a three-year period.

The purchase price 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 quarter, 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 Income taxes

The Fund is taxed as a "mutual fund trust" for income tax purposes. Pursuant to the Declaration of Trust, OESC, as administrator of the Trust, will distribute all taxable income directly earned by the trust to the Unitholders and deduct such distributions for income tax purposes. Canadian-based corporate subsidiaries are subject to tax on their taxable income at a rate of 33% (2007 – 36%).

The following table reconciles the difference between the income tax provision that would result by applying the Canadian corporate statutory tax rate to income before income tax for Energy Savings and the income tax provision in the financial statements.

For the three months ended June 30	2008	2007
Income before income tax	**$ 34,046**	$ 19,485
Income tax expense at the combined basic rate of 33% (2007 – 36%)	**11,363**	7,015
Taxes on income attributable to Unitholders	**(10,345)**	(9,050)
Tax impact of corporate reorganization	**–**	(7,147)
Benefit of tax losses and other tax assets not previously recognized	**(1,204)**	2,299
Non-deductible expenses	**–**	450
Recovery of income tax	**$ (186)**	$ (6,433)

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

	2008	2007
Current tax provision	**$ 143**	$ 35
Amount credited to Unitholders' equity	**685**	890
Future tax recovery	**(1,014)**	(7,358)
Recovery of income tax	**$ (186)**	$ (6,433)

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

	As at June 30, 2008	As at March 31, 2008
Partnership income deferred for tax purposes and book carrying amount of investments in partnerships in excess of tax cost	$ 4,223	$ 4,055
Accumulated other comprehensive income	94,264	5,983
Future income tax liabilities (net)	$ 98,487	$ 10,038

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

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

The Fund is a Specified Investment Flow-Through Entity as defined in the SIFT Legislation. Commencing with its taxation year ending December 31, 2011, assuming the Fund does not exceed "normal growth guidelines" (in which case transitional relief deferring the application of the SIFT tax to 2011 would be lost), the Fund will be subject to taxes on certain income earned from investments in its subsidiaries distributed to Unitholders. The Fund is also required to recognize future income tax assets and liabilities calculated with respect to the temporary differences between the carrying amounts and tax bases of its assets and liabilities and those of its flow-through subsidiaries that are expected to reverse in or after 2011.

The Fund expects that a portion of its aggregate temporary differences and those of its flow-through subsidiaries will reverse in or after 2011, and as a consequence, it has recorded a future tax asset of $2,551 during the current year, of which substantially all is related to temporary differences with respect to items included in AOCI such as mark to market recording of derivative financial instruments. The Fund also anticipates possible material changes in such future tax amounts corresponding to the changes in the fair value of the financial instruments in future periods due to the volatile nature of such temporary differences. The Fund expects that it will not exceed its "normal growth" limitations, such that it will not be subject to tax on certain income distributed prior to 2011, and accordingly, has not provided for future income taxes on the remaining portion of temporary differences which are expected to reverse prior to 2011. The SIFT Legislation does not affect the current and future tax amounts of the Fund's corporate subsidiaries.

NOTE 7 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 the cash receipts of the Fund, excluding proceeds from the issuance of additional Fund units, adjusted for costs and expenses of the Fund, amounts which may be paid by the Fund in connection with any cash redemptions or repurchases of units and any other 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 holders of Class A preference shares are entitled to vote in all votes of Unitholders as if they were the holders of the number of units that they would receive if they exercised their shareholder exchange rights. 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	30,000	378	7,500	61
Unit appreciation rights exchanged	6,336	89	2,334	32
Distribution reinvestment plan	485,568	6,440	–	–
Units issued	406,917	6,796	–	–
Exchanged from Class A preference shares	1,442,484	3,606	–	–
Balance, end of period	104,523,499	358,646	98,092,369	306,480
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	109,787,227	$ 371,806	106,798,581	$ 328,246

Distribution reinvestment plan

During the prior fiscal year, the Fund established a distribution reinvestment program ("DRIP"). Under the program, Unitholders holding a minimum of 100 units can elect to receive their distributions in units rather than cash at a 5% discount to the simple average closing price of the units for five trading days preceding the applicable distribution payment date, providing the units are issued from treasury and not purchased on the open market.

