

## The Consumers' Waterheater Income Fund Reports Results for the Third Quarter of 2010

### EBITDA Increases 38%, Rental Attrition Drops by 25% Compared to 2009

TORONTO, ONTARIO -- (MARKET WIRE) -- 11/08/10 -- The Consumers' Waterheater Income Fund ("Fund") (TSX: CWI.UN) today reported its financial results for the third quarter ended September 30, 2010.

"We are very pleased with the solid improvement in the Fund's financial results for the third quarter. A significant drop in attrition in our Rentals business occurred after our sustained customer communications and marketing programs," said John Macdonald, President and CEO. "In sub-metering, the completion of the acquisition of Enbridge Electric Connections Inc. has more than doubled our number of billing units and strengthened our capabilities in this market. This acquisition, combined with the publication of very favourable new sub-metering regulations, will allow us to accelerate the growth of our sub-metering business. We are confident about the Fund's outlook and look forward to reaching the next milestone of converting to a corporate structure and launching a new brand name that reflects our growing lines of business."

Consolidated Financial Highlights (Cdn. \$000s)	Three months ended		Nine months ended	
	Sept. 30, 2010	2009	Sept. 30, 2010	2009
Total revenues	\$ 49,676	\$ 46,121	\$ 150,249	\$ 143,519
Earnings before interest, tax and amortization (EBITDA)(1)	33,222	24,023	103,921	94,028
Adjusted EBITDA(1)	38,978	38,421	120,588	116,941
Net earnings	1,296	(6,004)	3,575	5,819
Operating Cash Flow(1)	30,733	29,481	93,746	92,099
Cash flow from operating activities	36,651	32,639	93,112	99,726
Capital expenditures (excluding acquisitions and Sub-metering)	(16,532)	(18,064)	(51,911)	(53,949)
Distributable Cash(2)	15,369	12,409	44,764	40,779
Distributions declared	\$ (8,867)	\$ (13,322)	\$ (25,194)	\$ (45,265)

Payout Ratio(2)	57.7%	107.4%	56.3%	111.0%
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## Financial and Operating Highlights

- Attrition decreased to 1.8% in the third quarter of 2010 from 2.3% in the third quarter of 2009, a decrease of approximately 25% in part due to customer communications and marketing programs delivered by the Fund and Direct Energy Marketing Limited ("Direct Energy"). This trend accelerated in October with attrition falling by more than 35% compared to October 2009.
- With the acquisition of Enbridge Electric Connections Inc. (now EnerCare Connections Inc.) on October 1, 2010 the Fund more than doubled the number of billing units in its sub-metering portfolio.
- Total revenues of \$49.7 million increased by 8% over the third quarter of 2009.
- EBITDA(1) increased by 38% to \$33.2 million and Adjusted EBITDA(1) increased by 1% to \$39.0 million. Distributable Cash increased by 24% and the Payout Ratio(2) improved to 58% compared to 107% in the third quarter of 2009.

## Third Quarter 2010 Financial Results

Attrition decreased by approximately 25% from 2.3% of the portfolio in the third quarter of 2009 to 1.8% in the third quarter of 2010. The total asset portfolio declined by 1.0% in the third quarter of 2010 compared to a decline of 1.7% in the third quarter of 2009.

Total revenues of \$49.7 million in the third quarter of 2010 increased by \$3.6 million or 8% compared to the same period in 2009. Rentals revenues increased by \$3.2 million to \$47.0 million due primarily to higher rental rates. Sub-metering revenues were \$2.6 million during the third quarter of 2010, an increase of approximately \$0.3 million compared to the 2009 third quarter due to a modest increase in billing accounts and related commodity revenues.

Adjusted EBITDA increased by \$0.6 million during the third quarter of 2010 to \$39.0 million. Most of the improvement in Adjusted EBITDA was driven by higher revenues from the Rentals business. EBITDA of \$33.2 million for the third quarter of 2010 improved by \$9.2 million over the comparable period in 2009 due to increased revenue and a reduction in loss on disposal of Rentals assets.

Cost of sales and SG&A expenses for the Rentals business and the corporate segment totalled \$7.4 million during the third quarter of 2010, an increase of approximately \$2.9 million over the same period in 2009. The increase primarily relates to approximately \$0.9 million increased marketing programs supplementing Direct Energy's marketing and customer communications programs, claims expense of \$0.9 million, compensation of \$0.8 million related to increased employee counts and employee severance and \$0.5 million in greater collection provisions and related costs.

Sub-metering cost of sales and SG&A expenses of \$3.2 million in the third quarter of 2010 was similar to the same period in 2009. Year to date reductions of \$1.7 million to \$9.7 million in 2010 over 2009 primarily reflect lower costs of approximately \$0.7 million in commodity charges and \$0.7 million in bad debts.

Interest expense payable in cash increased by \$0.4 million to \$9.4 million in the three months ending September 30, 2010 over the same period in 2009 primarily due to interest cost on the Fund's convertible debentures.

