



Management's Discussion and Analysis

For the three months ended March 31, 2008 and 2007
June 2, 2008

Forward-looking Statements

Certain information included in this Management Discussion & Analysis ("MD&A") is forward-looking. Forward-looking information includes statements that are not statements of historical fact and which address activities, events or developments that Creststreet Kettles Hill Windpower LP (the "Partnership") expects or anticipates will or may occur in the future, including such things as investment objectives and strategy, and the status of the Partnership's windpower project, the Partnership's intentions, results of operations, levels of activity, future capital and other expenditures (including the amount, nature and sources of funding thereof), business prospects and opportunities, extent of wind resources and future growth and performance. When used in this MD&A, statements to the effect that the Partnership or its management "believes", "expects", "expected", "plans", "may", "will", "projects", "anticipates", "estimates", "would", "could", "should", "endeavors", "seeks", "predicts" or "intends" or similar statements, including "potential", "opportunity", "target" or other variations thereof that are not statements of historical fact should be construed as forward-looking information. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management of the Partnership. The Partnership believes the expectations reflected in such forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking information should not be unduly relied upon. Where we say "we," "us," or the "Partnership," we mean Creststreet Kettles Hill Windpower LP.

With respect to forward-looking information contained in this MD&A, we have made assumptions regarding, among other things:

- future wind production
- our ability to complete the sale process of Kettles Hill Wind Energy Inc. and distribute the assets to the limited partners

Forward-looking information is not a guarantee of future performance and involves a number of risks and uncertainties, only some of which are described herein. Many factors could cause the Partnership's actual results, performance or achievements, or future events or developments, to differ materially from those expressed or implied by the forward-looking information, including without limitation, the following factors, which are discussed in greater detail in the "Risk Factors" section of the Partnership's MD&A for the year ended December 31, 2007.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievement may vary materially from those expressed or implied by the forward-looking information contained in this MD&A. These factors should be carefully considered and readers are cautioned not to place undue reliance on forward-looking information, which speaks only as of the date of this MD&A. All subsequent forward-looking information attributable to the Partnership herein is expressly qualified in its entirety by the cautionary statements contained in or referred to herein. The Partnership does not undertake any obligation to release publicly any revisions to forward-looking information contained in this MD&A to reflect events or circumstances that occur after the date of this MD&A or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

The following is a discussion of the consolidated financial condition and results of operations of the Partnership for the three months ended March 31, 2008. It should be read in conjunction with the Partnership's unaudited interim consolidated financial statements for the same period along with the MD&A and audited consolidated financial statements for the year ended December 31, 2007. The Partnership prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") applied on a consistent basis with those used to prepare the prior year consolidated financial statements, except as noted in the consolidated financial statements. All dollar amounts in this MD&A are in Canadian dollars unless otherwise stated.

Overview

In July 2005, the Partnership completed its initial public offering ("IPO") of limited partnership units, raising gross proceeds of \$40.00 million for investment in flow-through shares and subordinated notes of Kettles Hill Wind Energy Inc. ("Kettles Hill"). The Partnership announced on July 30, 2007, that it had achieved substantial completion of its 63 megawatt ("MW") windpower facility. All 35 turbines are now fully erected and are producing electricity. The windpower facility is composed of 35 interconnected Vestas V80 1.8 MW turbines which generate electricity for sale to the Alberta power market. The Kettles Hill wind energy project is located near Pincher Creek, Alberta, approximately 200 kilometres south of Calgary and approximately 20 kilometres east of the Rocky Mountains. The site is adjacent to a 138kV transmission line.

On November 15, 2007 the assets and liabilities of the Partnership and Kettles Hill were classified as held-for-sale when the Partnership announced it had reached agreement with the other Shareholders of Kettles Hill to facilitate the sale process and its advisors began actively soliciting interest from potential third party purchasers. Amortization of plant and equipment ceased and the accretion on the debt obligations was accelerated to reflect the proposed repayment of these obligations in 2008 concurrent with the closing of the sale transaction, discussed below.

On March 26, 2008, the Partnership announced that it had entered into a Purchase and Sale Agreement (the "Sale Agreement") with ENMAX Green Power Inc. ("ENMAX"), to sell all of the shares of Kettles Hill to ENMAX. ENMAX will also purchase the outstanding subordinated notes issued by Kettles Hill and all interest on such notes. The purchase price for the shares, subordinated notes and the interest on such notes, and assumption of Kettles Hill debt is \$163.00 million, subject to working capital adjustments.

In order for the Partnership to satisfy its obligation to sell all shares and all subordinated indebtedness of Kettles Hill to ENMAX, the Partnership has entered into agreements to (i) acquire, directly or indirectly, immediately prior to the closing of transactions contemplated by the Sale Agreement, the Class A and Class B shares of Kettles Hill not held by it; (ii) acquire, immediately prior to the closing of transactions contemplated by the Sale Agreement, the subordinated indebtedness of Kettles Hill not held by it; and (iii) terminate all management and service agreements related to Kettles Hill and the Partnership. In addition, Kettles Hill has entered into an agreement providing for the transfer to it of certain leases related to the expansion of the Kettles Hill Windpower Facility.

As soon as practical after completion of the sale of Kettles Hill, the Partnership's net assets will be distributed to limited partners on a pro-rata basis. It is expected that the net proceeds to be distributed to limited partners will be in the range of \$8.75 to \$9.20 per unit. It is expected as soon as practical thereafter the Partnership will be dissolved. The actual amount to be distributed will depend on a number of factors including the actual operating results of the wind farm through the effective date of May 1, 2008 and costs incurred by the Partnership, including the costs of completing the transaction.

The transaction with ENMAX is the outcome of a review of strategic alternatives conducted by the Board of the General Partner of the Partnership. The Board determined, based on the advice of its financial advisor that the proposed transaction is in the best interests of the Partnership and its unitholders. The members of the Board have unanimously approved the transaction and recommend that unitholders of the Partnership vote in favour of the transaction. Blair Franklin Capital Partners Inc., financial advisor to the Board, has provided an opinion that the consideration to be received by the unitholders under the transaction is fair, from a financial point of view, to the unitholders.

The sale of Kettles Hill was approved by the unitholders of the Partnership at a special meeting of unitholders held on May 27, 2008 (the "Meeting"). Completion of the sale remains conditional on meeting certain conditions customary for transactions of this nature.

The transaction agreement with ENMAX provides that the Partnership will pay ENMAX a termination fee in the amount equal to \$3 million or \$4 million depending upon certain circumstances if the transaction is not completed. The Partnership has agreed not to solicit further offers or initiate discussions or negotiations with any third party concerning the sale of Kettles Hill, subject to its ongoing fiduciary obligations and responsibilities.

See Financial Condition - Contractual Obligations section included in this MD&A for further discussion.

Results of Operations

> Revenue

In the three months ended March 31, 2008, the Partnership generated electrical revenue of \$5.0 million from the delivery of 68.2 gigawatt hours ("GWh"). In the first quarter of 2007 the Partnership generated electrical revenue of \$0.7 million from the delivery of 13.1 GWh. The increase from prior year is due to the completion and commissioning of the Infill Construction

Phase on July 30, 2007 and the windpower facility now being in full commercial operation with all thirty-five turbines operating. Prior to commissioning the Infill Phase only the five CRCE turbines were operating. The electricity produced is sold into the Alberta spot market at the prevailing Alberta Power Pool prices at the time of delivery. During the first quarter of 2008, an average electrical price of \$63.19 per megawatt hour ("MWh") was realized (2007 - \$53.40 MWh). Turbine availability exceeded the Manager's expectations and the warranted levels during the first quarter of 2008. During the first quarter of 2008, the windpower facility operated at 123% of the independent engineers long-term forecast. Included in 2008 revenue was \$0.1 million (2007 - \$nil) of revenue from renewable energy certificate sales (see Financial Condition - Contractual Obligations included in the MD&A).

On July 11, 2007, The Minister of Natural Resources of Canada's Federal Government announced that the Government of Canada would make contributions under its ecoEnergy Renewable Power incentive program ("ERPI") to Kettles Hill. As per the determination of Natural Resources Canada, Kettles Hill receives an incentive of \$0.01 per kilowatt hour ("kWh") of eligible production for the first 10 years of operation to a maximum of \$1.66 million per year and \$16.57 million over the term of the agreement. Production from the five CRCE Phase turbines is not eligible under the program. Revenue from ERPI is recognized at the time of the electrical energy delivery. During the first quarter of 2008, \$0.6 million (2007 - \$nil) was recorded for ERPI.