(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 June 30	2008	2007
Contributed surplus		
Balance, beginning of period	$ 12,004	$ 9,633
Add: unit-based compensation awards	857	1,215
non-cash deferred unit grant distributions	11	6
Less: unit-based awards exercised	(130)	(38)
Balance, end of period	$ 12,742	$ 10,816

Total amounts credited to Unitholders' capital in respect of options and UARs exercised or exchanged during the three months ended June 30, 2008, amounted to $468 (2007 – $93).

Cash received from options exercised for the three months ended June 30, 2008, amounted to $338 (2007 – $55).

NOTE 8 Other liabilities – long term

	June 30, 2008	March 31, 2008
Deferred lease inducement	$ 2,623	$ 2,817
Financial instruments *(Note 9 (a))*	79,280	156,390
	$ 81,903	$ 159,207

NOTE 9

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 as well as a forward curve compiled by management for Alberta and Texas electricity (electricity information is based on market forward curves and available heat rates). Gas options have been valued using the Black option value model, using the applicable market forward curves and the implied volatility from other market traded gas options.

(i) At June 30, 2008, Energy Savings had electricity fixed-for-floating swap contracts in its Canadian subsidiaries and affiliates, the majority of which are designated as hedges of Energy Savings' anticipated cost of sales, with the remainder being classified as held-for-trading to which it has committed with the following terms:

	Designated as hedges	Held-for-trading
Notional volumes (peak, flat, off peak and weekend)	0.000066–35.0 MWh	0.16667–5 MWh
Total remaining notional volume (peak, flat, off peak and weekend)	14,053,105 MWh	232,742 MWh
Maturity dates	July 31, 2008 – March 31, 2014	July 31, 2008 – July 31, 2013
Fixed price per MWh (in dollars)	$50.94–$128.13	$65.80–$77.38
Fair value	$82,434 unfavourable	$5,425 unfavourable
Notional value	$1,059,681	$26,141

With respect to the designated hedges, the gain of $75,830 (2007 – $76,158 loss) for the three months ended June 30, 2008, has been recorded in other liabilities. The offsetting values are recorded as to a gain of $75,354 (2007 – $73,265 loss) in other comprehensive income and a gain of $476 (2007 – $1,983 loss) in other income (expense), respectively, for the three months ended March 31, 2008. Held-for-trading gain of $110 (2007 – $910) for the three months ended June 30, 2008, has been recorded in other liabilities with its offsetting value being recorded in other income (expense).

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

(ii) At June 30, 2008, Energy Savings had electricity fixed-for-floating swap contracts in its U.S. subsidiaries and affiliates, the majority of which are designated as hedges of Energy Savings' anticipated cost of sales to which it has committed with the following terms:

	Designated as hedges	Held-for-trading
Notional volumes (peak, flat, off peak and weekend)	0.1–14.7 MWh	0.71–0.73 MWh
Total remaining notional volume (peak, flat, off peak and weekend)	1,316,173 MWh	11,248 MWh
Maturity dates	July 31, 2008 – September 30, 2013	December 31, 2008 – April 30, 2012
Fixed price per MWh (in dollars)	$90.04–$139.44 (US$88.30–US$136.75)	$91.67(US$89.90)
Fair value	$37,853 (US$37,121) favourable	$2,712 (US$2,660) favourable
Notional value	$132,773 (US$130,208)	$6,357 (US$6,234)

With respect to the designated hedges, the gain of $40,306 (US$39,645) (2007 – $1,243 (US$1,167)) for the three months ended June 30, 2008, has been recorded in other liabilities. The offsetting values are recorded as to a gain of $40,473 (US$39,808) (2007 – $530 (US$498)) in other comprehensive income and a loss of $167 (US$164) (2007 – $713 (US$669)) in other income (expense) for the three months ended June 30, 2008. Held-for-trading gain of $2,704 (US$2,660) (2007 – n/a) for the three months ended June 30, 2008, has been recorded in other liabilities with its offsetting value being recorded in other income (expense). There are load shaped fixed-for-floating contracts in New York, wherein the quantity of electricity is established but varies throughout the term of the contracts.

