

**For immediate release**

## **The Consumers' Waterheater Income Fund Reports 2009 Results**

**TORONTO – March 1, 2010** – The Consumers' Waterheater Income Fund ("Fund") (TSX: CWI.UN) today reported its financial results for the fourth quarter and year-ended December 31, 2009.

"The Fund faced competitive and economic challenges in 2009. We have responded, and are in a better position to overcome them in 2010 and beyond," said John Macdonald, President and CEO.

In the Rentals business, the Fund and Direct Energy Marketing Limited ("DE") launched a series of marketing and customer communications initiatives in 2009. We have seen improvement in attrition levels since the second quarter of 2009. We will increase our efforts to aggressively combat attrition in 2010.

Our \$240 million debt issue earlier this month completes the successful refinancing of all of our long-term debt.

Our Sub-metering business faced significant regulatory change in 2009. We launched a re-start program in Ontario, and have made good progress with landlords to launch the program and begin obtaining re-consents from apartment residents who prefer to be sub-metered."

### **2009 Highlights**

<b>Consolidated Financial Highlights</b>	<b>3 months ended Dec. 31,</b>		<b>12 months ended Dec. 31,</b>	
(in thousands of dollars)	<b>2009</b>	2008	<b>2009</b>	2008
Total revenues	<b>\$ 44,727</b>	\$ 46,517	<b>\$ 188,246</b>	\$ 180,523
(Loss)/earnings before tax	<b>(12,281)</b>	2,179	<b>(30,621)</b>	17,413
Income tax recovery	<b>(28,065)</b>	(1,900)	<b>(52,224)</b>	(2,101)
Net earnings	<b>15,784</b>	4,079	<b>21,603</b>	19,514
EBITDA <sup>1</sup>	<b>26,226</b>	35,560	<b>120,254</b>	146,484
Adjusted EBITDA <sup>1</sup>	<b>36,418</b>	39,356	<b>153,359</b>	158,061
Operating cash flow <sup>1</sup>	<b>27,450</b>	33,128	<b>119,549</b>	134,448
Cash flow from operating activities <sup>1</sup>	<b>26,922</b>	35,183	<b>126,648</b>	128,708
Distributable Cash <sup>2</sup>	<b>\$ 9,285</b>	\$ 15,328	<b>\$ 50,064</b>	\$ 69,230
Payout Ratio <sup>2</sup>	<b>86%</b>	104%	<b>106%</b>	92%

The following highlights compare 2009 results with 2008.

- Revenues increased by 4% or \$7.7 million, to \$188.2 million, due mainly to including a full year's revenue from Sub-metering in 2009.
- Net earnings increased by \$2.1 million to \$21.6 million.
- EBITDA declined by \$26.2 million or 18% to \$120.3 million in 2009. EBITDA was impacted in 2009 by a \$14.0 million increase in the loss on disposal of Rentals assets and an asset impairment charge of \$7.5 million for Sub-metering, both of which are non-cash charges and excluded from Adjusted EBITDA. Adjusted EBITDA decreased by 3% or \$4.7 million to \$153.4 million.
- The Rentals portfolio declined by 6.2% in 2009. Terminations in the Sub-metering business increased total terminations and buyouts ("attrition") in 2009 by 0.4%. Attrition of 8.0% in the

Rentals business in 2009 increased significantly from 3.2% in 2008 due to intense competition. The Fund and DE launched a series of customer communications and marketing programs in 2009 to defend the customer base. Attrition dropped sequentially in both the third and fourth quarters of 2009.

- Substantial progress is being made with our Sub-metering re-start program. Landlords representing 84% of our approximately 4,000 billable apartment suite tenants have agreed to begin or have begun the re-consent process. At December 31, 2009, more than 40% of those customers had re-consented for sub-metering. Management has assessed situations where landlords do not wish to proceed and has recorded an impairment charge.
- The Payout Ratio for 2009 increased to 106% from 92%. Distributions declared were reduced from \$0.1075 to \$0.054 per Unit in September 2009 and were maintained at that level for the balance of the year. In the fourth quarter of 2009, the Payout Ratio was 86%, reflecting a full quarter of the lower distributions.

### **Financial Results for 2009**

Total revenues of \$188.2 million for 2009 increased by \$7.7 million or 4% compared to 2008. Rentals revenues increased slightly due to the higher rental rates offset by the impact of attrition, which was 8% in 2009. Sub-metering revenues were \$10.3 million in 2009, of which \$6.2 million were commodity charges billed to customers at cost. Sub-metering revenues included five months of operations in 2008, which included \$1.9 million of commodity charges. Investment income declined significantly, primarily due to lower interest rates.

