ONTARIO CLEAN WATER AGENCY
AGENCE ONTARIENNE DES EAUX

THE ONTARIO CLEAN WATER AGENCY
2012 ANNUAL REPORT

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Annual Report 2012

Vision

A trusted world leader in water.

Mission

To demonstrate service excellence through the delivery of safe, reliable and cost-effective clean water.

Values

OCWA's values are focused on building TRUST with clients and other stakeholders. We strive to gain their trust by being:

Transparent

Open and honest communication of our business activities.

Respectful

Build sound relationships with our staff, clients, and other stakeholders, by embracing diversity, acting responsibly and doing what is right.

Understanding

Confidence in the knowledge and ability of our people to meet the challenges of the water and wastewater industry. Continuously learn current trends and innovative technologies and/or processes in our industry.

Safe

Deliver clean water services to protect our employees, the communities we serve, and the environment.

Teamwork

Work together, share our collective expertise and be innovative in delivering exceptional results and achieving our mission.

Contents

Message from the Chair, Michael Garrett

2012 was a milestone year for the Ontario Clean Water Agency (OCWA), one in which the Agency continued to demonstrate its leadership in the water and wastewater industry. This past year we focused on growing our business through new sales and developing strategic partnerships with stakeholders in Ontario and around the globe to support new technologies and facilitate innovation. We also began the process of upgrading our IT tools and refining our business processes to increase efficiency and position us for future growth and expansion.

One of the most significant achievements of the last year was the signing of two contracts to operate large water systems in southwestern Ontario. One contract was for the operation of the Lake Huron and Elgin Area Primary Water Supply Systems, which provide clean water to more than 500,000 people in 14 communities. The other was a landmark, 20-year agreement for the operation of the Lambton Area Water Supply System (LAWSS), which serves more than 100,000 residents. Combined, these contracts represent approximately $10.25M in additional annual revenue, which, when combined with revenue from contracts successfully renewed in 2012, positions the Agency well for the future.

The Agency continued to expand its geographic scope and influence this past year by establishing formal relationships with organizations whose expertise complements OCWA's core business of operations and maintenance. These partners, such as Mekorot, Israel's national water company, and US-based Global Water Resources, are helping to enhance OCWA's reputation in North America and around the world. You will read more about these exciting partnerships in the following pages.

We also worked to enhance the Agency's operational tools and IT systems through the implementation of the OCWA Tools Evolution Program (OTEP). This program, which the Board continues to actively monitor and support, will help to ensure the Agency's long-term sustainability by increasing OCWA's competitiveness and ability to provide superior service to our clients. It will also enable us to pursue future business opportunities such as energy management.

In addition to the business priorities outlined above, OCWA continued to strengthen its corporate governance practices in 2012. Based on the recommendations included in the Report of the Commission on the Reform of Ontario's Public Services, also known as the Drummond report, OCWA has been working with the Ministry of the Environment to further enhance our governance structure.

On behalf of the Board, I would like to recognize Jane Pagel, the Agency's President and Chief Executive Officer, and her Executive Management Team for their exemplary leadership and support as we work together to fulfill the Agency's mandate. We also offer our most sincere thanks to OCWA's dedicated and knowledgeable employees across the province, who work to ensure our clients and the people they represent have access to safe, clean drinking water and efficient, responsible wastewater services. Working together, we will make sure that OCWA becomes even more trusted and successful.

Michael Garrett

Message from the President & CEO, Jane Pagel

OCWA has had a really exciting year in 2012 and I'm pleased to share some of the highlights with you in our annual report. We continued to build upon our positive momentum in 2012, successfully accomplishing the majority of our business plan objectives and making sustained progress toward achieving our vision and long-term goals. We have restructured the agency and realigned our Executive Management Team to strengthen our focus on achieving our strategic priorities and building upon our operational strengths. I am confident that with this reinvigorated team in place we will achieve our vision - to be a trusted world leader in water.

One of our greatest achievements this year is our safety record: OCWA had only one Lost Time Injury in 2012, compared to 9 in 2011. Keeping our people safe and healthy is fundamental for the Agency, particularly given the unique and sometimes challenging work environments for front-line staff. We continue to work diligently to promote our safety-first culture to our staff and everyone that we work with. It's so important that it's the first topic at almost every staff meeting. I'm extremely proud that OCWA has joined a number of prominent safety-conscious Canadian organizations this year by signing the Senior Executive Health and Safety Leadership Charter, a national initiative which demonstrates the Executive Management Team's commitment to the health and safety of OCWA employees.

2012 was a successful year for OCWA from a financial perspective as well. Our revenue from operations this past year surpassed the $150 million plateau for the first time in our history. In addition, we were successful in retaining 94.7% of the contracts up for renewal in 2012. As our Chair, Michael Garrett, mentioned, we were successful in winning two sizable, long-term operating contracts in southwestern Ontario with a combined lifetime value of more than $110 million.

As part of our commitment to support the Province of Ontario's goal to become a North American leader in developing water technologies, we made our expertise available globally this past year and connected our clients with innovative new companies and technologies. We piloted or demonstrated a number of new technologies or processes at our facilities in 2012 and continued to cultivate strategic partnerships in the global water community. You can read about a few of these collaborative projects in the pages that follow. In December, we hosted our second annual Technology Showcase. The event, which introduced key decision makers to companies with new or innovative technologies, was a tremendous success, with double the number of attendees and exhibitors that attended in 2011.

Looking ahead, we remain committed to continuing to expand our service offerings, drive long-term growth and deliver on our mission to demonstrate service excellence through the delivery of safe, reliable and cost-effective clean water services. As part of this commitment, we continue to revitalize our business processes, information technology systems and operational tools to further enhance our operational capabilities. As a strong supporter of the communities where our employees live and work, we continue to contribute through sponsorships, volunteerism and other Corporate Social Responsibility initiatives.

My personal thanks to all of our employees for the pride they take in serving our clients, for their swift, expert response to emergency situations when they arise and for their generous community involvement. Thanks, also, to our Board of Directors for their valued guidance and insight in overseeing our business. Finally, thanks, of course, to our clients throughout the province for continuing to place their trust in OCWA. We take this responsibility very seriously and will continue to strive to exceed your expectations in the years ahead.