(iii) At June 30, 2008, Energy Savings had electricity physical forward contracts in its U.S. subsidiaries and affiliates, which are designated as hedges of Energy Savings' anticipated cost of sales to which it has committed with the following terms:

Notional volumes (peak and off peak)	1.0–15.0 MWh
Total remaining notional volume (peak and off peak)	1,465,548 MWh
Maturity dates	July 31, 2008 – June 30, 2013
Fixed price per MWh (in dollars)	$45.73–$170.34 (US$44.85–US$167.05)
Fair value	$45,914 (US$45,027) favourable
Notional value	$114,960 (US$112,739)

The gain of $30,573 (US$30,071) (2007 – $9,570 (US$8,984) loss) for the three months ended June 30, 2008, has been recorded in other liabilities. The offsetting values are recorded as to a gain of $30,573 (US$30,071) (2007 – $9,575 (US$8,989) loss) in other comprehensive income and gain of $nil (US$nil) (2007 – $5 (US$5) loss) in other income (expense) for the three months ended June 30, 2008.

(iv) At June 30, 2008, Energy Savings had unforced capacity contracts in its U.S. subsidiaries and affiliates, which have been designated as hedges and classified as held-for-trading and marked to market with the following terms:

	Designated as hedges	Held-for-trading
Notional volumes	5–50 MW/month	58–83 MW/month
Total remaining notional volume	2,790 MW/month	674.49 MW/month
Maturity dates	July 31, 2008 – November 30, 2012	July 31, 2008
Fixed price per MW (in dollars)	$3.06–$8.16 (US$3.00–US$8.00)	$3.06–$6.15 (US$3.00–US$6.03)
Fair value	$4,757 (US$4,665) favourable	$14 (US$13) favourable
Notional value	$16,198 (US$15,885)	$688 (US$674)

With respect to the designated hedges, the gain of $4,742 (US$4,665) (2007 – n/a) for the three months ended June 30, 2008, has been recorded in other liabilities. The offsetting values are recorded as to a gain of $4,742 (US$4,665) (2007 – n/a) in other comprehensive income and gain of $nil (US$nil) (2007 – n/a) in other income (expense) for the three months ended June 30, 2008. A held-for-trading gain of $56 (US$55) (2007 – $46 (US$44)) for the three months ended June 30, 2008, has been recorded in other liabilities with its offsetting value being recorded in other income (expense).

(v) As at June 30, 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	2,000–10,000 MWh
Total remaining notional volume	94,000 MWh
Maturity dates	December 31, 2008 – December 31, 2012
Fixed price per MWh (in dollars)	$5.10–$6.12 (US$5.00–US$6.00)
Fair value	$18 (US$18) favourable
Notional value	$520 (US$510)

The loss of $58 (US$57) (2007 – n/a) for the three months ended June 30, 2008, has been recorded in other assets with its offsetting values being recorded in other income (expense) and foreign exchange.

(vi) As at June 30, 2008, Energy Savings had verified emission reduction certificates in its U.S. subsidiaries and affiliates, which have been classified as held-for-trading and marked to market with the following terms:

Notional volume	10,000 MWh
Total remaining notional volume	80,000 MWh
Maturity dates	December 31, 2008 – December 31, 2012
Fixed price per MWh (in dollars)	$8.41 (US$8.25)
Fair value	$nil
Notional value	$673 (US$660)

There was no loss or gain recorded for the three months ended June 30, 2008 (2007 – n/a). Future changes to the fair value will be recorded in other assets (liabilities) and the offsetting values will be recorded in other income (expenses).

(vii) As at June 30, 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	10–28,500 MWh
Total remaining notional volume	484,698 MWh
Maturity dates	December 31, 2008 – December 31, 2013
Fixed price per MWh (in dollars)	$3.00–$9.00
Fair value	$382 favourable
Notional value	$2,170

The loss of $472 (2007 – n/a) for the three months ended June 30, 2008, has been recorded in other assets with its offsetting values being recorded in other income (expense).

(viii) At June 30, 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	8,714,740 GJ
Maturity dates	July 31, 2008 – September 30, 2013
Fixed price per GJ (in dollars)	$5.48–$13.20
Fair value	$2,885 unfavourable

The fair value is net of the present value of premiums which have yet to be paid. The gain of $2,494 (2007 – $159 loss) for the three months ended June 30, 2008, has been recorded in other liabilities with its offsetting values being recorded in other income (expense).