The Partnership's earnings are dependent on the amount of wind resources, which is subject to season fluctuations with the highest level of revenue during the winter months, generally the first and fourth quarters.

> Operating Costs

For the three months ended March 31, 2008, the Partnership incurred operating costs of \$0.79 million (2007 - \$0.15 million) and recorded a gross profit margin of 87% of revenue (2007 - 80%). The expenses related to the operation of the project are primarily fixed costs such as warranty and maintenance fees, leases, property taxes and insurance. Other expenses for the three months ended March 31, 2008 included management fees of \$0.21 million and administrative costs of \$0.54 million (2007 - \$0.15 million and \$0.26 million respectively). The increased administrative costs relates to the Manager, who in accordance with the management agreement has charged increased costs to the Partnership as the Manager has increased its staff to better service the Partnership.

Costs incurred for the first three months of 2008 relate to full commercial operations, which began in July, 2007. Costs for the first quarter of 2007 relate to the five CRCE turbines operating.

> Amortization

On November 15, 2007, the Partnership became a discontinued operation after which the amortization was ceased as all assets were held for sale.

The costs of construction in progress related to the CRCE Phase were reclassified to plant and equipment in the first quarter of 2006 when this phase of the project entered commercial operations and amortization of this phase began at that time. The costs of construction in progress related to the Infill Construction Phase were reclassified to plant and equipment in July

2007, when full commercial operations and amortization began. Amortization for the three months ended March 31, 2008 was \$nil (2007 - \$0.39 million).

In March, 2007, the Partnership began amortizing pre-operating costs upon substantial completion of the CRCE Phase. Amortization of pre-operating costs was \$nil (2007 - \$0.09 million) for the three months ended March 31, 2008.

> Interest and Gains and Losses on Derivatives

Interest expense recorded in the first three months of 2008 was \$1.83 million (2007 - \$0.28 million). Interest expense for the period was composed of interest on the funds loaned from Creststreet Windpower Development LP ("CWDLP") and Creststreet Power & Income Fund ("CPIF") to partially fund the CRCE construction, and subsequent to completion of the Infill Construction Phase all the interest on all facilities and the accretion expense related to the costs of issuing the debt.

Interest costs for funding the Infill Construction Phase were capitalized to Construction in Progress prior to full commercial operations beginning July 30, 2007 and amounted to \$nil (2007 - \$1.10 million) for the first quarter of 2008. Subsequent to full commercial operations, interest on all debt has been expensed. Included in the interest expense for the three months ended March 31, 2008, is the non-cash item of the non-cash accretion expense of \$0.08 million (2007 - \$0.11).

> Taxes

For the quarter ended March 31, 2008, the Partnership reported a future income tax expense of \$0.31 million (2007 - (\$0.06 million)).

Quarterly Financial Information

(\$000), except per unit data)

	2008	2007				2006		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	\$ 5,000	\$ 4,055	\$2,717	\$ 361	\$ 860	\$ 940	\$ 363	\$ 305
Net income (loss)	\$ 626	\$(8,198)	\$ (764)	\$ (282)	\$ (389)	\$ (507)	\$ (459)	\$ 427
Per unit	\$ 0.16	\$ (2.05)	\$ (0.19)	\$ (0.07)	\$(0.10)	\$ (0.13)	\$ (0.12)	\$ 0.11

A discussion of prior quarters is contained in the Partnership's 2007 Annual MD&A.

Financial Condition

> Liquidity

With the announced sale transaction all debt obligations will be assumed or paid out as part of this transaction, including all outstanding accrued interest.

On December 19, 2005, Kettles Hill announced a commitment by CPIF to invest up to \$31.00 million in subordinated notes to complete the financing requirements to fund the completion of the

project and to fund any working capital requirements. Additional investments by CPIF of up to \$4.90 million in notes to Kettles Hill were approved at a special meeting of CPIF unitholders on September 6, 2006. On May 31, 2007 CPIF agreed to invest up to an additional \$2.0 million in subordinated promissory notes; bringing its total investment to \$35.9 million. During the third quarter of 2007, CPIF advanced \$1.9 million. The terms of these subordinated notes are described in further detail in the Related Party Section of this MD&A.

On December 19, 2005, Kettles Hill announced the closing of a construction loan facility with a major Canadian financial institution totaling \$42.50 million to finance its Infill Construction Phase. The terms of this loan are described in Note 7 to the March 31, 2008 consolidated interim financial statements.

In the fourth quarter of 2006, Kettles Hill negotiated a \$5.0 million subordinated debt facility with a major Canadian financial institution as an additional tranche (Tranche C) to provide additional liquidity to finance a portion of the cost increases and to also provide additional liquidity in the event that there may be potential cost increases, during the construction of the Infill Phase. This facility, which matures on December 31, 2008, bears interest at 12% per annum and requires excess cash flow, as defined by the agreement, to be used to partially repay outstanding balances in excess of \$2 million prior to December 31, 2008. The other terms and conditions are standard for this type of facility. During the third quarter of 2007, this \$5.0 million subordinated debt was advanced and remains fully drawn at March 31, 2008.

Kettles Hill is not exposed to interest rate movements as all of its debt obligations are fixed rate obligations.

At March 31, 2008, the Partnership had cash on hand of \$3.17 million and a net working capital deficit of \$30.17 million. The working capital deficit arises from the interest accruing on the subordinated notes and part of the credit facility maturing on December 31, 2008. The accrued interest owing will be paid from the proceeds of the sale upon closing and the debt obligations will be assumed by ENMAX, who will be responsible for refinancing these facilities. After the interest liability is settled and the debt is assumed the Partnership would have a positive working capital balance of \$1.31 million. In the event the sale transaction does not close as planned, Kettles Hill will repay the interest owed from on-going operations after the credit facility has been converted to a term facility and the maturing debt facilities would be refinanced.

> Contractual Obligations

The contractual obligations of the sale of Kettles Hill are discussed below, as are the ongoing contractual obligations which will be assumed by the Purchaser.

(In \$ millions)	Total	Due less than 1 year	Due 2 to 3 years	Due 4 to 5 years	Due after 5 years
Debt obligations	\$84.30	\$ 27.50	\$35.90	\$ -	\$20.90
WMS agreement	4.88 [♦]	1.14	2.27	1.47	-
Lease acquisition	1.00	1.00	-	-	-
Total obligations	\$90.18	\$29.64	\$38.17	\$1.47	\$20.90

[♦] Amounts will increase annually by the percentage change in CPI.

Transactions under the Sale Agreement

Pursuant to the Sale Agreement entered into with ENMAX, on March 26, 2008, the Purchaser will acquire, directly or indirectly, all of the shares of Kettles Hill and of BECI. In addition, the Purchaser will acquire all of the outstanding subordinated notes issued by Kettles Hill and all interest on such notes (referred to in the Sale Agreement collectively as the Purchased Indebtedness), and all of the continuing rights, benefits and obligations of the Partnership under the BECI Purchase Agreement. As at the date of the Sale Agreement, the Purchased Indebtedness had an aggregate principal amount outstanding of approximately \$47.5 million, together with accrued and unpaid interest thereon to the Effective Date in the amount of approximately \$8.9 million.

The purchase price for the shares, subordinated notes and the interest on such notes is \$163.0 million, which purchase price includes the assumption by the Purchaser of debt owed by Kettles Hill to Manulife in the principal amount of approximately \$47.5 million, which will remain in place after the sale of the shares of Kettles Hill to the Purchaser. Pursuant to the Sale Agreement, if the sum of the Working Capital and Tax Adjustment, as defined in the agreement, on the Effective Date is greater than nil, the Purchaser will pay the amount of such Working Capital and Tax Adjustment to the Partnership at Closing as an increase to the Purchase Price. If the sum of the Working Capital and Tax Adjustment as so determined is less than nil, the Partnership will pay the amount of such Working Capital and Tax Adjustment to the Purchaser at Closing as a reduction to the Purchase Price.

Out of the proceeds received from the Purchaser, the Partnership will pay its transaction costs including (i) investment banking and fairness opinion fees and expenses, (ii) auditors and tax advisory fees and expenses, (iii) legal fees and expenses; (iv) costs associated with the Meeting; and (v) additional directors' fees for attending meetings related to the transaction. In respect of investment banking fees and expenses, Blair Franklin, the financial adviser to the Independent Committee, is entitled to an accomplishment fee of 0.58% of the value of a transaction. If, subsequent to the announcement of the Proposed Transaction, the Partnership receives an Acquisition Proposal (defined below) from a third party and the Independent Committee

determines that such a proposal is a Superior Proposal (as defined in Sale Agreement) in accordance with the Sale Agreement, no discount will be applied to the accomplishment fee payable to Blair Franklin regardless of who is the ultimate buyer. In such event, the Partnership has agreed to pay a termination fee to the Purchaser in an amount equal to \$3 million or \$4 million depending upon certain circumstances.