The decline of \$26.2 million in EBITDA in 2009 from 2008 consists primarily of increases of \$14.0 million in loss on disposal of equipment and \$7.5 million of impairment charges related to the Sub-metering business. Adjusted EBITDA declined by \$4.7 million in 2009, reflecting the impact of higher revenues and cost of sales and G&A, and the full year of Sub-metering operating results. EBITDA and Adjusted EBITDA reflect Sub-metering results since the third quarter of 2008.

Net earnings improved by 11% to \$21.6 million in 2009, largely due to tax recoveries which offset a decline in earnings before tax. Future provincial tax rate changes enacted in December 2009 added approximately \$22.0 million to the total tax recovery of \$52.2 million, the balance of which relates to reversal of temporary differences and tax recoveries of losses created within the Fund. Earnings before tax were negatively impacted by increased costs of approximately \$14.0 million for loss on disposal of equipment, \$12.0 million interest expense, \$9.0 million amortization and \$7.5 million impairment charges, and \$2.7 million higher operating losses in the Sub-metering business.

Cash flow from operating activities declined by \$2.1 million in 2009, primarily as a result of increased interest expense and cost of sales and G&A offset by changes in interest payable and working capital related to the addition of Stratacon in 2008.

Distributable Cash declined by \$19.2 million to \$50.1 million and the Payout Ratio increased by 14% in 2009, primarily as a result of increased interest expense, cost of sales and G&A and capital expenditures. The fourth quarter Payout Ratio was 86% due in part to the reduction of distributions as of September 2009.

### **Financial Results for the Fourth Quarter of 2009**

Total revenue of \$44.7 million in the fourth quarter of 2009 decreased by \$1.8 million or 4% compared with 2008. The revenue for the period was impacted by the attrition throughout 2009. The number of Rentals assets was approximately 80,000 units lower than in the fourth quarter of 2008.

Earnings before income taxes in the fourth quarter of 2009 were \$14.5 million below the comparable period in 2008. Net earnings increased by \$11.7 million in the fourth quarter of 2009 compared with the same period in 2008, primarily as a result of the favourable impact of lower provincial tax rates in future years.

Cost of sales and G&A expenses increased by \$1.2 million over the fourth quarter of 2008 to \$8.3 million. Sub-metering costs were \$0.3 million lower in 2009, due primarily to lower commodity pass-through charges. Rentals and Corporate costs increased by approximately \$0.5 million related to advertising costs, claims of \$0.5 million (primarily due to higher average costs per incident) and higher professional fees of \$0.5 million.

During the fourth quarter of 2009, approximately 45,000 units were removed and exchanged, representing an increase of 11,000 units due to attrition and 2,000 fewer exchanged units over the same period in 2008. Removals were higher during the comparable period due mainly to competitor activities. The increase in removals caused approximately 25% of the \$2.3 million increased loss on disposal of equipment when compared to 2008. The remaining impact is a result of the reduction in age of the units when removed or replaced.

### **Financial Statements and MD&A**

The Fund's financial statements and management's discussion and analysis for 2009 are available at [www.sedar.com](http://www.sedar.com) or on the Fund's investor relations website at: [ww.consumerswaterheaters.com](http://ww.consumerswaterheaters.com).

### **Conference Call and Webcast**

Management will host a conference call and live audio webcast to discuss the Fund's performance for the fourth quarter and year-end 2009 on **Monday, March 1, 2010 at 10:00 a.m. (ET)**. John Macdonald, President & CEO and Steve Bower, CFO, will be on the call.

Call can be accessed as follows:

Toll free:	+1.877.974.0445
Local:	+1.416.644.3415
Joining by webcast:	<a href="http://www.consumerswaterheaters.com">www.consumerswaterheaters.com</a>

The audio webcast will be archived at [www.consumerswaterheaters.com](http://www.consumerswaterheaters.com). A taped rebroadcast will be available until midnight on March 8, 2010. The rebroadcast can be accessed by dialing +1.877.289.8525 or +1.416.640.1917 and entering the pass code 4211867#.

### **About The Consumers' Waterheater Income Fund**

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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., a leading "smart" sub-metering business, 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 business is available at [www.stratacon.ca](http://www.stratacon.ca).

**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. 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 press release is made as of the date of this press release. Except as required by applicable securities laws, the Fund does not intend and does not assume an obligation to update or revise the forward-looking information, whether as a result of new information, future events or otherwise.*

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<sup>1</sup> 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 and charges for impaired assets. 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.

<sup>2</sup> 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.