(ix) At June 30, 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	5–112,500 MmBTU/month
Total remaining notional volume	9,334,483 MmBTU
Maturity dates	July 31, 2008 – February 28, 2013
Fixed price per MmBTU (in dollars)	$5.61–$11.58 (US$5.50–US$11.36)
Fair value	$8,874 (US$8,702) favourable

The fair value is net of the present value of premiums which have yet to be paid. The gain of $8,712 (US$8,569) (2007 – $344 (US$323) loss) for the three months ended June 30, 2008, has been recorded in other assets with its offsetting values being recorded in other income (expense).

(x) As at June 30, 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	672–744 MWh
Total remaining notional volume	21,910 MWh
Maturity dates	September 30, 2010 – May 31, 2012
Fixed price per MWh (in dollars)	$7.64 (US$7.495)
Fair value	$2 (US$2) unfavourable
Notional value	$167 (US$164)

The loss of $2 (US$2) (2007 – n/a) for the three months ended June 30, 2008, has been recorded in other assets with its offsetting values being recorded in other income (expense) and foreign exchange.

(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 June 30, 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	$93,431 (US$88,000)
Maturity dates	July 8, 2008 – April 7, 2010
Exchange rates	$0.9887–$1.1381
Fair value	$6,083 favourable

The gain of $1,507 (2007 – $3,538) for the three months ended June 30, 2008, has been recorded in other liabilities with the offsetting values being recorded in other income (expense).

(xii) At June 30, 2008, Energy Savings had physical gas forward contracts in its Canadian subsidiaries and affiliates, which are designated as hedges of Energy Savings' anticipated cost of sales to which it has committed with the following terms:

Notional volume	0.14441–20,133 GJ/day
Total remaining notional volume	169,285,327 GJ
Maturity dates	July 31, 2008 – July 31, 2014
Fixed price per GJ (in dollars)	$5.05–$13.19
Fair value	$469,784 favourable
Notional value	$1,310,801

The gain of $313,071 (2007 – $204,003 loss) for the three months ended June 30, 2008, has been recorded in other assets with the offsetting values being recorded in other comprehensive income.

(xiii) At June 30, 2008, Energy Savings had gas transportation forward contracts in its Canadian subsidiaries and affiliates, which are designated as hedges of Energy Savings' anticipated cost of sales to which it has committed with the following terms:

Notional volume	74–70,000 GJ/day
Total remaining notional volume	100,251,480 GJ
Maturity dates	July 31, 2008 – October 31, 2013
Fixed price per GJ (in dollars)	$0.01–$1.68
Fair value	$3,340 unfavourable
Notional value	$113,838

The gain of $5,958 (2007 – $4,101) for the three months ended June 30, 2008, has been recorded in other liabilities with the offsetting values being recorded in other comprehensive income.

(xiv) At June 30, 2008, Energy Savings had physical gas forward contracts in its U.S. subsidiaries and affiliates, which are designated as hedges of Energy Savings' anticipated cost of sales to which it has committed with the following terms:

Notional volume	5–4,663 MmBTU/day
Total remaining notional volume	50,527,833 MmBTU
Maturity dates	July 31, 2008 – October 31, 2013
Fixed price per GJ (in dollars)	$5.40–$13.17 (US$5.30–US$12.92)
Fair value	$181,459 (US$177,953) favourable
Notional value	$431,969 (US$423,624)

The gain of $124,759 (US$122,710) (2007 – $13,545 (US$12,716) loss) for the three months ended June 30, 2008, has been recorded in other liabilities with the offsetting values being recorded in other comprehensive income.

(xv) At June 30, 2008, Energy Savings had gas transportation forward contracts in its U.S. subsidiaries and affiliates, which are designated as hedges of Energy Savings' anticipated cost of sales to which it has committed with the following terms:

Notional volume	188–9,500 MmBTU/day
Total remaining notional volume	43,150,855 MmBTU
Maturity dates	July 31, 2008 – January 31, 2013
Fixed price per GJ (in dollars)	$0.01–$0.25 (US$0.01–US$0.25)
Fair value	$7,043 (US$6,906) unfavourable
Notional value	$7,263 (US$7,123)

The loss of $7,022 (US$6,906) (2007 – n/a) for the three months ended June 30, 2008, has been recorded in other liabilities with the offsetting values being recorded in other comprehensive income.

The following tables summarize certain aspects of the financial assets and liabilities recorded in the financial statements as at June 30, 2008.