The completion of the transaction contemplated by the Sale Agreement is subject to customary closing conditions including receipt of all necessary approvals such as unitholders and regulatory approvals (most notably Competition Act Approval and the approval necessary pursuant to section 95 of the *Electric Utilities Act* (Alberta)) and certain other conditions.

In order for the Partnership to be able to satisfy its obligation to sell all shares in, and all subordinated indebtedness of, Kettles Hill to the Purchaser at Closing, the Partnership has entered into agreements to (i) acquire, directly or indirectly, immediately prior to the closing of transactions contemplated by the Sale Agreement, the Class A and Class B shares of Kettles Hill not held by it; (ii) acquire, immediately prior to the closing of transactions contemplated by the Sale Agreement, the subordinated indebtedness of Kettles Hill not held by it; and (iii) terminate all management and service agreements related to Kettles Hill and the Partnership. In addition, Kettles Hill has entered into an agreement providing for the transfer to it of certain leases related to the expansion of the Kettles Hill Windpower Facility.

On March 26, 2008 the Partnership entered into the BECI Purchase Agreement with the BECI shareholders providing for, among other things, the sale to the Partnership of all of the shares of BECI which, in turn, holds 125 Class B shares of Kettles Hill. It is expected that the transactions contemplated in this agreement will close immediately prior to the sale of Kettles Hill.

The Partnership reached an agreement with BECI and ABKO Holdings Inc. ("ABKO") providing for, among other things, the transfer and assignment by each of BECI and ABKO to Kettles Hill, certain lease contracts that are and have been held by them in trust for and on behalf of Kettles Hill. It is expected that the transactions contemplated by the Lease Transfer Agreement will close immediately prior to the sale of Kettles Hill to the Purchaser pursuant to the Sale Agreement. Under the Lease Transfer Agreement, ABKO will be entitled to receive from Kettles Hill an aggregate amount of \$0.03 million and BECI will be entitled to receive from Kettles Hill an aggregate amount of \$0.97 million.

The Partnership reached an agreement with each of the various private Creststreet entities for the sale or termination of their respective contractual, debt and equity interests with or in the Partnership and Kettles Hill. After the principal terms and conditions of the Partnership's agreement with the BECI Shareholders were negotiated, the Independent Committee and the various private Creststreet entities agreed in principle to the amounts to be paid to the various private Creststreet entities for the sale or termination of their respective contractual, debt and equity interests with or in the Partnership and Kettles Hill.

The amount payable to (i) CWDLP for its Class A shares of Kettles Hill is the same amount on a per share basis as the Partnership will receive under the Sale Agreement for its Class A shares; (ii) CWDLP for its subordinated notes of Kettles Hill is the same amount as determined pursuant to the terms of the notes upon a change of control of Kettles Hill; (iii) CS Capital for its Class B shares of Kettles Hill is substantially the same amount on a per share basis as the BECI

Shareholders will receive under the BECI Purchase Agreement for their shares of BECI (which, in turn, holds Class B shares of Kettles Hill); (iv) CCC for the termination of the financial administration agreement is the same amount as determined pursuant to the terms of such agreement upon a change of control of Kettles Hill; and (v) the Manager for the termination of the management agreement is substantially the same amount as determined pursuant to the terms of such agreement upon a sale of all or substantially all of the assets of the Partnership.

On March 26, 2008, CPIF exercised its put option to require the Partnership to purchase \$35.90 million of subordinated notes of Kettles Hill held by CPIF (the "Put Option"). On the same date, the Partnership entered into (a) a purchase agreement with CWDLP providing for the sale to the Partnership of the 3.6 million Class A shares of Kettles Hill and an aggregate of \$0.90 million principal amount of subordinated notes of Kettles Hill held by CWDLP; (b) a purchase and termination agreement with CCC and CS Capital providing for the termination of the financial administration agreement existing between Kettles Hill and CCC and the sale to the Partnership of the 125 Class B shares of Kettles Hill held by CS Capital; and (c) a termination agreement with the Manager providing for the termination of the management agreement existing between such parties (collectively, the "Creststreet Agreements"). It is expected that the transactions contemplated by the Creststreet Agreements and the Put Option will close immediately prior to or concurrently with the sale of Kettles Hill to the Purchaser pursuant to the Sale Agreement. In the event the Sale Agreement is terminated, each Creststreet Agreement will automatically terminate and the exercise of the Put Option will be revoked.

> Ongoing Contractual Commitments

Kettles Hill has entered into four lease agreements with terms of each lease being 20 years with provisions for renewal of each lease for two additional 20 year terms. The annual rent payable under each lease agreement is 2.5% of electricity revenue.

Kettles Hill entered into a Warranty, Maintenance and Service Agreements ("WMS Agreement") with Vestas – Canadian Wind Technology ("Vestas"), which provides for certain warranties in connection with the wind turbines installed at the wind energy project, and ongoing service and maintenance obligations in connection with the turbines. The WMS Agreement includes a facility-wide warranty, which commenced upon substantial completion of the Infill Phase and is related to power curve performance and availability of the facility. In the event that the facility fails to perform as warranted, the WMS Agreement entitles Kettles Hill to liquidated damages to offset any lost revenue. The WMS Agreement is for a 5-year period commencing at the date that the turbines come into service at a cost of \$32,500 per turbine per year. As at March 31, 2008, the total remaining commitment to Vestas, under the WMS Agreement, was \$4.88 million.

In April 2006, Kettles Hill signed a contract for the sale of 30 GWh of renewable energy certificates to Baseline Emissions Management Inc. ("Baseline"). The revenue generated from this contract will be recognized on an annual basis within forty-five days after the end of each calendar year, upon an executed transfer of title of the renewable energy certificates by Kettles Hill to Baseline. A total of \$74,182 was recorded as revenue in the first quarter of 2008 (2007 - \$48,318) for the sale of 2007 credits. Additionally in June 2006, Kettles Hill entered into an agreement with the federal government for the sale of 46,000 tonnes of emission reductions from 2007 production at a price of \$7.97 per tonne of CO² equivalent. In January 2008, Kettles Hill entered into an agreement with Carbon Reduction Fund for the sale of 6,443 MWh equivalent of

Emissions Offsets. Credits sold from production in 2007 totaled 122,111 MWh. Subsequent to the year end, Kettles Hill sold the remaining un-contracted production of 11,045 MWh to Baseline Emissions Management Inc.

> Related Party Transactions

In 2005, Kettles Hill entered into a subordinated note with Creststreet Windpower Development LP ("CWDLP") for \$900,000 to finance pre-development costs. Interest is charged at a rate of 10% per annum. For the three months ended March 31, 2008, the Partnership incurred \$22,377 (2007 - \$22,192). The fair value of these subordinated notes was \$0.95 million at March 31, 2008 (2007 - \$0.95 million).

During 2006, Creststreet Power & Income Fund LP ("CPIF"), a related party with common management issued subordinated promissory notes receivable to Kettles Hill in the amount of \$32.00 million. During the first quarter of 2007, a further \$2.00 million was issued and during the third quarter a further \$1.9 million was issued bringing the total subordinated promissory notes to \$35.9 million. The subordinated note bears interest at 9.25% per annum until October 31, 2009 and thereafter at a rate of 10.5% per annum. The \$1.9 million note issued in the third quarter of 2007 bears interest at 12% with a financing fee of \$100,000 and all other terms and conditions are similar to the original investment. The subordinated promissory note is unsecured and will not hold any liens over any assets of Kettles Hill. Subsequent to the end of 2007, CPIF exercised its right to put all or a portion of the subordinated note to the Partnership, and the Partnership shall be required to purchase the subordinated note at 110% of par plus 50% of the amount, if any, that the fair market value of each Class A Share of Kettles Hill, realized upon a change of control, exceeds \$1.87 per Class A share multiplied by the principal amount of the Kettles Hill subordinated notes held by CPIF divided by \$1.70 upon the announcement of the sale to ENMAX. The fair value of these subordinated notes was \$44.08 million at March 31, 2008 (December 31, 2007 - \$44.58 million).

For the three months ended March 31, 2008 interest incurred relating to the subordinated notes was \$0.84 million (2007 - \$0.75 million), of which \$nil (2007 - \$0.60 million) was capitalized to construction-in-progress and the balance was expensed to the income statement.