Jane Pagel

Jane Pagel

OCWA – A Leader in Water

221
Clients Served

$150 million
Total Operating Revenue

363,000,000 m^3
Volume of wastewater treated

$111 million
Total value of long term contracts signed in 2012 (for London & LAWSS)

44,109
Employee Training Hours

759
Employees Across Ontario

317,000,000 m^3
Volume of drinking water treated

788
Facilities operated

50,000
Visitors to our website

Corporate Profile

The Ontario Clean Water Agency (OCWA) was estalished under the Capital Investment Plan Act, 1993 (CIPA) as a Crown corporation with a mandate to provide safe, reliable and environmentally responsible water, wastewater and related services to our clients.

OCWA is the largest provider of its kind in Ontario, providing operations and maintenance services for more than 200 clients, including municipalities, First Nations communities and private sector companies and institutions. We operate more than 780 water and wastewater treatment facilities, ranging from the smallest wells and pumping stations to the largest urban water and wastewater systems.

In addition to operations and maintenance, which is our core business, we offer our clients a broad array of related functions, including engineering and other technical and advisory services. In everything we do, we are steadfastly committed to implementing innovative technologies, processes and solutions aimed at improving operational efficiencies and reliability.

We deliver our services through a hub/satellite structure as part of our approach to ensuring cost-effective operations, which helps facilitate the efficient sharing of management, administration and operational systems to benefit our clients.

Given the nature of our work and mandate, the protection of public health and safety is our top priority. The Agency's specially-equipped and highly-trained emergency response teams are on 24-hour standby to provide immediate response to water or wastewater emergencies throughout Ontario, providing an essential resource to the Province.

Belleville Wastewater Treatment Plant

Corporate Governance

OCWA's governance structure, powers and responsibilities are set out in CIPA and we are accountable to the Legislature through the Minister of the Environment. A Memorandum of Understanding (MOU) with the Ministry of the Environment (MOE) further clarifies the Agency's roles and duties.

OCWA is governed by a Board of Directors who are appointed by the Lieutenant-Governor-in-Council on the recommendation of the Minister. The Board, which is accountable to the Provincial Legislature through the Minister, follows best practices in corporate governance and adheres to a Board Code of Conduct. The Board is responsible for setting the Agency's strategic direction, monitoring overall performance and ensuring appropriate systems and controls are in place in accordance with the Agency's governing documents.

To help fulfill its corporate governance mandate and oversight responsibilities, the Board has established several key committees, including the Audit and Finance Committee, the Compliance and Operational Risk Management Committee, the Governance and Nominating Committee and an OTEP Task Force. Quarterly Board and Committee meetings are complemented by at least one annual strategic planning session.

Effectively managing risk is integral to our business, which is why we have established a comprehensive Enterprise Risk Management Program (ERMP) that is aligned with the requirements set forth in the Ontario Public Service (OPS) Agency Establishment & Accountability Directive. The ERMP plays a vital role in helping the Agency's various business areas identify, evaluate, mitigate, monitor and report on key risks, which are regularly reviewed by our Executive Management Team (EMT) and reported to the Board. The Agency also undertakes an annual review of risk management strategies and controls, which are approved by our Board along with our ERM policy.

We strive to manage our operations in a manner that is fair, ethical, transparent and which provides the best overall value for our various stakeholders. We pursue and implement governance best practices at all levels of the organization as part of our continuing mission to enhance transparency and accountability to our clients, the government and the citizens of Ontario.

Accountability

OCWA:

- Meets MOE, Medical Officer of Health and Ministry of Labour regulatory requirements;
- Provides facility reports for OCWA-operated municipal water and wastewater facilities;
- Generates a publicly available Annual Report approved by the Minister of the Environment and tabled in the Provincial Legislature;
- Produces a three-year Business Plan submitted annually to the Minister of the Environment for approval;
- Has annual financial audits conducted by the Office of the Auditor General and periodic Value for Money Audits;
- Provides accessibility to Agency records under the Freedom of Information and Protection of Privacy Act;
- Complies with Ontario Public Service directives including the Agency Establishment & Accountability Directive and the Public Sector Expense Review Act, 2009 that requires public disclosure of expenses, Public Sector Compensation Restraint to Protect Public Services Act, 2010, the Perquisites Directive and the Procurement Directive; and
- Utilizes an Enterprise Risk Management (ERM) system to identify and assess business and operational risks.

2012 Results and Key Achievements

Organizational Growth

Since our establishment in 1993, OCWA has been committed to earning and maintaining our clients' trust through operational excellence and the delivery of value added services. That commitment has enabled us to become a market leader in Ontario, with 75 per cent of the outsourced water and wastewater services market. We are always working to expand our market share by retaining our existing clients and attracting new ones. This past year has been very positive financially, as we were able to retain 94.7 per cent of our clients and increase our operations revenue by 6.9 per cent compared with the previous year. We also exceeded our revenue target by 6.7 per cent and, for the first time in our 19-year history, surpassed $150 million in annual revenue. Our consulting services also performed well, with Engineering Services exceeding its external revenue target by 12 per cent and the Training and Asset Management and Operational Support System (AMOSS) groups exceeding their external revenue targets by 18 per cent and 13 per cent respectively.

A major accomplishment for 2012 was the Agency's successful bids for two significant, long-term contracts. In January, following a lengthy and comprehensive competitive bidding process, the Agency was chosen as the preferred provider for a five-year, $35.1 million contract to operate the water treatment and transmission systems for the Lake Huron and the Elgin Area Primary Water Supply Systems. This contract entails the provision of drinking water to more than half a million residents in a total of 14 municipalities. Later in the year, the Agency was also named the preferred provider for a $76 million,'20-plus-5-years' contract to operate and manage the Lambton Area Water Supply System (LAWSS), which serves more than 100,000 customers in Lambton County.

Stratford Wastewater Treatment Plant

AMOSS

The Asset and Maintenance Management Group oversees OCWA's Asset and Maintenance Management program and Work Management System, which are standard business process and maintenance practices in use throughout the Agency. The group also supports the Computerized Maintenance Management Software (CMMS) system with a help desk service and training for CMMS users.

In 2012, the group inventoried more than 7000 assets (physical equipment) of new capital projects within the Regions of Peel, Waterloo, and Grand Valley. More than 5000 of those assets are located in the OCWA-operated South Peel facilities. The group also expanded their service offerings by hosting asset information and maintenance management programs for the Township of King.

The group is supporting the implementation of Reliability Centered Maintenance (RCM2) practices in partnership with the Region of Peel. The RCM2 project team was recognized for their achievements at the 2012 OCWAmarine Awards and also achieved a 2nd place award at the 2012 OPS Project Management Centre of Excellence (PMCoE) project management day awards.