	Other assets – current	Other assets – long term	Other liabilities – current	Other liabilities – long term
Description				
Canada				
Fixed-for-floating electricity swaps	$ 10,144	$ 618	$ 32,864	$ 65,757
Renewable energy certificates	46	336	–	–
Options	–	–	327	2,558
Physical gas forward contracts	271,843	197,941	–	–
Transportation forward contract	2,192	–	–	5,532
United States				
Fixed-for-floating electricity swaps	17,524	23,041	–	–
Physical electricity forwards	35,547	10,367	–	–
Unforced capacity forward contracts	1,746	3,025	–	–
Renewable energy certificates	–	18	–	–
Options	6,672	2,555	–	353
Physical gas forward contracts	99,430	82,028	–	–
Transportation forward contract	–	–	1,965	5,078
Heat rate swaps	–	–	–	2
Foreign exchange forward contracts	3,454	2,629	–	–
As at June 30, 2008	$ 448,598	$ 322,558	$ 35,156	$ 79,280

For the three months ended	June 30, 2008		June 30, 2007	
	Gain (loss) on cash flow hedges transferred from other comprehensive income to the Statement of Operations	Unrealized gain (loss) recorded in other comprehensive income	Gain (loss) on cash flow hedges transferred from other comprehensive income to the Statement of Operations	Unrealized gain (loss) recorded in other comprehensive income
Description				
Canada				
Fixed-for-floating electricity swaps	$ (19,208)	$ 94,562	$ 13,033	$ (60,232)
Physical gas forward contracts and transportation forward contracts	(135,808)	454,838	(12,699)	(212,601)
United States				
Fixed-for-floating electricity swaps	(13,826)	54,299	2,951	3,482
Physical electricity forwards	(30,659)	61,232	–	(9,577)
Physical gas forward contracts and transportation forward contracts	(26,184)	143,922	2,028	(11,520)
Unforced capacity forward contracts	–	4,743	–	–
Amortization of deferred unrealized gains of discontinued hedges	4,550	–	–	–
Total realized and unrealized gains (losses)	$ (221,135)	$ 813,596	$ 5,313	$ (290,448)

The estimated net amount of existing gains and losses reported in AOCI that is expected to be reclassified to net income within the next 12 months is a gain of $402,208.

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) Supplier risk

Energy Savings purchases the majority of the gas and electricity delivered to its customers through long-term contracts entered into with various suppliers. Energy Savings has an exposure to supplier risk as the ability to continue to deliver gas and electricity to its customers is reliant upon the ongoing operations of these suppliers and their ability to fulfill their contractual obligations. Energy Savings has discounted the fair value of its financial assets and liabilities by $1,206 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.

(c) Categories of financial assets and liabilities

Under generally accepted accounting principles, financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, and other financial liabilities. The Fund has designated certain of its derivatives as effective hedges for accounting purposes. The carrying values of the Fund's financial instruments are classified into the following categories:

As at June 30, 2008	Carrying amount	Fair value
Cash and cash equivalents and restricted cash	$ 46,586	$ 46,586
Accounts receivable	160,544	160,544
Accounts payable and accrued liabilities, customer rebates payable, management incentive program payable and unit distribution payable	145,356	145,356
Long-term debt	62,286	62,286

For the three months ended June 30, 2008	
Gain (loss) on cash and cash equivalents and restricted cash	–
Gain (loss) on accounts receivable	–
Gain (loss) on accounts payable and accrued liabilities, customer rebates payable, management incentive program payable and unit distribution payable	304
Gain (loss) on long-term debt	–
Fee and interest income on financial assets not held-for-trading	–
Interest expense on financial liabilities not held-for-trading	879

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.

(d) 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. As needed, Energy Savings enters 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 June 30, 2008, if the Canadian dollar had been 5% higher or lower against the U.S. dollar, assuming that all the other variables had remained constant, income before taxes for the three-month period ended June 30, 2008, would have been $40 higher (lower), and other comprehensive income would have been $2,182 lower (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 quarter ended June 30, 2008, of approximately $157.

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 June 30, 2008, if the electricity prices had risen (fallen) by 10%, assuming that all the other variables had remained constant, income before taxes for the three-month period ended June 30, 2008, would have increased (decreased) by $3,340 ($3,244), and other comprehensive income would have been $134,359 ($130,538) higher (lower).