For the three months ended March 31, 2008, the fees charged by Creststreet Capital Corporation ("CCC"), Creststreet Kettles Hill Windpower Management Limited (the "Manager") and Creststreet Kettles Hill Windpower General Partner Limited (the "General Partner") in accordance with the management agreement and financial services agreement, plus reimbursement of expenses amounted to \$0.17 million (2007 - \$0.32 million).

For the three months, fees charged by Benign Energy Canada Inc. ("BECI"), a shareholder of Kettles Hill, in accordance with the Consulting Service Agreement ("CSA") and Management Services Agreement, including reimbursement for out-of-pocket expenses amounted to \$59,279 (2007 - \$33,072).

The current amounts due (to) from related parties are as follows:

(\$000)	March 31, 2008	December 31, 2007
CCC	\$ (1,455)	\$ (1,292)
CWDLP	(285)	(263)
BECI	(1,002)	(85)
CPIF	(5,384)	(4,689)
EarthFirst Canada Inc.	(288)	5
Benchland Wind Power Corp.	11	11
	\$ (8,403)	\$ (6,313)

The current amounts incurred from (to) related parties are as follow:

(\$000)	Three months ended	
	March 31, 2008	March 31, 2007
BECI	\$ (1,057)	\$ (33)
Manager	(150)	(133)
CCC	(24)	(190)
CWDLP	(22)	(21)
EFC	(293)	-
CPIF	(843)	(750)
	\$ (2,389)	\$ (1,127)

Change in Partners' Capital

There were no changes in Partners' capital during the first quarter of 2008.

Critical Accounting Estimates

The preparation of consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, and disclosure of contingencies at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. By their nature, these estimates are subject to measurement uncertainty and the effect of changes in such estimates on the consolidated financial statements in future periods could be significant.

The fair value of the asset retirement obligation ("ARO") associated with the retirement of the wind farm properties are recognized as long term liabilities in the period when they can be reasonably determined. The fair value approximates the cost a third party would charge in performing the task necessary to retire such assets and is recognized at the present value of expected future cash flows. Changes in these estimated costs and changes in assumptions

including the useful life could result in material movement in the ARO in future periods. The Partnership used a 2% inflation rate in calculating its ARO. This inflation rate is in line with the target rate which is established by the Bank of Canada. The Partnership then discounted the ARO using a credit-adjusted risk-free rate of 10.72%. At March 31, 2008, the Partnership's undiscounted ARO was \$4.24 million (2007 - \$4.24 million). ARO is primarily associated with certain closure, reclamation and restoration costs related to retirement of the wind energy facilities. The Partnership no longer anticipates paying these costs in the future due to the pending sale transaction.

Amortization of plant and equipment was based on a useful life of 20 years until November 15, 2007, after which amortization ceased as these assets were classified as held-for-sale following the announcement of the planned sale process.

Changes in Accounting Policies

Recent Accounting Pronouncements

Capital Disclosures

The CICA issued a new accounting standard, Section 1535 Capital Disclosures, which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies and processes for managing capital. Effective January 1, 2008, the Partnership adopted this standard. The adoption of this standard had no material impact on the Partnership's financial statements. See note 13 to the Partnership's March 31, 2008 financial statements.

Financial Instruments – Disclosure and Financial Instruments Presentation

Two new accounting standards were issued by the CICA, Section 3862 "Financial Instruments - Disclosures" and Section 3863 "Financial Instruments - Presentation". These sections replaced Section 3861 "Financial Instruments - Disclosure and Presentation" on adoption. The objective of Section 3862 is to provide users with information to evaluate the significance of the financial instruments on the entity's financial position and performance, the nature and extent of risks arising from financial instruments, and how the entity manages those risks. The provisions of Section 3863 deal with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. Effective January 1, 2008, the Partnership adopted these standards. The adoption of these standards had no material impact on the Partnership's financial statements.

Future Changes in Accounting Policies

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets. The new Section will be effective on January 1, 2009. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to its initial recognition. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Partnership is currently evaluating the impact of the adoption of this new Section.

The CICA Accounting Standards Board (“AcSB”) has adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, the AcSB confirmed in February, 2008, that accounting standards in Canada for public companies are to converge with International Financial Reporting Standards (“IFRS”) by the end of 2011 for profit-oriented Canadian public accountable enterprises. As it is anticipated the Partnership will be wound up prior to 2011, IFRS will have no impact on the Partnership.

Outlook

On March 26, 2008, the Partnership and ENMAX Green Power Inc. entered into an agreement under which ENMAX has agreed to purchase all or substantially all of the assets and assume certain debt obligations of the Partnership.

At a Meeting of the holders of limited partnership units of the Partnership on May 27, 2008, in Toronto, Ontario the Partnership’s unitholders approved the proposed transaction, and the dissolution of the Partnership. The proposed transaction is expected to close about the middle of June. As soon as practical after completion of the sale, the Partnership’s net assets will be distributed to the limited partners on a pro-rata basis. The Partnership will be dissolved as soon as practical after the distribution to limited partners. Based on calculations of the Partnership, including estimates of its transaction costs and post-closing costs and certain assumptions, it is expected that the assets of the Partnership to be distributed to unitholders will be in the range of \$8.75 to \$9.20 per Unit.

The completion of the transaction contemplated by the Sale Agreement is subject to customary closing conditions including receipt of all necessary approvals such as unitholder and regulatory approvals (most notably Competition Act Approval and the approval necessary pursuant to section 95 of the *Electric Utilities Act (Alberta)*) and certain other conditions.

Risk and Uncertainties

Readers are directed to the Partnership’s Annual MD&A for the year ended December 31, 2007 for a detailed discussion of certain risk factors which investors should carefully consider before deciding to acquire limited Partnership Units.

Return of Distributions

Unitholders remain liable to return to the Partnership such part of any amount distributed to them as may be necessary to restore the capital of the Partnership to the amount existing before such distribution if, as a result of any such distribution, the capital of the Partnership is reduced and the Partnership is unable to pay its debts as they become due.

Loss of Limited Liability

Limited Partners may lose the protection of limited liability by taking part in the control of the business of the Partnership and may be liable to third parties as a result of false or misleading statements in the public filings made pursuant to the Limited Partnerships Act (Ontario). In addition, Limited Partners may lose their limited liability to the extent the principles of Canadian law recognizing the limitation of liability of limited partners have not been authoritatively

established with respect to limited partnerships formed under the laws of one province but operating, owning property or incurring obligations in another province.

Failure to Complete the Sale of Kettles Hill to Enmax

The Purchase Agreement with Enmax is subject to normal commercial risks that any or all transactions contemplated may not be completed on the terms negotiated or not at all. If any of these events occur, it may have a material effect on the business, financial condition and results of operations of the Partnership or the value of its Units. Although the Partnership has considered, and has engaged legal counsel and other advisors to review, the corporate, legal and financial aspects of the Proposed Wind-up Transaction, there may be liabilities or risks that the Partnership may not have considered or protected against, or that may have an unanticipated material adverse effect on the Partnership. Liabilities and risks may include third party claims, regulatory non-compliance, invalid or ineffective land rights or permits and title defects. These liabilities and risks could have, individually or in the aggregate, a material adverse effect on the business, financial condition and results of operations of the Partnership or the value of the Securities. In addition, some conditions to Closing are outside of the control of the Partnership including obtaining the required consents and post closing reorganization consents. Failure to obtain such required consents could result in the Purchase Agreement not closing.

**Creststreet Kettles Hill Windpower LP
Consolidated Balance Sheets**

(Notes 1 and 2)
(Unaudited, In Thousands)

March 31, 2008 December 31, 2007

Current Assets

Cash	\$	3,169	\$	674
Cash held in escrow (Note 3)		1,596		1
Accounts receivable		2,455		3,817
Prepaid expense		104		201
Due from related parties (Note 6)		16		16
		7,340		4,709

Pre-operating costs and deferred charges (Note 5)		2,089		1,576
Plant and equipment (Note 4)		119,717		119,717
Intangible assets		2,462		2,462
	\$	131,608	\$	128,464

Current Liabilities

Accounts payable and accrued liabilities	\$	1,740	\$	1,488
Due to related parties (Note 6)		8,419		6,329
Senior debt credit facility (Note 7)		27,426		27,318
		37,585		35,135
Subordinated note payable (Notes 6 and 7)		45,032		45,527
Senior debt credit facility (Note 7)		19,979		19,948
Asset retirement obligation (Note 8)		948		924
Future income tax liability		7,162		6,848
Non-controlling interest		2,635		2,441
	\$	113,341	\$	110,823

Partners' capital (Note 10)		28,694		28,694
Deficit and accumulated other comprehensive loss		(10,427)		(11,053)
	\$	131,608	\$	128,464

Commitments (Note 9)

See accompanying notes to consolidated financial statements.

