

ENERSOURCE CORPORATION

Consolidated Balance Sheets

(In thousands of dollars)

Unaudited

September 30, 2009, with comparative figures for December 31, 2008

	September 30, 2009	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 36,186	\$ 76,105
Accounts receivable	63,807	58,574
Unbilled revenue	43,225	53,816
Inventory	9,592	7,230
Prepaid expenses and deposits	1,508	2,596
Future income tax assets (note 3(c))	1,267	-
	<u>155,585</u>	<u>198,321</u>
Capital assets	427,099	419,244
Intangible assets	14,299	10,336
Deposits and prudentials	19,701	20,563
Regulatory assets	16,158	2,371
Other deferred costs	4,730	3,071
Future income tax assets (note 3(c))	44,147	-
	<u>526,134</u>	<u>455,585</u>
	<u>\$ 681,719</u>	<u>\$ 653,906</u>
Liabilities & Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 81,770	\$ 93,159
Amount in lieu of corporate income taxes payable	1,625	2,149
Deferred revenue	314	65
Advance payments	2,145	2,844
Regulatory liability for future income tax assets (note 3(d))	225	-
Regulatory liabilities	-	18,295
	<u>86,079</u>	<u>116,512</u>
Long-term liabilities:		
Bonds payable (note 4)	289,128	288,735
Deposits	19,501	20,363
Employee retirement and post-retirement benefits	4,087	3,754
Regulatory liability for future income tax assets (note 3(d))	44,095	-
	<u>356,811</u>	<u>312,852</u>
Non-controlling interest	1,188	1,135
Shareholders' equity:		
Capital stock	175,691	175,691
Retained earnings	61,950	47,716
	<u>237,641</u>	<u>223,407</u>
Contingencies (note 8)		
Commitments (note 9)		
	<u>\$ 681,719</u>	<u>\$ 653,906</u>

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)

Unaudited

Three and Nine Months Ended September 30, 2009, with comparative figures for 2008

	Three months ended		Nine months ended	
	30-Sep	30-Sep	30-Sep	30-Sep
	2009	2008	2009	2008
Revenue:				
Energysales	\$106,756	\$146,955	\$36,109	\$17,085
Distribution	31,768	29,428	88,207	83,737
Regulatory liabilities refunded	-	(1,834)	(2,278)	(867)
Services	1,711	1,922	5,497	5,212
Other	2,478	1,508	4,932	3,492
	142,713	177,979	432,467	508,659
Operating Expenses:				
Energypurchases	106,756	146,955	336,109	417,085
Operations, maintenance and administration	11,801	9,629	33,758	29,288
Services	1,565	1,503	4,978	4,145
Amortization of capital assets	10,088	7,951	26,116	23,635
Amortization of intangible assets	137	348	397	856
Amortization of regulatory liabilities	-	(1,834)	(2,278)	(867)
	130,347	164,552	399,080	474,142
Operating Income	12,366	13,427	33,387	34,517
Nonoperating revenue (expense):				
Interest income	179	847	551	2,659
Interest expense	(4,715)	(4,823)	(13,622)	(14,660)
Foreign exchange (loss) gain	(230)	173	(373)	341
	(4,766)	(3,803)	(13,444)	(11,660)
Income before the undernoted	7,600	9,624	19,943	22,857
Provision for payments in lieu of corporate income taxes	(1,844)	(3,586)	(6,302)	(8,694)
Income before non-controlling interest	\$ 5,756	\$ 6,038	\$ 6,641	\$ 4,163
Non-controlling interest	2	(2)	(53)	(2)
Net income and other comprehensive income	\$5,758	\$ 6,036	\$ 5,588	\$ 4,161
Retained earnings				
	2009	2008	2009	2008
Retained earnings, beginning of period	\$6,192	\$ 45,599	\$7,716	\$7,474
Net income	5,758	6,036	13,588	14,161
Accounting policy change (note 1(f)(ii) & note 3 (a))	-	-	646	-
Retained earnings, end of period	\$11,950	\$ 51,635	\$21,950	\$21,635

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)

Unaudited

Three and Nine Months Ended September 30, 2009, with comparative figures for 2008