This past year, the group hosted workshops to define the framework and requirements for the Agency's enhanced Asset and Maintenance Management System, which will be implemented in subsequent years. In anticipation of future technology upgrades, the group is also focusing on developing standards for OCWA's asset management and work management systems and re-evaluating their internal service delivery model. These activities are in alignment with OTEP and will enhance the sustainability of OCWA's Asset and Maintenance Management program.

OCWA South Peel Pilot - RCM2 Maintenance Strategy – International Project Day Award

From left: David Edwards, South Peel Executive Sponsor; **George Terry**, RCM2 Executive Sponsor Asset Management; **Bob Simpson**, Senior Project Manager OCWA Asset Management Operational Systems Support; **Mike Phillis** Senior Operations Manager G.E. Booth WWTP and Project Champion; **Neville Arnold**, CMMS Specialist OCWA South Peel Services; **Darko Kodric**, Senior Operations Manager OCWA South Peel Services Group and RCM2 Program Sponsor; **Matthew Wright**, RCM2 Team Lead & Maintenance Systems Specialist, OCWA Asset Management; **Daniel Rau**, RCM2 Maintenance System Specialist OCWA South Peel Services; **Jodie Churilla**, RCM2 Maintenance System Specialist OCWA South Peel Services; **Chris Biyanwila**, Operations Team Lead, Lorne Park WTP; **Nigel D'Souza**, Project Manager, OCWA Asset Management

Helping to improve water quality for the people of India

In November 2012, OCWA became a founding member of the Canada-India Training Consortium, a groundbreaking initiative established to provide state-of-the-art training to the water and wastewater sectors in India. The Consortium is undertaking a number of innovative and ambitious projects, including cleaning-up the Ganges River and creating the country's first Water Innovation Park. Part of a broader collaborative effort that includes Canadian Technology and Business Facilitators Inc., the Consortium is led by the Centre for Alternative Wastewater Treatment at Fleming College and also includes Northern College, Confederation College and Centennial College.

During his official trip to India in 2012, Canadian Prime Minister Stephen Harper made a point of recognizing and praising the Consortium's efforts to improve water quality for the people of India.

OCWA Tools Evolution Program (OTEP)

Having the right Information Technology tools and strategies in place is essential if we want to continue to be an industry compliance leader, particularly given the increasingly stringent water and wastewater regulatory environment. OTEP, which was established to support OCWA's objective of easily compiling pertinent operational data and making it available to our clients on demand, continued to make progress in 2012. Following the development of a detailed action plan, the Agency established a Project Management Office and conducted pilot studies for new Process Data Collection technology and handheld devices.

The Future in Water – Seeking Innovation and Collaboration

We are always looking to provide our clients with access to new and innovative services and that will enhance their operational effectiveness. One of the ways that we're doing this is by seeking out partners to explore how new and emerging technologies can be used in the facilities we operate to create efficiencies, reduce costs and positively impact the environment. Descriptions of some of our recent partnerships follow.

Aeration is an important part of the wastewater treatment process that requires a significant amount of energy when conventional systems are used. For the past three years, OCWA has been working with APG-Neuros to help optimize our clients' aeration systems by using high-speed turbo blowers in place of conventional blowers and fine bubble membrane systems instead of conventional aeration systems. The introduction of these systems has helped achieve energy savings of up to 50 per cent, along with reduced maintenance costs and lower greenhouse gas emissions.

The City of Kawartha Lakes, Fleming College (Centre for Alternative Wastewater Treatment) and OCWA have established an agreement to collaborate on water-related projects. As a result of the collaboration, the municipality can achieve its economic development goals relating to water, Fleming College can pursue its applied research objectives in water and wastewater and OCWA will help deliver useful new technologies to market.

As part of OCWA's goal to be a good corporate citizen and provide new technological options to our clients, we are conducting a groundbreaking pilot project in Killaloe, a small community in Eastern Ontario. As part of the project, we are collaborating with SanEcoTec, a firm that has developed a system which uses stabilized hydrogen peroxide to disinfect water, providing a viable alternative to chlorination. Hydrogen peroxide is more environmentally-friendly than chlorine, as it does not lead to the creation of trihalomethanes (THMs), potentially-harmful byproducts that can sometimes be produced when using chlorine.

OCWA also recently signed an MOU with M2 Renewables, Inc. to assess and validate their technologies in the treatment of municipal and select industrial wastewater. The company's process involves the removal of suspended solids in influent wastewater at the beginning of the treatment process, which increases plant efficiency and enables the conversion of waste product into a potential fuel for clean renewable energy.

Other examples of OCWA's collaboration in action in 2012 include our partnerships with Mekorot, Global Water Resources and Hydromantis.

Success Story – **Mekorot**

– Building relationships for international best practices and collaboration

L-R: Yossi Shechter, Manager – Northern District, Mekorot; Booky Oren, Chairman, Watec Israel; Jane Pagel, President & CEO, OCWA

THE OPPORTUNITY:

An international collaboration between Mekorot, Israel's national water company, and OCWA to share knowledge, best practices and future opportunities.

Mekorot has 70 years of experience and is one of the world's most technologically advanced water companies. The company is a world leader in desalination, water reclamation, water project engineering, water safety and water quality.

THE BENEFIT:

OCWA and Mekorot are committed to working together to continuously innovate and improve the level of service to their respective clients. Sharing knowledge and opportunities will be beneficial on both a domestic and international level.

THE OUTCOME:

OCWA and Mekorot have signed a letter of intent for cooperation. This long-term collaboration will enable the two organizations to partner in various areas, including international bid opportunities and exchange information on energy efficiency, automation, data management and analysis, water quality, emergency planning and event management protocols.

Success Story – **Global Water Resources**

– Working together for increased efficient operations

Global Water Resources wastewater treatment plant in Maricopa, Arizona

THE OPPORTUNITY:

OCWA and Global Water Resources are working together to provide existing and potential clients with an operating system (FATHOM™) that allows for more efficient and effective operations.

THE BENEFIT:

FATHOM™ is Global Water's proprietary utility operating system that provides real-time water consumption data to water utility customers. This information will enable users to make informed decisions about water use and will increase utility revenue while decreasing costs and enhancing water conservation efforts.

Offering FATHOM™ to our clients reflects OCWA's and the province's commitment under the Water Opportunities and Water Conservation Act and the Ontario Water Technology Acceleration Project to become a North American leader in developing water technologies and services.