Approved by Creststreet Kettles Hill Windpower General Partner Limited as General Partner
on behalf of Creststreet Kettles Hill Windpower LP



Robert J. Toole
Director



John P.A. Budreski
Director

Creststreet Kettles Hill Windpower LP Consolidated Statements of Operations, Comprehensive Loss and Deficit

(Notes 1 and 2)

(Unaudited, In Thousands, except per unit data)

For the three months ended March 31,	2008	2007
Revenue		
Electricity sales	\$ 4,380	\$ 746
eRPI	586	-
Interest income	34	114
Total revenue	5,000	860
Expenses		
Operating costs	791	149
Management fees (Note 6)	207	152
Administrative costs	537	264
Amortization of plant and equipment (Note 4)	24	385
Amortization of intangible asset	-	33
Amortization of pre-operating costs and deferred charges (Note 5)	-	91
Foreign exchange loss	2	-
Interest expense	1,828	275
Expansion lease acquisition costs	1,000	-
Change of control premium on Subordinated notes	(523)	-
Earnings (loss) before taxes	1,134	(489)
Future income tax (expense) recovery	(313)	61
Non-controlling interest	(195)	39
Net Earnings (Loss) and comprehensive income (loss)	626	(389)
Deficit, beginning of year, as previously reported	(11,053)	(1,422)
Financial instruments - recognition and measurement	-	2
Restated deficit, beginning of period	(11,053)	(1,420)
Net earnings (loss)	626	(389)
Deficit, end of period	(10,427)	(1,809)
Accumulated other comprehensive loss	-	-
Deficit and Accumulated other comprehensive loss and deficit	\$ (10,427)	\$ (1,809)
Net earnings (loss) per unit - basic and diluted	\$ 0.16	\$ (0.10)
Weighted average number of units (Note 10)	4,000	4,000

See accompanying notes to consolidated financial statements.

Consolidated Statements of Partners' Capital

(Notes 1 and 2)

(Unaudited, In Thousands)

For the three months ended March 31,	2008	2007
Partners' capital - beginning and end of period	\$ 28,694	\$ 28,694

See accompanying notes to consolidated financial statements.

Creststreet Kettles Hill Windpower LP Consolidated Statements of Cash Flows

(Notes 1 and 2)
(Unaudited, In Thousands)

For the three months ended March 31,	2008	2007
Cash flows from operating activities		
Net earnings (loss)	626 \$	(389)
Add (deduct) items not affecting cash:		
Future income tax recovery	313	(61)
Deferred revenue recognition	-	(23)
Amortization of plant and equipment (Note 4)	-	385
Amortization of intangible asset	-	33
Amortization of pre-operating costs and deferred charges (Note 5)	-	91
Accretion of asset retirement obligation (Note 8)	24	7
Accretion of interest expense	166	105
Change of control premium on Subordinated notes (Note 6)	(523)	-
Unrealized foreign exchange	-	-
Non-controlling interest	195	(39)
	801	109
Non-cash operating working capital		
Decrease in accounts receivable	1,363	789
Increase in prepaid expense	97	(31)
Increase in accounts payable and accrued liabilities	252	207
Increase in amounts due to related parties	2,090	1,014
	4,603	2,088
Cash flows from financing activities of operations		
Issue of subordinated notes by subsidiary to CPIF	-	1,850
	-	1,850
Cash flow from investing activities of operations		
Decrease (increase) in cash held in escrow (Note 3)	(1,595)	5,754
Additions to plant and equipment and construction-in-progress	-	(9,018)
Increase in deposits and pre-operating costs	(513)	-
	(2,108)	(3,264)
Net increase (decrease) in cash	2,495	674
Cash beginning of year	674	268
Cash end of year	\$ 3,169 \$	942
Supplemental cash information		
Interest paid	1,709 \$	329

See accompanying notes to consolidated financial statements.

Notes to Unaudited Consolidated Financial Statements

For the three months ended March 31, 2008 and 2007

(All tabular amounts stated in thousands of dollars, except per unit information)

1. Creststreet Kettles Hill Windpower LP (the “Partnership”)

On November 15, 2007, the assets and liabilities of the Partnership and Kettles Hill Wind Energy Inc. (“Kettles Hill”) both were classified as held-for-sale when the Partnership announced it had reached agreement with the other Shareholders of Kettles Hill to facilitate the sale process and its advisors began actively soliciting interest from potential third party purchasers. As soon as practical after completion of the sale of Kettles Hill, the Partnership’s net assets will be distributed to limited partners on a pro-rata basis and it is expected that as soon as practical thereafter the Partnership will be dissolved.

On March 26, 2008, the Partnership announced that it had entered into a purchase and sale agreement (the “Sale Agreement”) with ENMAX Green Power Inc. (the “Purchaser”), providing for, among other things, the sale to the Purchaser of all of the shares of Kettles Hill, the outstanding subordinated notes issued by Kettles Hill, including all interest on such notes, and the assumption of the debt owed by Kettles Hill to The Manufacturers Life Insurance Company (“Manulife”). Subject to working capital adjustments, the purchase price for the shares, subordinated notes and the interest on such notes is \$163 million, which purchase price includes the assumption by the Purchaser of debt owed by Kettles Hill to Manulife in the principal amount of approximately \$47.5 million, which will remain in place after the sale of the shares of Kettles Hill to the Purchaser. Kettles Hill owns the recently completed 63 MW Kettles Hill Windpower Facility near Pincher Creek, Alberta.

The sale of Kettles Hill was approved by the unitholders of the Partnership at a special meeting of unitholders held on May 27, 2008 (the “Meeting”). Completion of the sale remains conditional on meeting certain conditions customary for transactions of this nature.

Immediately prior to closing, the Partnership will hold, directly or indirectly, all of the Kettles Hill shares. Currently, the shares of Kettles Hill are held by a number of entities. The Partnership has entered into agreements with those entities to purchase the shares of Kettles Hill not held by the Partnership. Such purchases will take place immediately prior to the completion of the transaction with the Purchaser. At the meeting of the Partnership’s unitholders called to approve the proposed transaction, the unitholders will be asked to approve amendments to the Partnership’s limited partnership agreement to facilitate the distribution of the net assets of the Partnership to its limited partners on a pro rata basis and the dissolution of the Partnership following the closing of Kettles Hill.

See Note 9 Commitments for more detail of agreements entered into.

In the event the sale transaction does not close as planned, the maturing debt facilities will be refinanced.

Creststreet Windpower (II) LP was established as a limited partnership under the laws of the Province of Ontario on January 30, 2004. Effective on April 28, 2005, Creststreet Windpower (II)

LP changed its name to Creststreet Kettles Hill Windpower LP. The Partnership was established to invest in flow-through shares and subordinated notes of Kettles Hill, a Canadian company that constructed and is operating is a wind energy project to generate electricity for sale to the Alberta power market. The Partnership completed its initial public offering on July 11, 2005 and commenced developmental activities.

In March 2006, commercial production of the initial phase of the project (the "CRCE Phase") at Kettles Hill commenced with the project entering its 120-day test period required to qualify expenses for test turbines under the Canadian Renewable and Conservation Expense tax rules.

Installation and commissioning of the project (the "Infill Construction Phase") was completed on July 30, 2007. The facility is fully commissioned and is producing and selling electricity from all thirty-five of its turbines.

Pursuant to a flow-through share agreement in 2005 between the Partnership and Kettles Hill, as at March 31, 2008 the Partnership owns 83.15% of the voting shares of Kettles Hill, and Creststreet Windpower Development LP ("CWDLP"), a related party owns 16.85% of the voting shares of Kettles Hill.

2. Basis of Presentation

The accompanying interim period consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applied on a consistent basis with those used to prepare the audited consolidated statements for the year ended December 31, 2007 and should be read in conjunction with those statements except for the adoption of new accounting policies described below. The accompanying unaudited consolidated financial statements have been prepared in accordance with GAAP for interim financial statements and, accordingly, certain information and footnote disclosure normally included in annual financial statements have been condensed or omitted. These consolidated financial statements include the accounts of the Partnership and its subsidiary Kettles Hill. All significant transactions and balances between the Partnership and Kettles Hill have been eliminated on consolidation. In management's opinion, the accompanying unaudited consolidated financial statements include all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial position of the Partnership as at March 31, 2008, and December 31, 2007, and the consolidated results of operations and cash flows for the three months ended March 31, 2008 and 2007. The results of operations and cash flows of any interim period are not necessarily indicative of the results of operations for any other interim period or for a full fiscal year. The Partnership's revenue, earnings and cash flows are subject to seasonal fluctuations. The highest level of revenue is expected in winter months (generally, the first and fourth quarters) and the lowest level of revenue is expected in the third quarter (summer months).