	Three months ended		Nine months ended	
	30-Sep	30-Sep	30-Sep	30-Sep
	2009	2008	2009	2008
Cash provided by (used in):				
Operating activities:				
Net Income	\$ 5,758	\$ 6,036	\$ 3,588	\$ 4,161
Items not affecting cash:				
Amortization of debt issue costs	130	108	393	325
Amortization of capital assets	10,088	7,951	26,116	23,635
Amortization of intangible assets	137	348	397	856
Amortization of regulatory liabilities	-	(1,834)	(2,278)	(867)
(Gain) loss on disposal of capital assets	(129)	2	(245)	(73)
Employee post-retirement benefits	101	140	333	423
Future income tax	(39)	-	(449)	-
Non-controlling interest	(2)	2	53	2
	16,044	12,753	37,908	38,462
Change in non-cash operating working capital (note 7)	(11,303)	2,022	(25,931)	14,933
	4,741	14,775	11,977	53,395
Financing activities:				
Deposits	222	244	(862)	626
Investing activities:				
Deposits and prudentials	(222)	(244)	862	(626)
Addition to capital assets	(11,503)	(8,883)	(33,481)	(27,106)
Addition to intangible assets	(1,831)	(1,455)	(4,535)	(3,669)
Other deferred costs	(821)	(496)	(1,659)	(565)
Proceeds on disposal of capital assets	153	46	299	225
(Increase) decrease in regulatory assets	(11,009)	1,156	(12,520)	7,438
	(25,233)	(9,876)	(51,034)	(24,303)
(Decrease) increase in cash and cash equivalents	(2,027)	5,143	(39,919)	29,718
Cash and cash equivalents, beginning of period	56,45	61,674	76,105	57,099
Cash and cash equivalents, end of period	\$ 36,186	\$ 86,817	\$ 36,186	\$ 86,817
Supplemental cash flow information:				
Interest received	\$ 182	\$ 19	\$ 683	\$ 2,001
Interest paid	-	-	9,120	9,120
Payments in lieu of corporate income taxes paid	2,61	7,317	9,213	10,220

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)

Three and Nine Months Ended September 30, 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. 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.

The consolidated financial statements include the accounts of the Corporation's wholly owned subsidiaries: Enersource Hydro Mississauga Inc. ("Enersource Hydro"), Enersource Services Inc., Enersource Telecom Inc. ("Telecom"), Enersource Technologies Inc. and Enersource Hydro Mississauga Services Inc. The consolidated financial statements also include the accounts of First Source Energy Corporation ("First Source"), a subsidiary in which the Corporation has a 57.7% ownership interest. Intercompany balances and transactions have been eliminated.

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 September 30, 2009 and the results of operations and cash flows for the three and nine month periods ended September 30, 2009 and 2008. Due to the seasonal nature of the Corporation's revenue the results reported in these interim consolidated financial statements should not be regarded as necessarily indicative of the result 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 required to these RPP consumer every six months as required.

ENERSOURCE CORPORATION

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

Three and Nine Months Ended September 30, 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- April 2009</u>	<u>May 2009- September 2009</u>
Residential consumption threshold	1,000 kWh	600 kWh	1,000 kWh	600 kWh
Non-residential consumption threshold	750 kWh	750 kWh	750 kWh	750 kWh
Price below threshold	\$.050/kWh	\$.050/kWh	\$.056/kWh	\$.057/kWh
Price above threshold	\$.059/kWh	\$.059/kWh	\$.065/kWh	\$.066/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 implemented 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	25-50 years
Distribution station equipment	15-40 years
Overhead and underground distribution system	15-55 years
Equipment and furniture	2-10 years

ENERSOURCE CORPORATION

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

Three and Nine Months Ended September 30, 2009 and 2008

1. Significant accounting policies (continued):

An allowance for the cost of funds used during the construction period has been applied and capitalized as a component of cost and capital assets. Effective May 1, 2006, the prescribed interest rate used during the period equaled 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 June 30, 2009. Effective July 1, 2009 to September 30, 2009 the rate used was 5.67%.

(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
Computers 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 ("OEFEC"). 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)

Three and Nine Months Ended September 30, 2009 and 2008

1. Significant accounting policies (continued):

(ii) Future tax assets and liabilities:

Effective January 1, 2009, the Corporation adopted CICA Handbook Section 3465, "Income Taxes" which required 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. The adoption of this accounting policy change resulted in an increase to retained earnings of \$646.

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 for the three months ended September 30, 2009 was \$466 (2008 - \$415) and for the first nine months of 2009 was \$1,511 (2008 - \$1,129).