Net earnings of \$1.3 million increased by approximately \$7.3 million over the third quarter of 2009. Reductions in losses on disposal, amortization and impairment charges were the main contributors to the net earnings improvement.

The Payout Ratio, after capital expenditures (excluding acquisitions and Sub-metering capital investment) was approximately 58% for the third quarter of 2010 compared to 107% for the same period in 2009. In 2010, the Payout Ratios improved as a result of the reduction in distributions announced in September 2009 and increased Distributable Cash due to improved margins, offset by the additional Fund units issued in June 2010.

On October 1, 2010, a wholly-owned subsidiary of the Fund completed the acquisition of all of the outstanding shares of Enbridge Electric Connections Inc. ("EECI") for approximately \$23.2 million in cash, subject to a potential adjustment based on working capital at close. EECI is principally engaged in the provision of equipment and services under long-term contracts with customers to allow sub-metering and remote measurement of electricity and water in multi-unit condominium complexes and apartment buildings in Ontario. With approximately 30,000 billing customers, EECI's business is complementary to the Fund's existing sub-metering business conducted through Stratacon Inc. ("Stratacon"). EECI's customer base is predominantly in the new and retro-fit condominium market segments, while Stratacon's core market focus is in the retro-fit rental apartment sector. The transaction approximately doubles the Fund's sub-metering business by combining the two largest non-utility sub-metering businesses in Canada. Enbridge Electric Connections Inc. has changed its name to EnerCare Connections Inc.

The Fund is integrating its sub-metering businesses, with full consolidation and impact on expenses expected by mid-2011.

## Outlook

### Continued Effort in Reducing Rental Attrition

While the Fund is pleased to see continued progress in attrition levels, we will continue to counter customer loss aggressively. In the third quarter, the Fund resumed a heavy radio and newspaper media campaign that will continue into the fourth quarter. The print media campaign has been expanded to be longer in duration than previous campaigns and now extends to non-English publications.

### Introduction of a Venting Rental Program

Since the inception of a regulatory change on plastic venting (S636 standard), customers have been required to upgrade their venting system upon replacement of their power vented water heater. Recently, the Fund, in conjunction with Direct Energy, introduced a "venting rental program" whereby for a monthly rental charge the customer can elect to rent their new venting as opposed to paying for the upgrade upfront.

The Fund believes this program supports greater customer satisfaction and potentially retention.

### Favourable Sub-metering Regulations Published

The Energy Consumer Protection Act, 2010 and related regulations (the "Legislation") come into force on January 1, 2011, which we believe is the final hurdle to allow Ontario's landlords to take full advantage of this important energy conservation tool. The recently announced regulations are very favourable to sub-metering and provide the clarity required to allow owners and tenants to make informed decisions.

The Legislation comes at a time of heightened concern about energy conservation and rising energy costs. Implementing sub-metering allows residents to manage their electricity consumption and helps landlords control their costs. With electricity rate increases implemented and announced in Ontario of 26% and electricity consumption reductions of between 20-35% available through sub-metering, the value of sub-metering has never been more apparent.

The Fund's sub-metering subsidiaries, Stratacon and EnerCare Connections Inc., will be reaching out to clients and prospects in the fourth quarter to promote the benefits of sub-metering and explain the Legislation with the goal of re-establishing sales momentum in this market.

During the third quarter, the Fund entered into a sub-metering agreement in respect of a newly acquired property with O'Shanter Developments, a large Toronto based landlord with a strong record on energy efficiency and conservation in its multi-residential rental portfolio. Following the acquisition of this rental property, O'Shanter made sub-metering one its first priorities.

#### Conversion to a Corporation

On October 12, 2010, the Fund approved the planned conversion of the Fund from an income trust to a dividend-paying corporation (the "Conversion") on a tax free "roll-over" basis for Canadian federal income tax purposes, effective January 1, 2011. In conjunction with the Conversion, the Fund will change its business name and branding; the name of the successor corporation to the Fund will be EnerCare Inc. ("EnerCare"). If the Conversion is approved, it is expected that EnerCare will maintain the Fund's current distribution level of \$0.648 per share annually as monthly dividends of \$0.054 per share. The dividend level is intended to allow for internally generated cash flow to support organic growth, maintain a strong balance sheet and provide sustainable monthly dividends to shareholders. However, the amount of any dividends payable by EnerCare will be at the discretion of its board of directors and will be evaluated periodically and may be revised depending on, among other factors, EnerCare's earnings, the financial requirements of EnerCare's operations, the satisfaction of solvency tests imposed by corporate law for the declaration and payment of dividends and other conditions that may exist from time to time.

The dividend level of \$0.648 per share annually represents \$0.47 of after-tax income per share for taxable Canadian retail investors (assuming the current marginal tax rate in Ontario), versus the \$0.36 after-tax equivalent income under the income trust structure, an approximate 30% increase in the after-tax income per share for such investors.