Held-for-Sale

On November 15, 2007 the assets and liabilities of the Partnership and Kettles Hill were classified as held for sale when the Partnership announced it had reached agreement with the other Shareholders of Kettles Hill to facilitate the sale process and its advisors began actively soliciting interest from potential third party purchasers. Kettles will not retain an interest in any of the assets

or liabilities once the transaction is complete and there will be no continuing operations; therefore, the balance sheet is not segregated. Amortization of plant and equipment pre-operating costs and intangible assets ceased and the accretion on the debt obligations was accelerated to reflect the proposed repayment in 2008 concurrent with the closing of the sale transaction discussed above. Long lived assets are measured at the lower of cost and net realizable value.

CHANGES IN ACCOUNTING POLICIES

Two new accounting standards were issued by the CICA, Section 3862 "Financial Instruments - Disclosures" and Section 3863 "Financial Instruments - Presentation". These sections replaced Section 3861 "Financial Instruments - Disclosure and Presentation" on adoption. The objective of Section 3862 is to provide users with information to evaluate the significance of the financial instruments on the entity's financial position and performance, the nature and extent of risks arising from financial instruments, and how the entity manages those risks. The provisions of Section 3863 deal with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. Effective January 1, 2008, the Partnership adopted these standards. The adoption of these standards had no material impact on the Partnership's consolidated financial statements. See note 12 below.

Capital Disclosures

Effective January 1, 2008, the Partnership adopted a new accounting standard, Section 1535 Capital Disclosures, which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies and processes for managing capital. The adoption of this standard had no material impact on the Partnership's consolidated financial statements. See note 13 below.

FUTURE CHANGES IN ACCOUNTING POLICIES

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets. The new Section will be effective on January 1, 2009. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to its initial recognition. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Partnership is currently evaluating the impact of the adoption of this new Section.

The CICA Accounting Standards Board ("AcSB") has adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, the AcSB confirmed in February, 2008, that accounting standards in Canada for public companies are to converge with International Financial Reporting Standards ("IFRS") by the end of 2011 for profit-oriented Canadian public accountable enterprises. As it is anticipated the Partnership will be wound up prior to 2011, IFRS will have no impact on the Partnership.

3. Cash Held in Escrow

Cash held in escrow is to fund the debt service reserve required under the Credit Facilities provided by a major Canadian financial institution. These funds may be accessed by the lender in the event that Kettles Hill does not make a debt service payment. If the balance is drawn down it must be replenished in accordance with the terms of the Credit Facilities.

4. Plant & Equipment

(\$000)	March 31, 2008	December 31, 2007
Kettles Hill Plant and Equipment	\$ 123,706	\$ 31,460
Financial Instrument Adjustment	-	(57)
Additions	-	596
Transferred from Construction in Progress	-	91,707
	123,706	123,706
Less: accumulated depreciation	(3,989)	(3,989)
Total	\$ 119,717	\$ 119,717

As at March 31, 2008, the asset retirement obligation amounted to \$0.84 million (December 31, 2007 - \$0.84 million), accumulated amortization was \$0.04 million, which is primarily associated with certain closure, reclamation and restoration costs for the wind energy turbines.

On November 15, 2007 amortization ceased as the assets and liabilities of the Partnership and Kettles Hill were classified as held for sale.

5. Pre-operating Costs

As at March 31, 2008, Kettles Hill has capitalized \$1.82 million (December 31, 2007 - \$1.82 million) of pre-operating costs, which is being amortized over a five-year period beginning March 1, 2006. Amortization of the pre-operating costs amounted to \$nil (2007 - \$0.01 million) for the three months ended March 31, 2008. On November 15, 2007 amortization ceased as the assets and liabilities of the Partnership and Kettles Hill were classified as held for sale.

6. Related Party Transactions

In 2005, Kettles Hill entered into a subordinated note with Creststreet Windpower Development LP ("CWDLP") for \$900,000 to finance pre-development costs. Interest is charged at a rate of 10% per annum. For the three months end March 31, 2008, the Partnership incurred \$22,377 (2007 - \$22,192) of interest. The fair value of these subordinated notes was \$0.95 million at March 31, 2008 (December 31, 2007 - \$0.95 million).

During 2006, Creststreet Power & Income Fund LP ("CPIF"), a related party with common management issued subordinated promissory notes receivable to Kettles Hill in the amount of \$32.00 million. During the first quarter of 2007, a further \$2.00 million was issued and during the third quarter a further \$1.9 million was issued bringing the total subordinated promissory notes to \$35.9 million. The subordinated note bears interest at 9.25% per annum until October 31, 2009

and thereafter at a rate of 10.5% per annum. The \$1.9 million note issued in the third quarter of 2007 bears interest at 12% and all other terms and conditions are similar to the original investment. The subordinated promissory note is unsecured and will not hold any liens over any assets of Kettles Hill. Subsequent to December 31, 2007, CPIF exercised its right to put all or a portion of the subordinated note to the Partnership, and the Partnership shall be required to purchase the subordinated note at 110% of par plus 50% of the amount, if any, that the fair market value of each Class A Share of Kettles Hill, realized upon a change of control, exceeds \$1.87 per Class A share multiplied by the principal amount of the Kettles Hill subordinated notes held by CPIF divided by \$1.70 upon the announcement of the sale to ENMAX. A change of control redemption premium of \$8.21 million (December 31, 2007 - \$8.73 million) was marked to market at March 31, 2008 due to the proposed sale process. The fair value of these subordinated notes was \$44.10 million at March 31, 2008 (December 31, 2007 - \$44.58 million).

Financing fees of \$nil (2007 - \$0.10 million) incurred for the three months ended March 31, 2008, related to the issuance of the \$2.00 million subordinated note in the first quarter of 2007. For the three months ended March 31, 2008 interest incurred relating to the subordinated notes was \$0.84 million (2007 - \$0.75 million), of which \$nil (2007 - \$0.60 million) was capitalized to Construction-in-progress and the balance was expensed to the consolidated statements of operations.

The subordinated notes are measured at the carrying value.

For the three months ended March 31, 2008, the fees charged by Creststreet Capital Corporation ("CCC"), Creststreet Kettles Hill Windpower Management Limited (the "Manager") and Creststreet Kettles Hill Windpower General Partner Limited (the "General Partner") in accordance with the management agreement and financial services agreement, plus reimbursement of expenses amounted to \$0.17 million (2007 - \$0.32 million). In accordance with the financial administration agreement with CCC, the month after substantial completion of the Infill Phase which was August 2007, the monthly fee increased to \$7,500 per month from \$1,500 per month. These transactions have been measured at their exchange amount.

During the first quarter of 2008, fees charged by Benign Energy Canada Inc. ("BECI"), a shareholder of Kettles Hill, in accordance with the Consulting Service Agreement ("CSA") and Management Services Agreement, including reimbursement for out-of-pocket expenses amounted to \$56,726 (2007 - \$33,072). Following substantial completion of the Infill Phase, the monthly management fee increased in August 2007 to \$16,667 from \$6,666.

The current amounts due (to) from related parties are as follows:

(\$000)	March 31, 2008	December 31, 2007
CCC	\$ (1,455)	\$ (1,292)
CWDLP	(285)	(263)
BECI	(1,002)	(85)
CPIF	(5,384)	(4,689)
EarthFirst Canada Inc.	(288)	5
Benchland Wind Power Corp.	11	11
	\$ (8,403)	\$ (6,313)

7. Credit Facilities

Facility (\$000)	Available Credit	Amount Advanced	Interest	Maturity
Subordinated Notes				
- CPIF	\$35,900	\$ 34,000	9.25%	October 31, 2009
- CPIF		1,900	12.00%	October 31, 2009
- CWDLP	900	900	10.00%	July 31, 2025
Credit Facilities				
Tranche A	13,750	13,750	5.92%	December 31, 2008
Tranche A2	8,750	8,750	11.74%	December 31, 2008
Tranche B	20,000	20,000	6.11%	December 31, 2016
Tranche C	5,000	5,000	12.00%	December 31, 2008
Total	\$84,300	\$ 84,300		

See related party Note 6 for detail on the subordinated notes - CPIF and CDWLP.

