

ENERSOURCE CORPORATION

Consolidated Balance Sheets
(In thousands of dollars)

March 31, 2009, with comparative figures for December 31, 2008
(Unaudited)

	March 31, 2009	December, 31 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 78,131	\$ 76,105
Accounts receivable	55,808	58,574
Unbilled revenue	42,926	53,816
Inventory	7,854	7,230
Prepaid expenses and deposits	2,584	2,596
Future income tax assets (note 3 (d))	1,759	-
	189,062	198,321
Capital assets	420,399	419,244
Intangible assets	11,642	10,336
Deposits and prudentials	18,595	20,563
Regulatory assets	3,009	2,371
Other deferred costs	3,990	3,071
Future income tax assets (note 3 (d))	46,862	-
	504,497	455,585
	\$ 693,559	\$ 653,906
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 86,033	\$ 93,159
Payments in lieu of corporate income taxes payable	1,940	2,149
Deferred revenue	109	65
Advance payments	2,522	2,844
Regulatory liabilities	15,256	18,295
	105,860	116,512
Long-term liabilities:		
Bonds payable (note 4)	288,868	288,735
Deposits	18,395	20,363
Employee post-retirement benefits	3,886	3,754
Regulatory tax liabilities (note 3 (d))	46,808	-
	357,957	312,852
Non-controlling interest	1,137	1,135
Shareholders' equity:		
Capital stock	175,691	175,691
Retained earnings	52,914	47,716
	228,605	223,407
Contingencies (note 7)		
Commitments (note 8)		
	\$ 693,559	\$ 653,906

See accompanying notes to interim consolidated financial statements.

Basis of presentation (note 1 (a)).

ENERSOURCE CORPORATION

Consolidated Statements of Income and Other Comprehensive Income and Retained Earnings
(In thousands of dollars)

Three Months Ended March 31, 2009, with comparative figures for 2008
(Unaudited)

	2009	2008
Revenue:		
Energy sales	\$ 132,771	\$ 135,977
Distribution	28,914	27,259
Recovery (refund) of regulatory assets (liabilities)	(1,767)	1,606
Services	2,328	1,461
Other	1,053	913
	<hr/> 163,299	<hr/> 167,216
Operating expenses:		
Energy purchases	132,771	135,977
Operations, maintenance and administration	10,937	9,768
Services	2,014	1,155
Amortization of capital assets	7,959	7,805
Amortization of intangible assets	128	240
Amortization of regulatory (liabilities) assets	(1,767)	1,606
	<hr/> 152,042	<hr/> 156,551
Operating income	11,257	10,665
Non-operating revenue (expense):		
Interest income	280	962
Interest expense	(4,526)	(4,946)
Foreign exchange gain	131	196
	<hr/> (4,115)	<hr/> (3,788)
Income before the undernoted	7,142	6,877
Payments in lieu of corporate income taxes (note 3 (b))	(2,588)	(2,612)
Income before non-controlling interest	4,554	4,265
Non-controlling interest	(2)	3
Net income and other comprehensive income	<hr/> \$ 4,552	<hr/> \$ 4,268

Retained Earnings

	2009	2008
Retained earnings, beginning of period	\$ 47,716	\$ 37,474
Net income	4,552	4,268
Accounting policy change (note 1 (f)(ii) & note 3 (a))	646	-
Retained earnings, end of period	<hr/> \$ 52,914	<hr/> \$ 41,742

See accompanying notes to interim consolidated financial statements.

Basis of presentation (note 1 (a)).