As at June 30, 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 three-month period ended June 30, 2008, would have increased (decreased) by $3,807 ($3,894), and other comprehensive income would have been $230,822 ($236,116) higher (lower).

Energy Savings has embedded gross margin of $810,207 in existing customer contracts. Changes in gas and electricity prices will not significantly impact this 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 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 June 30, 2008, accounts receivables from Alberta, Texas and Illinois with a carrying value of $12,803 (March 31, 2008 – $14,285) were past due but not doubtful. As at June 30, 2008, the aging of the accounts receivables from Alberta, Texas and Illinois was as follows:

Current	$ 23,382
1–30 days	8,335
31–60 days	4,235
61–90 days	3,309
Over 90 days	3,422
	$ 42,683

For the three months ended June 30, 2008, changes in the allowance for doubtful accounts were as follows:

Balance, beginning of period	$ 9,162
Provision for doubtful accounts	1,063
Bad debts written off, net of recoveries	(2,944)
Balance, end of period	$ 7,281

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 June 30, 2008, the maximum credit risk exposure amounted to $3,505,586, 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.

NOTE 10 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 on its credit facility, and as at June 30, 2008, all of these covenants have been met.

NOTE 11 Net income per unit

For the three months ended June 30	2008	2007
Basic income per unit		
Net income available to Unitholders	$ 34,232	$ 25,918
Weighted average number of units outstanding	102,410	98,087
Weighted average number of Class A preference shares	6,690	8,706
Basic units and shares outstanding	109,100	106,793
Basic income per unit	$ 0.31	$ 0.24
Diluted income per unit		
Net income available to Unitholders	$ 34,232	$ 25,918
Basic units and shares outstanding	109,100	106,793
Dilutive effect of:		
Unit options	40	130
Unit appreciation rights	1,026	764
Deferred unit grants	38	23
Units outstanding on a diluted basis	110,204	107,710
Diluted income per unit	$ 0.31	$ 0.24

NOTE 12

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 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 June 30, 2008	Canada	United States	Consolidated
Sales gas	$ 159,493	$ 39,963	$ 199,456
Sales electricity	130,822	47,632	178,454
Sales	$ 290,315	$ 87,595	$ 377,910
Gross margin	$ 49,723	$ 5,498	$ 55,221
Amortization of electricity contracts	(178)	(1,789)	(1,967)
Amortization of capital assets	(1,053)	(163)	(1,216)
Other operating expenses	(16,290)	(12,731)	(29,021)
Interest expense	(631)	(260)	(891)
Other income	1,120	10,800	11,920
Recovery of income tax	748	(562)	186
Net income	$ 33,439	$ 793	$ 34,232
Additions to capital assets	$ 178	$ 30	$ 208
Total goodwill	$ 94,576	$ 18,178	$ 112,754
Total assets	$ 779,946	$ 381,582	$ 1,161,528

For the three months ended June 30, 2007	Canada	United States	Consolidated
Sales gas	$ 162,666	$ 28,110	$ 190,776
Sales electricity	133,730	28,363	162,093
Sales	$ 296,396	$ 56,473	$ 352,869
Gross margin	$ 45,420	$ 6,389	$ 51,809
Amortization of gas contracts	(177)	–	(177)
Amortization of electricity contracts	(483)	(766)	(1,249)
Amortization of capital assets	(641)	(125)	(766)
Other operating expenses	(18,598)	(10,369)	(28,967)
Interest expense	(349)	(512)	(861)
Other income (expense)	769	(1,073)	(304)
Recovery of (provision for) income tax	6,468	(35)	6,433
Net income (loss)	$ 32,409	$ (6,491)	$ 25,918
Additions to capital assets	$ 520	$ 2	$ 522
Total goodwill	$ 94,576	$ 22,388	$ 116,964
Total assets	$ 364,206	$ 115,666	$ 479,872

NOTE 13 Commitments

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

2009	$	3,924
2010		4,799
2011		4,107
2012		3,562
2013		2,297
Thereafter		7,173
	$	25,862

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

2009	$	6,359
2010		5,653
	$	12,012

(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	$	950,063
2010		1,021,666
2011		731,323
2012		417,373
2013		187,630
Thereafter		36,987
	$	3,345,042

(d) The Fund has a commitment to repay the long-term debt in the amount of $62,286 by October 29, 2010.

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

NOTE 14 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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