On December 19, 2005, Kettles Hill announced the closing of a \$42.5 million senior debt credit facility to finance a portion of the construction of the Infill Phase with a major Canadian financial institution. On September 14, 2006, Tranche B of the credit facility was advanced as a construction loan. On December 22, 2006, \$13.75 million of Tranche A was advanced as a construction loan. All outstanding amounts in the construction loan will be converted to a term loan upon completion of the construction of the Infill Phase, and carrying out certain terms and conditions for conversion, this will occur in 2008.

On August 4, 2006, \$8.75 million of Tranche A became subject to Kettles Hill receiving confirmation that it will receive contributions from the Canadian federal government's Wind Power Production Incentive ("WPPI") program or an equivalent program. On July 11, 2007, The Minister of Natural Resources of Canada's Federal Government announced that Kettles Hill would receive contributions under its ecoEnergy Renewable Power incentive program ("ERPI"). During the second quarter of 2007, this \$8.75 million was advanced as a construction loan. On January 2,

2008 the conditions to lower the interest note on this tranche were met and the weighted average interest rate for all of Tranche A became 6.04%.

In the fourth quarter of 2006, Kettles Hill negotiated a \$5.0 million subordinated credit facility with a major Canadian financial institution as an additional tranche (Tranche C) to provide additional liquidity to finance a portion of cost increases and to also provide additional liquidity in the event that there may be potential cost increases, during the construction of the Infill Phase. This facility, which matures on December 31, 2008, bears interest at 12% per annum and requires excess cash flow as defined by the agreement to be used to partially repay outstanding balances in excess of \$2 million prior to December 31, 2008. The other terms and conditions are standard for this type of facility. During the third quarter of 2007, this \$5.0 million subordinated debt was advanced and remained outstanding at March 31, 2008.

Repayment of the credit facility is interest only until maturity except as described above. Interest for both Tranche A and B is based on the long bond yield on the date of the first advance for each respective tranche plus a credit spread, compounded and payable monthly in arrears. The long bond yield for Tranche A is the mid-market semi-annual interpolated yield of the Government of Canada 6% Bond due June 1, 2008 and the Government of Canada 5.5% Bond due June 1, 2009 based on a term to maturity ending approximately on December 31, 2008. Interest for Tranche A was determined one day prior to the advance at 5.92%. The long bond yield for Tranche B is the mid-market semi-annual interpolated yield of the Government of Canada 4.5% Bond due June 1, 2015 and the Government of Canada 9.25% Bond due June 1, 2022 based on a term to maturity ending approximately on December 31, 2016. Interest for Tranche B was determined one day prior to the advance at 6.11%.

The credit spread is:

Credit Spread	To December 31, 2008	After December 31, 2008
Tranche A	200 bps	N/A
Tranche A2	750 bps	N/A
Tranche B	200 bps	175 bps

During the first quarter of 2008 the Partnership incurred \$0.85 million (2007 - \$0.50 million), of interest on the credit facility advanced by a major financial institution, of which \$nil (2007 - \$0.50 million), was capitalized to Construction-in-progress during the Infill Phase.

At March 31, 2008, the Tranche A was valued at \$13.68 million (December 31, 2007 - \$13.57 million) using an effective interest rate of 9.18% (December 31, 2007 - 9.18%) and \$19.98 million (December 31, 2007 - \$19.95 million) for Tranche B using an effective interest rate of 6.74% (December 31, 2007 - 6.74%). The Tranche A2 was valued at \$8.75 million (December 31, 2007 \$8.75 million) using an effective interest rate of 11.74% (December 31, 2007 -11.74%). The Tranche C was valued at \$5.0 million (December 31, 2007 - \$5.0 million) using an effective interest rate of 12% (December 31, 2007 - 12%). The credit facilities were collateralized by plant and equipment and construction-in-progress at Kettles Hill.

The payment of the principal of, and interest on, the subordinated notes is fully subordinated to the credit facility. The payment of interest on the subordinated notes will rank in priority to the

payment of interest only on other subordinated indebtedness and the payment of principal on the subordinated notes do rank pari passu with the payment of principal on other subordinated indebtedness of Kettles Hill.

8. Asset Retirement Obligation

The following table presents the reconciliation of the beginning and ending aggregate carrying amounts of the obligation associated with the retirement of wind farm properties.

(\$000)	March 31, 2008	December 31, 2007
Asset retirement obligation, beginning of period	\$ 924	\$ 231
Liabilities incurred	-	622
Accretion expense	24	71
Asset retirement obligation, end of period	\$ 948	\$ 924

The total undiscounted amount of estimated cash flow required to settle the obligation at March 31, 2008 was \$4.24 (December 31, 2007 - \$4.24 million). This amount was then adjusted for inflation at a rate of 2% and it was discounted using a credit adjusted risk free rate of 10.72%. Most of these obligations are not expected to be paid for approximately 20 years and will be funded from general company resources at that time.

Asset retirement obligations are primarily associated with certain closure, reclamation and restoration costs related to retirement of the wind farm properties. Actual obligations could differ from these estimates. Revisions to the Partnership's asset retirement obligation will be made prospectively if new information is available.

9. Commitments

The contractual obligations of the sale of Kettles Hill are discussed below, as are the ongoing contractual obligations which will be assumed by the Purchaser.

(\$ millions)	Total	Due less than 1 year	Due 2 to 3 years	Due 4 to 5 years	Due after 5 years
Debt obligations	\$ 84.30	\$ 27.50	\$ 35.90	\$ -	\$ 20.90
WMS agreement	4.88 [♦]	1.14	2.27	1.47	-
Lease acquisition	1.00	1.00	-	-	-
Total obligations	\$ 90.18	\$ 29.64	\$ 38.17	\$ 1.47	\$ 20.90

[♦] Amounts will increase annually by the percentage change in CPI.

Transactions under the Sale Agreement

Pursuant to the Sale Agreement entered into with ENMAX subsequent to the year end noted above in Note 1, the Purchaser will acquire, directly or indirectly, all of the shares of Kettles Hill

and of BECI. In addition, the Purchaser will acquire all of the outstanding subordinated notes issued by Kettles Hill and all interest on such notes (referred to in the Sale Agreement collectively as the Purchased Indebtedness), and all of the continuing rights, benefits and obligations of the Partnership under the BECI Purchase Agreement. As at the date of the Sale Agreement, the Purchased Indebtedness had an aggregate principal amount outstanding of approximately \$47.5 million, together with accrued and unpaid interest thereon to the Effective Date.

The purchase price for the shares, subordinated notes and the interest on such notes is \$163.0 million, which purchase price includes the assumption by the Purchaser of debt owed by Kettles Hill to Manulife in the principal amount of approximately \$47.5 million, which debt will remain in place after the sale of the shares of Kettles Hill to the Purchaser. Pursuant to the Sale Agreement, if the sum of the Working Capital and Tax Adjustment as defined in the agreement, on the Effective Date is greater than \$nil, the Purchaser will pay the amount of such Working Capital and Tax Adjustment to the Partnership at Closing as an increase to the Purchase Price. If the sum of the Working Capital and Tax Adjustment as so determined is less than nil, the Partnership will pay the amount of such Working Capital and Tax Adjustment to the Purchaser at Closing as a reduction to the Purchase Price.

Out of the proceeds received from the Purchaser, the Partnership will pay its transaction costs including (i) investment banking and fairness opinion fees and expenses, (ii) auditors and tax advisory fees and expenses, (iii) legal fees and expenses; (iv) costs associated with the Meeting; and (v) additional directors' fees for attending meetings related to the transaction. In respect of investment banking fees and expenses, Blair Franklin, the financial adviser to the Independent Committee, is entitled to an accomplishment fee of 0.58% of the value of a transaction. If, subsequent to the announcement of the Proposed Transaction, the Partnership receives an Acquisition Proposal (defined below) from a third party and the Independent Committee determines that such a proposal is a Superior Proposal (as defined in Purchase Agreement) in accordance with the Purchase Agreement, no discount will be applied to the accomplishment fee payable to Blair Franklin regardless of who is the ultimate buyer. In such event, the Partnership has agreed to pay a termination fee to the Purchaser in an amount equal to \$3 million or \$4 million depending upon certain circumstances.

The completion of the transaction contemplated by the Purchase Agreement is subject to customary closing conditions including receipt of all necessary approvals such as unitholder and regulatory approvals (most notably Competition Act Approval and the approval necessary pursuant to section 95 of the *Electric Utilities Act* (Alberta)) and certain other conditions.