ENERSOURCE CORPORATION

Consolidated Statements of Cash Flows
(In thousands of dollars)

Three Months Ended March 31, 2009, with comparative figures for 2008
(Unaudited)

	2009	2008
Cash provided by (used in):		
Operating activities:		
Net Income	\$ 4,552	\$ 4,268
Items not affecting cash:		
Amortization of debt issue costs	133	108
Amortization of capital assets	7,959	7,805
Amortization of intangible assets	128	240
Amortization of regulatory (liabilities) assets	(1,767)	1,606
Gain on the disposal of capital assets	(4)	(81)
Employee post-retirement benefits	132	147
Accounting policy change	646	-
Non-controlling interest	2	(3)
	11,781	14,090
Change in non-cash operating working capital	2,610	7,219
	14,391	21,309
Financing activities:		
Deposits	(1,968)	636
	(1,968)	636
Investing activities:		
Deposits and prudentials	1,968	(636)
Additions to capital assets	(11,555)	(7,905)
Additions to intangible assets	(1,298)	(839)
Other deferred costs	(919)	81
Proceeds on disposal of capital assets	4	93
Net change to regulatory assets	1,403	373
	(10,397)	(8,833)
Increase in cash and cash equivalents	2,026	13,112
Cash and cash equivalents, beginning of year	76,105	57,099
Cash and cash equivalents, end of period	\$ 78,131	\$ 70,211
Supplemental cash flow information:		
Interest received	\$ 370	\$ 1,292
Interest paid	-	-
Payments in lieu of corporate income taxes paid	3,386	3,859

See accompanying notes to interim consolidated financial statements.

Basis of presentation (note 1 (a)).

ENERSOURCE CORPORATION

Notes to Consolidated Financial Statements (Unaudited)
(In thousands of dollars)

First Quarter Ended March 31, 2009 and 2008

Enersource Corporation (the "Corporation"), incorporated under the Ontario Business Corporations Act, was formed to conduct electricity distribution and non-regulated utility service ventures. The Corporation is owned 90% by the City of Mississauga (the "City") and 10% by BPC Energy Corporation ("BPC"), a wholly owned subsidiary of the Ontario Municipal Employees Retirement System ("OMERS").

1. Significant accounting policies:

(a) Basis of presentation:

The accompanying unaudited interim consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles ("GAAP") for interim financial statements and, accordingly, certain disclosures normally included in annual financial statements prepared in accordance with GAAP are not provided and should be read in conjunction with the Corporation's 2008 audited consolidated financial statements and notes thereto. These unaudited interim consolidated financial statements have been prepared following accounting principles consistent with those used in the annual audited consolidated financial statements, and should be read in conjunction with the annual audited financial statements of the Corporation for the year ended December 31, 2008.

In the opinion of management, the unaudited interim consolidated financial statements reflect all adjustments, which consist of normal recurring adjustments, necessary to present fairly the financial position at March 31, 2009 and the results of operations and cash flows for the three month periods ended March 31, 2009 and 2008. Due to the nature of the Corporation's revenue seasonality the results reported in these interim consolidated financial statements should not be regarded as necessarily indicative of the results that may be expected for the entire year.

(b) Rate setting:

The Ontario Energy Board ("OEB") has the power to establish electricity prices under a regulated price plan ("RPP") for low volume consumers and designated consumers who do not choose an electricity retailer. The OEB may adjust the electricity commodity prices charged to these RPP consumers every six months as required.

ENERSOURCE CORPORATION

Notes to Consolidated Financial Statements (Unaudited)
(In thousands of dollars)

First Quarter Ended March 31, 2009 and 2008

1. Significant accounting policies (continued):

Regulated Price Plan:

	<u>January 2008 - April 2008</u>	<u>May 2008 - October 2008</u>	<u>November 2008 - March 2009</u>
Residential consumption threshold	1,000 kWh	600 kWh	1,000 kWh
Non-residential consumption threshold	750 kWh	750 kWh	750 kWh
Price below threshold	\$.050/kWh	\$.050/kWh	\$.056/kWh
Price above threshold	\$.059/kWh	\$.059/kWh	\$.065/kWh

Enersource Hydro submitted a rate re-basing application to the OEB on August 23, 2007 for the rate period beginning on May 1, 2008 through April 30, 2009. A settlement negotiated with intervenors was accepted by the OEB on January 4, 2008. On April 18, 2008, the OEB released its final decision and order on this rate application. Enersource Hydro implemented this distribution rate decision, along with OEB approved changes to the recovery of regulatory assets and refund of regulatory liabilities on May 1, 2008.