THE OUTCOME:

An MOU has been established between OCWA and Global Water Resources to offer FATHOM™ to existing and prospective clients in Ontario and throughout Canada. Through FATHOM™, and under this MOU, OCWA will have the ability to provide an integrated suite of utility data management tools to its municipal clients to enhance their operational efficiency, to save money and to save water. The MOU represents Global Water FATHOM™'s first entry into the Canadian utility market and provides an opportunity to offer Smartgrid for Water to the 155 municipalities that OCWA currently serves.

Success Story – **Hydromantis**

– Creating opportunities for real time simulation

Hydromantis real-time simulator SimuWorks™ training session

THE OPPORTUNITY:

Hydromantis and OCWA are creating opportunities to enhance water and wastewater treatment plant operations and operator training through the use of leading-edge simulation-based technologies and services.

THE BENEFIT:

Applying wastewater treatment plant simulation technology provides OCWA staff with an unparalleled operator training environment. It also offers the ability to obtain forward-looking, actionable data to make decisions using links between real-time data from operator control systems and the simulation software.

As the largest provider of water and wastewater services in Ontario and the first company to commercialize wastewater simulation technology, together OCWA and Hydromantis provide a good opportunity to introduce auto-calibration and continuous simulation engines into treatment plant information systems across the Province.

THE OUTCOME:

Hydromantis and OCWA have entered into an MOU for real-time simulator integration with supervisory control and data acquisition systems (SCADA) based on Hydromantis flagship products, GPS-X™ and SimuWorks™ to support decision making and operational excellence.

2012 **Technology Showcase**

OCWA recognizes the importance of innovation and new technology in the water and wastewater industry. In December 2012, we hosted the second annual Technology Showcase in order to hear from experts within the industry, to engage technology companies and to showcase new and emerging products and services. More than 200 guests and exhibitors from 30 technology companies attended the event, twice the number that attended last year's event.

Key features of the showcase included presentations, panel discussions and three "pitch sessions" that gave technology companies the opportunity to present their products and services and receive feedback from a panel of industry professionals, municipal and financial representatives and OCWA operations staff.

Dr. Andrew Benedek, Executive Chairman and Chief Technology Officer for the Anaergia family of companies and founder of ZENON Environmental Inc., served as keynote speaker for the event. OCWA also received important support from our partners Natural Sciences and Engineering Research Council of Canada (NSERC), RBC, the Centre for Alternative Wastewater Treatment at Fleming College, Chrysalix Energy Venture Capital, XPV Capital Corporation and our media partner, Water Canada.

Feedback from the session was overwhelmingly positive, with attendees commenting that they felt the session was effective and informative.

"As Ontario aims to become the continent's water innovation leader by 2015, stakeholders need more solid opportunities to work together. The technology showcase is a fantastic opportunity for companies and municipalities to meet and get to know each other. OCWA is helping to build stronger relationships in a sector that is quickly moving forward."

– Kerry Freek, Water Canada

"We came to the meeting looking for exposure to the water community and access to early adopters for our platform. After our pitch, several interested companies visited our booth and we're having many subsequent conversations about moving forward."

– Ahmed Badruddin, WatrHub Inc.

"It was a good way to combine lessons from the past with opportunities for the future,"

– John Neate, Strategies for Change

Operational Highlights

Meeting Accreditation Requirements

The *Safe Drinking Water Act, 2002,* requires all municipal residential systems in Ontario to be licensed under the Municipal Drinking Water Licensing Program. OCWA is working to help our clients meet the requirements of the program. At the end of 2012, 146 OCWA-operated water facilities had submitted license applications and approximately 96.6% of OCWA-operated water facilities achieved Limited Scope Accreditation.

OCWA's Operations Challenge Teams

The Operations Challenge showcases the diverse skills required for the operation and maintenance of wastewater treatment facilities, their collection systems and laboratories. OCWA was well represented once again at the annual Water Environment Association of Ontario Operations Challenge. Two OCWA teams, the OCWA Jets and OCWA Flangetastic Four, competed in the event. The OCWA Jets took first place for the second consecutive year and the Flangetastic Four finished third overall.

The teams also competed at the 97th Annual Conference and Exposition Operations Challenge Event hosted by the New Jersey Water Environment Association in Atlantic City. Both teams delivered outstanding performances. The OCWA Jets captured first place in the safety and maintenance and process events, which helped them secure a first overall finish in Division 2. The OCWA Flangetastic Four placed third overall after winning third place in the safety and maintenance and process events.

The OCWA Jets then competed against 28 participating teams from across North America at the 85th Water Environment Federation's Annual Technical Exhibition and Conference in New Orleans. The team earned four trophies, including second place overall in Division 2, second place in the laboratory event, second place in the pump maintenance event and a spirit award voted by the other competing teams.

OCWA Jets team members from left to right Marcel Misuraca, Carly McLennan, coach Dennis Rau, Tom Nicol and Al Robdrup

Inspections

Water system inspections are conducted by the MOE's Water and Operations divisions and the Health Protection and Promotion division of the Ministry of Health and Long-Term Care. OCWA tracks Provincial Officer Orders issued by the regulator as an indicator of operational performance. In 2012, the MOE conducted 217 inspections at OCWA-operated facilities and no orders were issued. The Agency achieved an average inspection rating of 98.09% for 2012 and 63.6% of inspections achieved a rating of 100%.

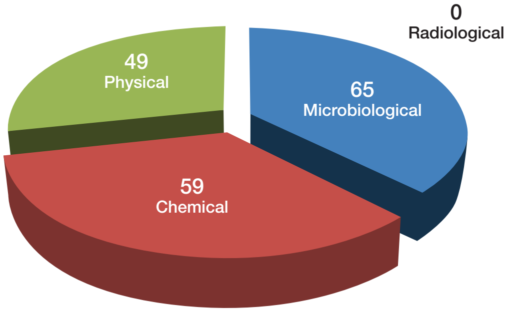
Operational Performance

OCWA continuously monitors key industry performance indicators to help assess our operational performance and identify potential areas for improvement, such as infrastructure. We track all tracking reportable incidents, including adverse water quality, boil water advisories, effluent criteria and bypasses at wastewater facilities.