3. Provision for 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)

Three and Nine Months Ended September 30, 2009 and 2008

3. Provision for 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 provision for payments in lieu of corporate income taxes

	September 2009
Current	\$6,751
Future income tax	(449)
	<u>\$6,302</u>

(c) Significant components of future income tax assets on the consolidated balance sheet areas follows:

	September 2009
Capital and intangible assets	\$30,631
Regulatory liability for future income taxes	12,698
Regulatory assets and liabilities	548
Retirement benefit liability	1,185
Other temporary differences	352
	<u>\$45,414</u>

The future tax asset is presented on the balance sheet as follows:

	September 2009
Future income tax assets, current	\$1,267
Future income tax assets, non-current	44,147
	<u>\$45,414</u>

ENERSOURCE CORPORATION

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

Three and Nine Months Ended September 30, 2009 and 2008

3. Provision for payments in lieu of corporate income taxes (continued):

(d) Management expects that \$31,622 of the future income tax assets will be included in the future rates charged to customers and accordingly has recorded a corresponding regulatory liability. The regulatory liability will itself result in an additional future income tax asset of \$12,698. Accordingly, \$44,320 has been recorded as a regulatory liability for future income taxes.

The regulatory liability for future income tax assets is presented on the balance sheet as follows:

	September 2009
Regulatory liability for future income taxes, current	\$225
Regulatory liability for future income taxes, non-current	44,095
	<u>\$44,320</u>

4. Bonds payable:

	September 2009	December 2008
6.29% Borealis-Enersource Series Bonds, Tranche 1, due May 3, 2011	\$290,000	\$290,000
Deferred debt issue costs (net of accumulated amortization of \$3,464 (2008-\$3,071))	(872)	(1,265)
Net bonds payable	<u>\$289,128</u>	<u>\$288,735</u>

The Borealis-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 nine months ended September 30, 2009 included \$13,643 (September 30, 2008, \$13,643) in respect of interest on long-term debt and amortization of debt issue costs in the amount of \$393 (2008-\$325).

ENERSOURCE CORPORATION

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

Three and Nine Months Ended September 30, 2009 and 2008

5. Employee post-retirement benefits:

The Corporation's total employee post-retirement benefit expense recognized in operating income for the nine months ending September 30, 2009 was \$357 (September 30, 2008, \$477), as follows:

	September 2009	September 2008
Change in employee post-retirement benefits liability	\$ 333	\$ 423
Premiums paid for the first six months	24	54
Total Expense	\$357	\$ 477

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 these segments are the same as those described in the summary of significant accounting policies.

Three Months Ended September 30, 2009

2009	Electricity distribution services	Other operations	Intersegment eliminations	Total
Revenue	\$ 140,672	\$ 2,099	\$ (58)	\$ 142,713
Operating expenses	(117,856)	(2,324)	58	(120,122)
Amortization	(10,202)	(23)	-	(10,225)
	(128,058)	(2,347)	58	(130,347)
	12,614	(248)	-	12,366
Interest revenue	85	94	-	179
Interest expense	(4,715)	-	-	(4,715)
Foreign exchange loss	(230)	-	-	(230)
Income (loss) before the undermoted	7,754	(154)	-	7,600
Provision for payments in lieu of corporate income tax	(2,153)	309	-	(1,844)
Noncontrolling interest	-	-	2	2
Net income	\$ 5,601	\$ 155	\$ 2	\$ 5,758
Total assets	652,300	260,762	(231,343)	681,719
Capital expenditures	13,334	-	-	13,334
(Decrease) increase in cash and cash equivalents	(20,617)	347	-	(20,270)

ENERSOURCE CORPORATION

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

Three and Nine Months Ended September 30, 2009 and 2008

Segmented information (continued):

Three Months Ended September 30, 2008

2008	Electricity distribution services	Other operations	Intersegment eliminations	Total
Revenue	\$ 176,012	\$ 2,021	\$ (54)	\$ 177,979
Operating expenses	(156,040)	(2,101)	54	(158,087)
Amortization	(6,455)	(10)	-	(6,465)
	(162,495)	(2,111)	54	(164,552)
	13,517	(90)	-	13,427
Interest revenue	661	186	-	847
Interest expense	(4,823)	-	-	(4,823)
Foreign exchange gain	173	-	-	173
Income before the undernoted	9,528	96	-	9,624
Provision for payments in lieu of corporate income tax	(3,576)	(10)	-	(3,586)
Non-controlling interest	-	-	(2)	(2)
Net income (loss)	\$ 5,952	\$ 86	\$ (2)	\$ 6,036
Total assets	620,731	250,477	(222,189)	649,019
Capital expenditures	10,338	-	-	10,338
Increase (decrease) in cash and cash equivalents	6,570	(1,427)	-	5,143