In November 2008, Enersource Hydro submitted a formula based rate application to the OEB for the rate period May 1, 2009 through April 30, 2010. On March 16, 2009, the OEB released its decision and order on this rate application. Enersource Hydro will implement this distribution rate decision, along with OEB approved changes to electricity commodity prices May 1, 2009.

(c) Capital assets:

Amortization of capital asset values is charged to operations on a straight-line basis over their estimated service lives as follows:

	<u>Estimated service life</u>
Buildings	25 - 60 years
Distribution station equipment	15 - 35 years
Overhead and underground distribution system	25 - 40 years
Equipment and furniture	2 - 10 years

ENERSOURCE CORPORATION

Notes to Consolidated Financial Statements (Unaudited)
(In thousands of dollars)

First Quarter Ended March 31, 2009 and 2008

1. Significant accounting policies (continued):

An allowance for the cost of funds used during the construction period has been applied. Effective May 1, 2006, the prescribed interest rate used during the period equalled the average weighted bond yield of the DEX Mid Term Corporate Bond Index (formally known as Scotia Capital Inc. Bond Index), as published on the OEB website, updated quarterly. From January through June 2008, the rate used was 5.18%, and from July 1, 2008 to December 31, 2008, the rate used was 5.43%. The rate used was 6.61% from January through March 31, 2009.

(d) Intangible assets:

Amortization of intangible asset values is charged to operations on a straight-line basis over their estimated service lives as follows:

	Estimated service life
Computer software	2 - 10 years

(e) Payments in lieu of corporate income taxes

Under the Electricity Act, 1998, the Corporation is required to make payments in lieu of corporate income taxes ("PILs") to the Ontario Energy Financial Corporation ("OEFC"). These payments are calculated in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario), as modified by the Electricity Act, 1998, and related regulations.

(f) Changes in accounting policy:

(i) Credit risk and the fair value of financial assets and financial liabilities

In January 2009, the CICA issued Emerging Issues Committee ("EIC") 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, which clarifies that the credit risk of counterparties should be taken into account in determining the fair value of derivative instruments. EIC 173 is to be applied retrospectively without restatements of prior periods to all financial assets and liabilities measured at fair value in interim and annual statements for periods ending on or after the date of issuance of this Abstract. This change has not had a material impact on results of operations.

ENERSOURCE CORPORATION

Notes to Consolidated Financial Statements (Unaudited)
(In thousands of dollars)

First Quarter Ended March 31, 2009 and 2008

1. Significant accounting policies (continued):

(ii) Future tax assets and liabilities:

Effective January 1, 2009, the Enersource Hydro adopted CICA Handbook Section 3465, "Income Taxes" which required the Enersource Hydro to record income taxes using the asset and liability method. Under this method, income tax assets and liabilities are recorded to recognize future income tax inflows and outflows arising from settlement or recovery of assets and liabilities at their carrying values. The adoption of this section required Enersource Hydro to recognize future income tax liabilities and assets as well as a regulatory asset or liability for future income taxes expected to be recovered from or refunded to customers through future distribution rates. The impact of this accounting policy change was that the financial statements were adjusted retrospectively without restatement.

Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Changes in future income taxes related to a change in tax rates are recognized in income in the period in which the tax change was enacted or substantively enacted.

Future income tax inflows and outflows are subject to estimation in terms of both timing and amount of future taxable earnings.

2. Inventory:

Inventory, which consists of parts and supplies acquired for internal construction, consumption or recoverable work, is valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis.

The amount of inventories consumed by the Corporation and recognized as an expense during the first quarter of 2009 was \$508 (2008 - \$306).