In order for the Partnership to be able to satisfy its obligation to sell all shares in, and all subordinated indebtedness of, Kettles Hill to the Purchaser at Closing, the Partnership has entered into agreements to (i) acquire, directly or indirectly, immediately prior to the closing of transactions contemplated by the Sale Agreement, the Class A and Class B shares of Kettles Hill not held by it; (ii) acquire, immediately prior to the closing of transactions contemplated by the Sale Agreement, the subordinated indebtedness of Kettles Hill not held by it; and (iii) terminate all management and service agreements related to Kettles Hill and the Partnership. In addition, Kettles Hill has entered into an agreement providing for the transfer to it of certain leases related to the expansion of the Kettles Hill Windpower Facility.

On March 26, 2008 the Partnership entered into the BECI Purchase Agreement with the BECI Shareholders providing for, among other things, the sale to the Partnership of all of the shares of BECI which, in turn, holds 125 Class B shares of Kettles Hill. It is expected that the transactions contemplated by this agreement will close immediately prior to the sale of Kettles Hill.

The Partnership reached an agreement with BECI and ABKO Holdings Inc. ("ABKO") providing for, among other things, the transfer and assignment by each of BECI and ABKO to Kettles Hill of certain lease contracts that are and have been held by them in trust for and on behalf of Kettles Hill. It is expected that the transactions contemplated by the Lease Transfer Agreement will close immediately prior to the sale of Kettles Hill to the Purchaser pursuant to the Sale Agreement. Under the Lease Transfer Agreement, ABKO will be entitled to receive from Kettles Hill the aggregate amount of \$0.03 million and BECI will be entitled to receive from Kettles Hill the aggregate amount of \$0.97 million.

The Partnership reached an agreement with each of the various private Creststreet entities for the sale or termination of their respective contractual, debt and equity interests with or in the Partnership and Kettles Hill. After the principal terms and conditions of the Partnership's agreement with the BECI Shareholders were negotiated, the Independent Committee and the various private Creststreet entities agreed in principle to the amounts to be paid to the various private Creststreet entities for the sale or termination of their respective contractual, debt and equity interests with or in the Partnership and Kettles Hill.

The amount payable to (i) CWDLP for its Class A shares of Kettles Hill is the same amount on a per share basis as the Partnership will receive under the Sale Agreement for its Class A shares; (ii) CWDLP for its subordinated notes of Kettles Hill is the same amount as determined pursuant to the terms of the notes upon a change of control of Kettles Hill; (iii) CS Capital for its Class B shares of Kettles Hill is substantially the same amount on a per share basis as the BECI Shareholders will receive under the BECI Purchase Agreement for their shares of BECI (which, in turn, holds Class B shares of Kettles Hill); (iv) CCC for the termination of the financial administration agreement is the same amount as determined pursuant to the terms of such agreement upon a change of control of Kettles Hill; and (v) the Manager for the termination of the management agreement is substantially the same amount as determined pursuant to the terms of such agreement upon a sale of all or substantially all of the assets of the Partnership.

On March 26, 2008, CPIF exercised its put option to require the Partnership to purchase an aggregate of \$35.90 million principal amount of subordinated notes of Kettles Hill held by CPIF (the "Put Option"). On the same date, the Partnership entered into (a) a purchase agreement with CWDLP providing for the sale to the Partnership of all of the 3.6 million Class A shares of Kettles Hill and an aggregate of \$0.90 million principal amount of subordinated notes of Kettles Hill held by CWDLP; (b) a purchase and termination agreement with CCC and CS Capital providing for the termination of the financial administration agreement existing between Kettles Hill and CCC and the sale to the Partnership of all of the 125 Class B shares of Kettles Hill held by CS Capital; and (c) a termination agreement with the Manager providing for the termination of the management agreement existing between such parties (collectively, the "Creststreet Agreements"). It is expected that the transactions contemplated by the Creststreet Agreements and the Put Option will close immediately prior to or concurrently with the sale of Kettles Hill to the Purchaser pursuant to the Sale Agreement. In the event the Sale Agreement is terminated, each Creststreet Agreement will automatically terminate and the exercise of the Put Option will be revoked.

Ongoing Commitments

Kettles Hill has entered into four lease agreements with terms of each lease being 20 years with provisions for renewal of each lease for two additional 20 year terms. The annual rent payable under each lease agreement is 2.5% of electricity revenue.

Kettles Hill entered into a Warranty, Maintenance and Service Agreements (“WMS Agreement”) with Vestas – Canadian Wind Technology (“Vestas”), which provides for certain warranties in connection with the wind turbines installed at the wind energy project, and ongoing service and maintenance obligations in connection with the turbines. The WMS Agreement includes a facility-wide warranty, which commences upon substantial completion of the Infill Phase and is related to power curve performance and availability of the facility. In the event that the facility fails to perform as warranted, the WMS Agreement entitles Kettles Hill to liquidated damages to offset any lost revenue. The WMS Agreement is for a 5-year period commencing at the date that the turbines come into service at a cost of \$32,500 per turbine per year. As at March 31, 2008, the total remaining commitment to Vestas under, the WMS Agreement, was \$4.88 million (December 31, 2007 - \$5.17 million). The WMS Agreement will transfer to the Purchaser of the shares of Kettles Hill.

In April 2006, Kettles Hill signed a contract for the sale of 30 GWh of renewable energy certificates to Baseline Emissions Management Inc. (“Baseline”). The revenue generated from this contract will be recognized on an annual basis within forty-five days after the end of each calendar year, upon an executed transfer of title of the renewable energy certificates by Kettles Hill to Baseline. A total of \$74,182 was recorded as revenue in the first quarter of 2008 for the sale of these 2007 credits (2007 - \$48,318 for 2006 credits). Additionally in June 2006, Kettles Hill entered into an agreement with the federal government for the sale of 46,000 tonnes of emissions reductions from the 2007 production at a price of \$7.97 per tonne of CO² equivalent. In January 2008, Kettles Hill entered into an agreement with Carbon Reduction Fund for the sale of 6,443 MWh equivalent of Emissions Offsets. Credits sold from production in 2007 totaled 122,111 MWh. Subsequent to the year end; Kettles Hill sold the remaining un-contracted production of 11,045 MWh to Baseline Emissions Management Inc. These contracts will transfer to the Purchaser of the shares of Kettles Hill.

10. Partnership Units

As at March 31, 2008 and December 31, 2007, the Partnership has 4.00 million units outstanding. The Partnership may issue an unlimited number of voting units.

11. Economic Dependence

For the three months ended March 31, 2008, the Partnership was dependent on Alberta Electric System Operator for 100% of its revenue from electricity sales.

12. Financial Instruments

At March 31, 2008, the carrying amount of cash, cash held in escrow, accounts receivable, accounts payable, accrued liabilities and due to/from related parties approximates fair value due to their short-term nature.

See Note 6 for the fair value of the subordinated notes payable to CPIF of \$35.90 million and \$900,000 to CWDLP.

Credit Risk

All accounts receivable are considered current and due from investment grade utility companies when it sells its electricity and receives its ERPI from the Government of Canada. All electricity produced at Kettles Hill is sold to the Alberta Electrical System Operator at the prevailing Alberta Power Pool price at the time of delivery.

Interest Rate

The Partnership is not exposed to interest rate risk on its debt facilities as they are based on fixed interest rates and not affected by interest rate changes.

Liquidity Risk

The force with which the wind will blow at Kettles Hill will vary, weather patterns could change or the historical data could prove not to accurately reflect the strength and consistency of the wind in the future and have an adverse impact on the Partnership's overall liquidity. The Partnership intends to sell to the Purchaser or have the Purchaser assume all of the debts of Kettles Hill as part of the sale transaction.

13. Capital Disclosure

The Partnership's capital structure is made up of equity and debt. The Company's objectives when managing its capital structure are to:

- maintain financial strength and flexibility to support stable distributions to unitholders and profitable growth in the windpower business;

On November 15, 2007 the assets and liabilities of the Partnership and Kettles Hill were classified or held for sale when the Partnership announced it had reached agreement with the other shareholders of Kettles Hill to facilitate the sale process and its advisors began actively soliciting interest from potential third party purchasers. The objective of managing the capital structure changed following this as the main objective of the Partnership following this was to provide liquidity to unitholders. On March 26, 2008, the Partnership announced it had entered into a Purchase Agreement with Enmax to sell all of the shares of Kettles Hill to Enmax. Enmax will also purchase the outstanding subordinated notes issued by Kettles Hill and all interest on such notes. As soon as practical after completion of the sale of Kettles Hill the Partnership's net assets will be distributed to the limited partners on a pro-rata basis.

Creststreet Kettles Hill Windpower General Partner Limited

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Pivotal Capital Advisory Group Ltd.

John P. A. Budreski
Independent Businessman

David P. Smith
Managing Partner
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Robert J. Toole
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