Nine Months Ended September 30, 2009

2009	Electricity distribution services	Other operations	Intersegment eliminations	Total
Revenue	\$ 426,588	\$ 6,053	\$ (174)	\$ 432,467
Operating expenses	(368,314)	(6,705)	174	(374,845)
Amortization	(24,177)	(58)	-	(24,235)
	(392,491)	(6,763)	174	(399,080)
	34,097	(710)	-	33,387
Interest revenue	359	192	-	551
Interest expense	(13,622)	-	-	(13,622)
Foreign exchange loss	(373)	-	-	(373)
Income (loss) before the undernoted	20,461	(518)	-	19,943
Provision for payments in lieu of corporate income tax	(5,877)	(425)	-	(6,302)
Non-controlling interest	-	-	(53)	(53)
Net income (loss)	\$ 14,584	\$ (943)	(53)	\$ 13,588
Total assets	652,300	260,762	(231,343)	681,719
Capital expenditures	37,510	506	-	38,016
(Decrease) increase in cash and cash equivalents	(40,427)	508	-	(39,919)

ENERSOURCE CORPORATION

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

Three and Nine Months Ended September 30, 2009 and 2008

6. Segmented information (continued):

Nine Months Ended September 30, 2008				
2008	Electricity distribution services	Other operations	Intersegment eliminations	Total
Revenue	\$ 503,490	\$ 5,333	\$ (164)	\$ 508,659
Operating expenses	(444,737)	(5,945)	164	(450,518)
Amortization	(23,596)	(28)	-	(23,624)
	(468,333)	(5,973)	164	(474,142)
	35,157	(640)	-	34,517
Interest revenue	2,031	628	-	2,659
Interest expense	(14,660)	-	-	(14,660)
Foreign exchange gain	341	-	-	341
Income (loss) before the undemoted	22,869	(12)	-	2,857
Provision for payments in lieu of corporate income tax	(8,781)	87	-	(8,694)
Non-controlling interest	-	-	(2)	(2)
Net income (loss)	\$ 14,088	\$ 75	\$ (2)	\$ 14,161
Total assets	620,731	250,477	(222,189)	649,019
Capital expenditures	30,534	241	-	30,775
Increase (decrease) in cash and cash equivalents	30,195	(477)	-	29,718

7. Change in non-cash operating working capital:

	September 2009	September 2008
Accounts receivable	\$ (5,233)	\$ 1,386
Unbilled revenue	10,591	7,155
Inventory	(2,362)	75
Prepaid expenses and deposits	1,088	40
Accounts payable and accrued liabilities	(1,389)	2,959
Accounts payable and accrued liabilities in assets	643	887
Provision for payments in lieu of corporate income taxes	(524)	23
Deferred revenue	249	450
Advance payments	(699)	2,229
Regulatory liabilities	(18,295)	(271)
	\$ (25,931)	\$ 14,933

Accrued liabilities relating to additions to capital assets and intangible assets for the period ended September 30, 2009 was \$5,165 (September 30, 2008 - \$2,491) has been excluded from the change in non-cash operating working capital and from cash used in investing activities.

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

Three and Nine Months Ended September 30, 2009 and 2008

8. 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 December 31, 2008, the Corporation had identified four sites and provided \$180 for testing and future soil remediation. For the period ended September 30, 2009 the Corporation completed the testing and soil remediation at three sites and identified two additional sites for testing and potential soil remediation. The Corporation's total environmental expense for the nine months ended September 30, 2009 was \$289 which includes an accrual of \$175 for 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 for potential recovery through future rates. As at September 30, 2009 the Corporation has deferred \$572 included in regulatory assets, regarding compliance with the new regulations.

9. Capital asset purchase commitments and additions :

Capital asset purchase commitments outstanding as at September 30, 2009 total \$9,756, all of which are expected to be fulfilled by the end of the year except \$548 which is expected to be fulfilled in 2010.

10. Regulatory assets and liabilities:

Regulatory assets primarily represent costs that have been deferred because they are expected to be recovered in future distribution 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 liability relating to the amount of future tax assets and liabilities that are expected to be recovered or refunded through distribution rates.

ENERSOURCE CORPORATION

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

Three and Nine Months Ended September 30, 2009 and 2008

11. 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 energy revenue components within Enersource Hydro. These revenues are based on kWh consumption and, for 2009, are projected to trend as follows:

Quarter One	Quarter Two	Quarter Three	Quarter Four
28.7%	22.2%	24.9%	24.2%

12. Supplementary information:

During the period ended September 30, 2009, \$863 (September 30, 2008 - \$496) of interest, was capitalized to construction in progress which represents an allowance for the cost of funds used during construction.

13. Comparative figures

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