3. Payments in lieu of corporate income taxes:

Future income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The impact of the retrospective adjustment and significant components of the Corporation's future tax assets, liabilities, expense and retained earnings are as follows:

ENERSOURCE CORPORATION

Notes to Consolidated Financial Statements (Unaudited)
(In thousands of dollars)

First Quarter Ended March 31, 2009 and 2008

3. Payments in lieu of corporate income taxes (continued):

(a) Future income tax changes in the consolidated statements of retained earnings

	January 1, 2009
Regulatory assets and liabilities	\$ 214
Unrealized gain on foreign exchange	357
Other	75
	<u>\$ 646</u>

(b) Components of PILs expense

	March 2009
Current PILs	\$ 2,960
Future income tax asset	(372)
	<u>\$ 2,588</u>

(c) Significant components of future income tax assets and regulatory tax liabilities on the consolidated balance sheet

(i) Tax assets

	March 2009
Capital and intangible assets	\$ 32,769
Future income tax regulatory asset	13,622
Regulatory assets and liabilities	558
Retirement benefit liability	1,022
Other temporary differences	650
	<u>\$ 48,621</u>

(ii) Regulatory tax liabilities

	March 2009
Capital and intangible assets	\$ 32,776
Future income tax regulatory asset	13,622
Retirement benefit liability	957
Other temporary differences	248
	<u>\$ 47,603</u>

ENERSOURCE CORPORATION

Notes to Consolidated Financial Statements (Unaudited)
(In thousands of dollars)

First Quarter Ended March 31, 2009 and 2008

3. Payments in lieu of corporate income taxes (continued):

(d) Presented on the consolidated balance sheet as follows:

(i) Tax assets

	March 2009
Future income tax assets, current	\$ 1,759
Future income tax assets, non-current	46,862
	<u>\$ 48,621</u>

(ii) Regulatory tax liabilities

	March 2009
Regulatory liabilities, current	\$ 795
Regulatory tax liabilities, non-current	46,808
	<u>\$ 47,603</u>

4. Bonds payable:

	March 2009	December 2008
6.29% BPC-Enersource Series Bonds, Tranche 1, due May 3, 2011	\$290,000	\$290,000
Deferred debt issue costs (net of accumulated amortization of \$3,204 (2008 - \$3,071))	(1,132)	(1,265)
	<u>\$288,868</u>	<u>\$288,735</u>

The BPC-Enersource Series Bonds are secured by a credit agreement between the Corporation and Borealis Infrastructure Trust. The credit agreement provides for a first ranking charge on collateral comprised of the Corporation's assets. Interest expense for the period ended March 31, 2009 included \$4,498 (March 31, 2008, \$4,498) in respect of interest on long-term debt and amortization of debt issue costs in the amount of \$133 (2008 - \$179).

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Notes to Consolidated Financial Statements (Unaudited)
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First Quarter Ended March 31, 2009 and 2008

5. Employee post-retirement benefits:

The Corporation's total employee post-retirement benefit expense recognized in operating income for the period ending March 31, 2009 was \$136 (March 31, 2008, \$165), as follows:

	March 2009	March 2008
Change in employee post-retirement benefits liability	\$ 132	\$ 147
Premiums paid in the first quarter	4	18
Total Expense	\$ 136	\$ 165

6. Segmented information:

The Corporation operates primarily in two operating segments, electricity distribution services and other operations. Other operations are primarily comprised of engineering design, construction and maintenance services for utilities and developers.

The designation of segments is based on a combination of regulatory status and the nature of the products and services provided. The accounting policies followed by the segments are the same as those described in the summary of significant accounting policies.

First Quarter Ended March 31, 2009

2009	Electricity distribution services	Other operations	Intersegment eliminations	Total
Revenue	\$ 160,978	\$ 2,378	\$ (57)	\$ 163,299
Operating expenses	(143,166)	(2,613)	57	(145,722)
Amortization	(6,305)	(15)	-	(6,320)
	(149,471)	(2,628)	57	(152,042)
	11,507	(250)	-	11,257
Interest revenue	207	73	-	280
Interest expense	(4,526)	-	-	(4,526)
Foreign exchange gain	131	-	-	131
Income before the undernoted	7,319	(177)	-	7,142
PILs	(2,674)	86	-	(2,588)
Non Controlling interest	-	(2)	-	(2)
Net income	\$ 4,645	\$ (93)	\$ -	\$ 4,552
Total assets	663,120	252,746	(222,307)	693,559
Capital expenditures	12,786	67	-	12,853
Increase in cash and cash equivalents	1,869	157	-	2,026