Adverse Water Quality Incidents

Adverse Water Quality Incidents (AWQIs) occur when drinking water quality tests do not meet the standard established by the provincial regulator for microbiological, chemical, radiological and physical water quality. In 2012, there was a 47.8% reduction in AWQIs in operated facilities compared to 2011. Microbiological, chemical and physical AWQIs decreased by 47.8%, 25.5% and 88.4% respectively over 2011.

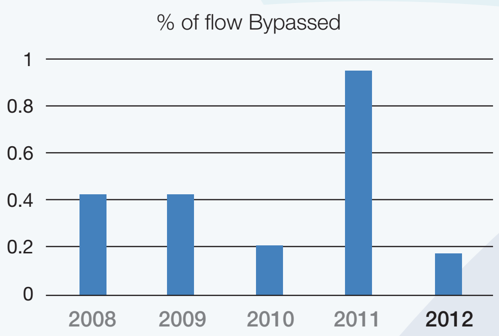
Adverse Water Quality Events at OCWA Operated Facilities



Bypasses at OCWA-operated Facilities

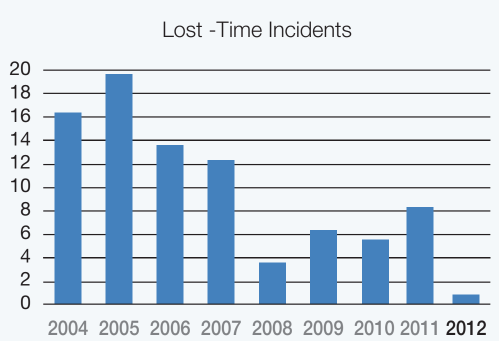
Severe weather conditions, such as heavy rainfall, and certain maintenance activities can cause bypass events, where wastewater is diverted from any portion of the collection and/or treatment systems. Bypass events are necessary in order to avoid damage to the facility, collections systems and private property. Certificates of Approval include bypass limits and reporting provisions.

OCWA strives to minimize bypass events and ensure they are only performed when absolutely necessary to protect health and safety or the integrity of the treatment process. In 2012, OCWA significantly reduced the volume of flow bypassed and all bypass events met reporting and sampling requirements.



Occupational Health & Safety (OHS)

The health and safety of our employees and contractors is a top priority at OCWA. Our strong commitment to the safety of our employees and the communities we serve is part of our culture. In order to promote and support a safe and healthy work environment, we have established a thorough Occupational Health and Safety System (OHSS) and set a goal of zero lost time injuries (LTI) and a reduction in the occurrence of medical aid events. In 2012, OCWA had one LTI, which is a marked improvement over the nine that occurred in 2011. We were also able to decrease the number of medical aid events by 16%.



OCWA maintains its focus on occupational health and safety by providing its employees with extensive training on topics ranging from defensive driving to regulatory and facility-specific issues. Our employees receive an average of 27 health and safety training hours each year. To further our commitment in this area, the Agency features important safety topics each month in our Health and Safety Calendar. We also host an annual health and safety representative conference and annual Safety Week to promote health and safety awareness and continuously improve OCWA's OHSS. The Agency recognizes employee efforts to promote health and safety through our employee recognition programs.

This past year, our President and Chief Executive Officer, Jane Pagel signed the Senior Executive Health and Safety Leadership Charter, demonstrating our commitment to the health and safety of OCWA employees. The Charter, signed annually, provides a series of guiding principles endorsed by organizational senior executives and is intended to support continuous improvements to workplace health and safety. It is founded on the principle that effective leadership of health and safety is essential to the operation of a successful business. As a signatory of the Charter, OCWA joins an esteemed list of Canadian organizations that are committed to the health and safety of their employees and the communities in which they operate, including Bruce Power and the Workplace Safety and Insurance Board of Ontario.

Throughout 2012, OCWA's Joint Health and Safety Committee participated in an employee wellness program that included lunch and learn sessions and a pedometer challenge. In addition, OCWA employees also receive regular newsletters and information from the Agency's Employee Assistance Program (EAP) provider, Shepell-FGI. The EAP is available to provide employees with counselling and advice on a wide range of personal and work-related issues and concerns.

In the coming year, OCWA will continue to use internal and external resources, training and communication strategies to promote safe behaviour and healthy workplaces for our employees.

Our Commitment to Employee Development

Hosting these delegations enables OCWA to showcase Ontario's water expertise and innovative technologies to the international water industry.

Water industry employees are highly specialized and require various levels of certification and qualification. For this reason, it is important that OCWA attract and retain qualified, skilled staff.

Our employees are the foundation of our business and we strive to provide them with continuous, ongoing support in the form of open communication, learning opportunities, rewards and recognition and an inclusive environment. In 2012, for the first time, OCWA submitted an application for consideration as one of Canada's Top 100 Employers. Even though it was our first time entering the competition, we were among the top 200 companies shortlisted for the award. We will enhance our employee engagement and development initiatives and will continue to submit applications in the coming years.

Growing International Interest in our Water and Wastewater Operations

As part of our commitment to support the Province of Ontario's goal to become a North American leader in developing water technologies, OCWA has made our expertise available globally this past year and continued to cultivate strategic partnerships in the global water community. As previously outlined, OCWA continues to collaborate with international partners such as Mekorot and Global Water Resources to provide innovative solutions to our clients and the water community. To further share our expertise, establish valuable relationships and networking opportunities, and connect with other leaders in the water industry, OCWA's CEO, Jane Pagel, and other executive management team members have engaged in speaking opportunities and presented papers at various international conferences such as Globe 2012, the Water Innovation summit, the Global Water Leaders Dinner, the Caribbean Water and Wastewater Association Conference and the Association of Metropolitan water agencies.

The expertise of OCWA has also garnered international interest with many delegations requesting to tour our facilities. In 2012, OCWA staff in Peel hosted a number of tours and informational meetings with delegations from Israel, Peru, India and China. The delegations were taken on plant tours in order to see firsthand how a large wastewater facility is operated. Participants were also able to learn about the facility's processes and optimization practices and exchanged a great deal of knowledge and experience.