The Fund estimates that EnerCare will pay approximately \$6 million to \$8.5 million in cash taxes for the fiscal year ended December 31, 2011. This estimate is based on taxable income comparable to current levels, shielded by unrestricted tax losses in the Rental and Sub-metering businesses and a corporate tax rate of 28.25%. Taxable income is principally impacted by changes in revenue, operating expenses, appropriate tax planning and capital expenditures through the capital cost allowance deduction. No assurance can be given, however, that this estimate will reflect actual cash taxes payable by EnerCare in 2011.

#### Rebranding

The "Consumers' Waterheater" brand was appropriate when the Fund was created and clearly communicated to the market the nature of our business. The acquisition of direct customers and introduction of new products other than water heaters coupled with our move into sub-metering have added new dimensions to our business. We have become more "consumer facing" and now have many thousands of direct customer relationships and interactions.

On January 1, 2011, we will adopt the EnerCare brand. EnerCare eloquently portrays the nature of our current as well as anticipated offerings to all stakeholders: customers, investors and employees. We expect that the EnerCare brand will:

- enhance sales and marketing performance for customer acquisition and retention;
- paint a clearer picture of the nature of our business and future opportunities to investors; and
- increase employee engagement.

#### Financial Statements and Management's Discussion and Analysis ("MD&A")

The Fund's financial statements and MD&A for the third quarter of 2010 are available on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Fund's investor relations website at [www.cwif.ca](http://www.cwif.ca).

## Conference Call and Webcast

Management will host a conference call and live audio webcast to discuss the Fund's performance for the third quarter of 2010 on Monday, November 8, 2010 at 10:00 a.m. (ET). Messrs. John Macdonald, President and CEO and Chris Cawston, CFO, will be on the call.

The call can be accessed as follows:

Toll free: 1.800.814.4859

Local: 416.644.3414

Webcast: [www.cwif.ca](http://www.cwif.ca)

The audio webcast will be archived at [www.cwif.ca](http://www.cwif.ca). A taped rebroadcast will be available until midnight on November 15, 2010. The rebroadcast can be accessed by dialing 1.877.289.8525 or 416.640.1917 and entering the pass code 4365366#.

## About The Consumers' Waterheater Income Fund

The Fund owns a portfolio of approximately 1.3 million installed water heaters and other assets, rented primarily to residential customers in Ontario. The Fund also owns Stratacon Inc. and EnerCare Connections Inc., leading sub-metering companies, with metering contracts for condominium and apartment suites in Ontario, Alberta and elsewhere in Canada.

Additional information regarding the Fund, including its current Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com). Additional information on the sub-metering businesses is available at [www.stratacon.ca](http://www.stratacon.ca) and at [www.enercareconnections.com](http://www.enercareconnections.com).

## Forward-looking Information

Certain statements in this news release are forward-looking statements, which reflect management's expectation regarding the Fund's growth, results of operations, performance, business prospects and opportunities. The words "will", "should", "expects", "believes", "intends", "estimates" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words. Such forward-looking information reflects management's current beliefs and is based on information available to them and/or assumptions management believes are reasonable. Many factors could cause results to differ materially from the results discussed in the forward-looking information. Although the forward-looking information is based on what management believes to be reasonable assumptions, the Fund cannot assure investors that actual results will be consistent with this forward-looking information. All forward-looking information in this news release is made as of the date of this news release. Except as required by applicable securities laws, the Fund does not intend and does not assume any obligation to update or revise the forward-looking information, whether as a result of new information, future events or otherwise. In addition to the statements included under "Outlook" in this news release regarding certain risks and uncertainties relating to certain specific forward-looking information contained herein, a thorough discussion in respect of the material risks relating to the business and structure of the Fund can be found in the Fund's current annual information form and management's discussion and analysis, which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

(1) EBITDA, Adjusted EBITDA and Operating Cash Flow are non-GAAP measures, do not have standardized meanings prescribed by GAAP and may not be comparable to similar terms and measures presented by other issuers. EBITDA comprises net earnings plus income taxes, interest expenses and amortization expense, less interest income. Adjusted EBITDA comprises EBITDA excluding the non-cash loss on disposal of equipment. Operating Cash Flow comprises net earnings adjusted for non-cash credits and charges, and is equal to cash flow from operating activities excluding changes in non-cash working capital.

(2) Distributable Cash and Payout Ratio are non-GAAP measures, do not have standardized meanings prescribed by GAAP and may not be comparable to similar terms and measures presented by other issuers. The Fund believes that Distributable Cash and Payout Ratio as cash flow measures are useful supplemental measures that help readers evaluate the ability of the Fund to generate cash that could be, and is, used for distributions and provides an indication of the amount of cash available for distribution and paid to the Fund's Unitholders. Investors are cautioned, however, that Distributable Cash is not meant to be an alternative to using cash flows from operating, investing and financing activities measures of the Fund's liquidity and cash flows.

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