ENERSOURCE CORPORATION

Notes to Consolidated Financial Statements (Unaudited)
(In thousands of dollars)

First Quarter Ended March 31, 2009 and 2008

6. Segmented information (continued):

First Quarter Ended March 31, 2008				
2008	Electricity distribution services	Other operations	Intersegment eliminations	Total
Revenue	\$ 165,791	\$ 1,480	\$ (55)	\$ 167,216
Operating expenses	(145,117)	(1,838)	55	(146,900)
Amortization	(9,644)	(7)	-	(9,651)
	(154,761)	(1,845)	55	(156,551)
	11,030	(365)	-	10,665
Interest revenue	712	250	-	962
Interest expense	(4,946)	-	-	(4,946)
Foreign exchange gain	196	-	-	196
Income before the undernoted	6,992	(115)	-	6,877
PILs	(2,684)	72	-	(2,612)
Non-controlling interest	-	3	-	3
Net income	\$ 4,308	\$ (40)	\$ -	\$ 4,268
Total assets	612,801	241,733	(212,296)	642,238
Capital expenditures	8,508	236	-	8,744
Increase in cash and cash equivalents	11,799	1,313	-	13,112

7. Contingencies:

Environmental matters:

- (i) Enersource is subject to numerous environmental regulations. As part of the Corporation's risk mitigation strategy, various environmental assessments are currently underway. At March 31, 2009, the Corporation identified four sites and accrued \$250 for further testing and future soil remediation.
- (ii) Environment Canada has issued new regulations governing the management of PCBs. The Corporation is in the process of determining the extent and impact that the new regulations will have on the organization. On December 1, 2008, the OEB approved the Corporation's request to defer any expenses that may be incurred to comply with the new regulations. As at March 31, 2009 the Corporation has deferred \$32 regarding compliance with the new regulations.

ENERSOURCE CORPORATION

Notes to Consolidated Financial Statements (Unaudited)
(In thousands of dollars)

First Quarter Ended March 31, 2009 and 2008

8. Capital asset purchase commitments and additions:

Capital asset purchase commitments outstanding as at March 31, 2009 total \$10,719, all of which are expected to be fulfilled by the end of the year except \$525 which is expected to be fulfilled in 2010.

Accrued liabilities relating to additions to capital assets and intangible assets in the amount of \$3,776 (2008 - \$5,807) has been excluded from the change in non-cash operating working capital.

9. Regulatory assets and liabilities:

Regulatory assets primarily represent costs that have been deferred because they are expected to be recovered in rates. Similarly, regulatory liabilities can arise from differences in amounts billed to customers under the regulated pricing mechanism and the corresponding wholesale market cost of power incurred by the utility.

With the adoption of CICA Handbook Section 3465, "Income Taxes", Enersource Hydro was also required to record a regulatory tax liability relating to the amount of future tax assets and liabilities that are expected to be recovered or refunded through distribution rates.

10. Revenue seasonality

Under provisions of the regulatory framework that applies to Enersource Hydro, electricity is passed on to customers at cost. Enersource Hydro is allowed to bill and retain a regulated charge for the distribution of electricity. Revenue seasonality affects both the distribution revenue and electricity revenue components of Enersource Hydro. These revenues are based on kWh consumption and, for 2009, are projected to trend as follows:

<u>Quarter One</u>	<u>Quarter Two</u>	<u>Quarter Three</u>	<u>Quarter Four</u>
22.7%	23.2%	27.9%	26.2%

11. Supplementary information:

During the quarter ended March 31, 2009 \$260, (March 31, 2008, \$102), was capitalized to construction in progress which represents an allowance for the cost of funds used during construction.

12. Comparative figures

Certain comparative figures have been changed in order to conform to the presentation adopted in the current period.