The Chinese water sector delegation, along with Canada's Trade Commissioner toured the Lakeview water treatment facility

l. to r.: Ralph Witte (OCWA), Sonia Leon Mendoza (National Association of Water and Sanitation Utilities in Peru), Conor Anderson (World University Service of Canada), Sylvia Murcia (OCWA), David Edwards (OCWA), William Fernandes (Region of Peel), Nevin McKeown (OCWA)

l. to r.: Nevin McKeown (OCWA), Nick Reid (OCWA), Dr. Shai Ezra (Mekorot), David Edwards (OCWA), Mr. Sergey (Mekorot), Mr. Yossi Ya'acobi (Mekorot)

Employee Satisfaction

Employee engagement was a priority for OCWA in 2012. We focused on improving our leadership practices and organizational communication and providing opportunities for career advancement. We also worked to reduce performance barriers identified by employees, such as heavy workloads, multiple layers of approval and stress and anxiety at work. As part of this initiative, EMT and approximately 40 managers across the Agency participated in the FranklinCovey Company's leadership development program called Leading at the Speed of Trust. This program is helping the Agency improve leadership behaviour, open communication and meeting productivity. OCWA has established an employee engagement action plan and provides quarterly progress updates on implementation of the plan to all staff. The efforts appear to be paying off, as a recent engagement survey conducted by Towers Watson found 93% of our employees feel engaged at work.

Responding to Ontario's Water Needs

Supporting the Water and Wastewater needs of First Nations Communities

OCWA has a longstanding relationship with First Nations professionals for the delivery of water and wastewater operational, technical and engineering services. We work with First Nations operators to optimize their systems, provide training and troubleshooting support and help their operators obtain and enhance their certification.

Prepared to Respond to Provincial Water and Wastewater Emergencies

OCWA is very proud of the fact that we have five emergency response teams that are available to provide emergency response services to the Province of Ontario in the event of a drinking water or wastewater emergency. The teams receive continuous and extensive training with specialized equipment, including participation in full-scale emergency exercises, to ensure that they are prepared to respond when required.

In June 2012, we assisted the City of Thunder Bay to remediate their wastewater treatment plant, which was damaged by the heavy rain. Our response teams also completed a number of exercises throughout the year, including setting up a water supply system at the 2012 International Plowing Match in the Region of Waterloo.

Corporate Social Responsibility (CSR)

As an Agency of the MOE, environmental protection and public health are part of our culture. We recognize that our activities, both as individuals and as a corporation, have social, environmental and economic impacts and actively support the communities where we live and work.

OCWA's CSR team is made up of employees from across the Agency. The team has identified five key focus areas, each of which is supported by specific actionable initiatives: Community Support (including Volunteering), Education and Awareness, Environmental Sustainability, Employee Engagement and Innovation.

In 2012, we established a CSR strategy and plan including a scorecard. The majority of the measures set were achieved, with one-third exceeding the target. OCWA's community involvement initiatives included raising $49,263 for the Global Medic "Drop in the Bucket Campaign" and $44,675 in support of local charities and events as well as a 23.5% increase in the number of community events. OCWA employees also volunteered 1,500 hours towards OCWA charity and community events.

Educating children on the water treatment process, water issues and the importance of water as a resource is another one of our goals. We made presentations to thousands of children who visited water festivals, delivered talks to schools across the province and provided a number of plant tours. We also promoted careers in water by attending career fairs, offering scholarships and hosting students for "Take Our Kids to Work Day".

We reduced paper consumption at our head office by 24.6% and implemented eco-friendly options in our corporate office move (recycled paint and carpet, cork flooring). Various hubs within the communities also participated in tree planting events to help replenish our forests.

Please see our Corporate Social Responsibility Report for more details on our activities. (http://www.ocwa.com/en/social_responsibility)

Summary of Performance Measures for 2012

Strategy	Goal	2012 Performance Measure		Results
Ultimate Compliance				
Achieve zero LTIs	Zero lost time incidents	• Continuous improvement in the number of facilities achieving zero lost time incidents	✔	For 2012, there was one lost time incident. 89% improvement over 2011
		• Decrease the number of medical aid occurrences over prior year	✔	16% reduction in the number of medical aid occurrences
Expect, achieve and sell operational excellence	Water and wastewater facilities are 100% compliant	• Continuous improvement in the number of water facilities achieving 100% on annual water inspections	✔	4.2% improvement over 2011
		• Continuous improvement in the number of wastewater facilities that meet 100% of Certificate of Approval effluent criteria	✔	0.2% improvement over 2011
	Establish and deliver business transformation/IT strategy	• Project management office set up and clear charter and projects defined (Q3 2012)	✔	PMO office, charter and project plans have been established
		• Completion of pilot studies for new Process Data Collection technology	✔	Pilot studies completed
		• Design and construction of new data centre ready for deployment (in Q1 2013) and creation of back-up site in 2013.	●	Project is on track to be completed in Q1 2013.
		• Selection of product to replace computerized maintenance management system (CMMS) (Q4 2012)	▼	Project delayed. On track with new delivery date of Q4 2013.
		• Completion of conversion of existing SCADA technology (Q3 2012).	▼	Project delayed. On track with new delivery date of Q2 2013.
Ensure continuity of certified and experienced work force	Continue the rollout of succession management planning	• 90% of management positions to have identified successors	✔	91% of management positions have identified successors
Accept and address social responsibility	Establish a Corporate Social Responsibility Strategy	• Develop a OCWA CSR strategy and value statement • Begin discussions of partnering with a water charity	✔	CSR strategy, value statement and scorecard developed. Raised $49K for GlobalMedic in 2012

Strategy	Goal	2012 Performance Measure		Results
Business Growth & Innovation				
Facilitate research and development of water and wastewater technologies	Identify and pilot/test new innovations and technologies	• Pilot 3 new technologies or processes in OCWA run facilities	★	Piloted 4 technologies
Facilitate/broker innovation and technology transfer	Create strategic partnerships and R&D projects	• Negotiate/broker 2 partnerships	★	Established 6 strategic alliances
Business Growth	Pursue new OM&M sales in Ontario	• Achieve new OM&M sales target	✔	Surpassed target by 47%
Lean & Efficient (Smart Water)				
Optimize process management and facility efficiencies	Continue to implement energy and/or process reviews	• Complete 10 energy/process reviews	✔	Completed 11 reviews with 6 underway and to be completed in 2013
Maintain financial discipline	Improve finance function processes	• Do not exceed 2012 planned indirects	✔	Corporate expenses are 6% below plan
Become a leader in water system training	Develop standardized operator certification training program for Ontario/Canada	• Deliver 12 (this is based on monthly offering) certification training courses	▼	Standardized operator certificate training program was deemed not necessary at this time. OCWA is currently revitalizing its training service delivery to meet the needs of OCWA's operations and the industry
		• Achieve average 4/5 on participant evaluations	✔	Achieved an average of 4/5 on course evaluations

LEGEND ★ Exceeded ✔ Achieved ● On Target ▼ Behind Target ▼ Deferred to 2013 ✘ Miss

Future Plans

Over the next three years, our strategic focus will be on building an 'Intelligent OCWA', expanding our service offerings and developing an enterprise-wide brand, marketing and communication strategy. In addition to these three main focus areas, we will continue to concentrate on employee health and safety, corporate social responsibility and on the continuity of the Agency's workforce.

Intelligent OCWA

- Data driven organization
- Fully integrated systems
- Readily available up-to-date information
- Timely decision making
- Increased efficiency and competitiveness

– Continue to execute the OCWA Tools Evolution Program (OTEP)
– Monitoring progress with newly established Project Management Office (PMO)
– Detailed plan to achieve an "Intelligent OCWA"

Expanded Service Offerings

- Retention of clients
- Obtain new O&M
- Establish energy management program
- Update service model
- International work
- Pilot technologies and establish partnerships

– Continue to retain OCWA's current clients and pursue new O&M business
– Develop and implement an energy management program and assist clients to monitor, measure and reduce energy
– Develop and evaluate a service model to better serve clients
– Evaluate opportunities for business outside of Ontario
– Continue to pilot and demonstrate new technologies and develop partnerships with water sector stakeholders

OCWA Brand

- Raise OCWA's profile in communities
- Improved internal and external communication
- Raise awareness of OCWA's brand
- Increase industry profile

– Develop and implement a unique OCWA brand strategy
– Increase awareness of OCWA's value proposition through implementation of a Marketing and Communication strategy
– Use social media tools
– Host and attend industry events

Corporate Social Responsibility

- Make a positive contribution to the lives of employees, the community and future generations

– Continue to implement the strategies and initiatives under the Corporate Social Responsibility Plan
– Focus on Community Support (including volunteering and community involvement), Education and Awareness, Environmental Sustainability, Employee Engagement, and Innovation

OCWA's Employees

- Achieve zero lost time incidents across OCWA
- Ensure continuity of workforce

– Continue to nurture a culture of safe and healthy workplace
– Continue to implement and update OHSS programs and processes
– Ensure key positions have identified successors
– Ensure knowledge and expertise transfer

Management's Responsibility for Financial Information

OCWA's management and Board of Directors are responsible for the financial statements and all other information presented in this annual report. The financial statements have been prepared by management in accordance with Canadian public sector accounting standards.

OCWA is dedicated to the highest standards of integrity in its business. To safeguard assets, the Agency has a sound set of internal financial controls and procedures that balance benefits and costs. Management has developed, and continues to maintain, financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information in accordance with the bylaws of the Agency. Internal audits are conducted to assess management systems and practices and reports are issued to the Executive Management Team.

The Board of Directors ensures that management fulfills its responsibilities for financial and internal control. The Board of Directors and the Audit and Finance Committee of the Board meet quarterly to oversee the financial activities of the Agency and at least once a year to review the financial statements and the external auditor's report and recommend them to the Minister of the Environment for approval.

The Auditor General has examined the financial statements. The Auditor General's responsibility is to express an opinion on whether the financial statements are presented fairly in accordance with Canadian public sector accounting standards. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

Jane Pagel
President and Chief Executive Officer

Dan Atkinson
Vice President, Finance and Corporate Services

Toronto, Ontario
April 17, 2013

Financial Discussion

The Ontario economy showed modest growth in 2012, despite the challenging global economy. The strong Canadian dollar provided an advantage to some businesses by reducing the cost of imported capital equipment and business travel. Job creation in Ontario continued to strengthen, resulting in lower unemployment rates and improved tax bases for municipal clients. This positively impacted municipal spending in 2012 and resulted in improved revenue for 'out of scope' services offered to clients.

Balance Sheet

A favourable net income of $1.1 million, including investment income, helped to boost the net assets of the Agency to $186.8 million. Total assets as of December 31, 2012 were $217.6 million. The cash and investments position totalled $56.9 million, with zero debt.

Revenue

Given the continued improvement in Ontario's economy and moderate spending increases by municipalities, out-of-scope work increased by 7.8% compared to 2011. In addition, the Agency was successful in retaining almost all (94.7%) of the agreements that came up for renewal in 2012. Operational revenue reported includes revenue from the Lake Huron and Elgin contract, signed into effect July 1, 2012.

Expenses

During 2012, the Agency re-tendered 60% of process chemical contracts and laboratory testing contracts for periods of three and four years, respectively. The supply of process chemicals remained stable over the past year, thereby minimizing pressure on prices. The establishment of multi-year contracts with suppliers minimizes exposure to market volatility, reduces costs and ensures a reliable supply of these goods and services. In addition, some client contracts are negotiated to allow for flow-through of costs, such as chemicals and insurance, whereby the client assumes the price risks for these costs.

Fuel prices usually impact the cost of biosolids management and haulage. In 2012, several of these contracts expired and were re-tendered. Given the volatility of fuel prices, contract prices increased, on average, by 5%.

Our clients continue to take advantage of the insurance prices offered by OCWA. Due to our favourable claims history and the soft market for insurance, insurers quoted flat premiums for all policies with the exception of property insurance, which increased due to higher property values.

In 2012, the Agency's Board of Directors approved the OTEP strategy to transform and modernize OCWA's information technology systems, which will result in an investment of $21.4 million over three years. The additional amortization and re-engineering costs for OTEP in 2012 were $300,000.
Salary and benefit increases were driven by new positions and efforts to fund pension and non-pensionable future employee benefits. This year, the combined compensation for all of the Agency's Directors was $28,150.

In 2012, the Agency relocated Engineering Services, Compliance, Training and some Information Technology staff to Mississauga in order to better address the business needs of our largest client. This move has resulted in a savings in accommodation costs, which helped offset the aforementioned cost increases.

Investment Income

OCWA's financing income is comprised of income from short-term investments, interest on cash balances and interest on the inherited loan portfolio. Interest income from the inherited loan portfolio continues to decline as loans are paid down. The continued global economic uncertainty has caused the Bank of Canada to continue to hold interest rates at historically low levels. Nevertheless, negotiations with major banks on short and long term investments resulted in returns that delivered a marginal increase in net investment income of 1.5% compared to 2011.

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Ontario Clean Water Agency,
the Minister of the Environment,
and to the Minister of Finance

I have audited the accompanying financial statements of the Ontario Clean Water Agency which comprise the balance sheet as at December 31, 2012, and the statements of operations and change in net assets, and cash flows for the year ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario Clean Water Agency as at December 31, 2012, and the results of its operations, changes in its net assets, and its cash flows for the year then ended in accordance Canadian public sector accounting standards.

Jim McCarter, FCA
Auditor General
Licensed Public Accountant

Toronto, Ontario
March 28, 2013

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Balance Sheet

As at December 31, 2012

(in thousands of dollars)

	December 31, 2012	December 31, 2011
Assets		
Current assets:		
Cash and short-term investments *(note 3)*	**39,849**	37,312
Accounts receivable, net		
Municipalities and other customers	**24,384**	21,280
Ministry of the Environment	**333**	154
Harmonized sales tax receivable	**1,778**	1,860
Prepaid Expenses	**441**	318
Current portion of investments receivable for water and wastewater facilities *(note 2)*	**918**	874
	67,703	61,798
Non-current assets		
Investments in term deposits *(note 3)*	**17,058**	22,431
Investments receivable for water and wastewater facilities *(note 2)*	**3,067**	3,712
Loan receivable - Infrastructure Ontario and Lands Corporation *(note 3c)*	**120,000**	120,000
Tangible Capital Assets, net *(note 4)*	**9,742**	7,095
	149,867	153,238
Total Assets	**217,570**	215,036

Liabilities and Net Assets

As at December 31, 2012

(in thousands of dollars)

	December 31, 2012	December 31, 2011
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	**17,198**	16,562
Current portion of employee future benefits *(note 8a)*	**2,688**	2,598
	19,886	19,160
Long-term liabilities:		
Employee future benefits *(note 8a)*	**10,871**	10,121
Net Assets	**186,813**	185,755
Contingencies *(note 7)* and Measurement Uncertainty *(note (1d))*		
Total Liabilities and Net Assets	**217,570**	215,036

See accompanying notes to financial statements

On behalf of the Board

Director

Director

Statement of Operations and Changes in Net Assets

For the year ended December 31, 2012		*(in thousands of dollars)*
	December 31, 2012	December 31, 2011
Utility Operations Revenues:		
Utility operations	**147,217**	137,416
Fees	**2,828**	2,371
Total Operating Revenues	**150,045**	139,787
Operating Expenses:		
Salaries and benefits *(note 8a and note 8b)*	**67,544**	62,976
Other operating expenses	**81,410**	76,195
Amortization of tangible capital assets	**2,878**	2,278
Total Operating Expenses	**151,832**	141,449
Deficiency of revenue over expenses – Utility Operations	**(1,787)**	(1,662)
Interest from investments and loans receivable	**2,845**	2,777
Excess of revenue over expenses	**1,058**	1,115
Net Assets, opening balance	**185,755**	184,318
Adjustments to Net Assets *(note 6)*	**-**	322
Net Assets, ending balance	**186,813**	185,755

See accompanying notes to financial statements

Statement of Cash Flows

For the year ended December 31, 2012	December 31, 2012	December 31, 2011
		(in thousands of dollars)
Cash Provided by (used for) Operating Activities		
Deficiency of revenue over expense-Utility Operations	**(1,787)**	(1,662)
Items not affecting cash		
Amortization of Tangible Capital Assets	**2,878**	2,278
Increase in future employee benefits expense	**1,771**	918
	2,861	1,534
Changes in non-cash operating working capital		
Accounts Receivable	**(3,201)**	(3,296)
Prepaid Expenses	**(123)**	3,216
Accounts Payable and Accrued Liabilities	**636**	(2,368)
Legislated Severance	**(930)**	(1,307)
	(3,618)	(3,755)
Net Cash Flows from operating activities	**(757)**	(2,221)
Cash Used in Investing Activities		
Interest Received	**2,845**	2,777
Principal Repaid on Loans	**601**	797
Decrease (increase) in non-current Term Deposits	**5,373**	(5,729)
Net cash flows from investing activities	**8,819**	(2,155)
Cash Used in Capital Activities		
Tangible Capital Asset Acquired	**(5,525)**	(3,940)
Cash Used in Financing Activities		
Changes in Net Assets		322
Increase (decrease) in Cash and Short-Term Investments	**2,537**	(7,994)
Cash and Short-Term Investments, Opening Balance	**37,312**	45,306
Cash and Short-Term Investments, Closing Balance	**39,849**	37,312

Notes to the Financial Statements

General

The Ontario Clean Water Agency (The “Agency”) was established on November 15, 1993, under the authority of The Capital Investment Plan Act, 1993 (the “Act”).

In accordance with the Act, the Agency’s objectives include:

- assisting municipalities to provide water and wastewater services on a cost-recovery basis by financing, planning, developing, building and operating such works and services;
- financing, building and operating water and wastewater facilities on behalf of Ontario on a cost-recovery basis; and
- providing these services to protect human health and the environment, encouraging conservation of water resources and supporting Provincial policies for land use and settlement.

The Agency is exempt from Federal and Provincial income taxes.

1. SIGNIFICANT ACCOUNTING POLICIES

The Agency is classified as a government not-for-profit for financial reporting purposes. These financial statements are prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the Canadian Public Sector Accounting Board. The significant accounting policies are as follows:

(a) Cash and short-term investments

Cash and short-term investments are liquid investments with maturities due within one year and are recorded at cost. Accrued interest is recorded in accounts receivable.

(b) Tangible Capital Assets

Major capital expenditures with a future useful life beyond the current year are capitalized at cost. Tangible Capital Assets are amortized on a straight-line basis as follows:

Computer software	2 - 7 years
Information systems	7 years
Furniture and fixtures	5 years
Automotive equipment	4 - 20 years
Computer hardware	3 - 7 years
Machinery and equipment	5 years
Leasehold improvements	Life of the lease

(c) Revenue Recognition

Revenue on contracts with clients for the operation of water and wastewater treatment facilities based on a fixed annual price is recognized in equal monthly amounts as earned.

Revenue on contracts with clients based on the recovery of costs plus a percentage markup or recovery of costs plus a fixed management fee is recognized at the time such costs are incurred.

Revenue for additional work for clients outside the scope of the operations and maintenance contract, such as capital repairs on equipment, is recognized when the costs are incurred, and normally includes a pre-determined markup on cost.

(d) Measurement Uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenditures for the period. Actual amounts could differ from these estimates.

2. INVESTMENTS RECEIVABLE FOR WATER AND WASTERWATER FACILITIES

These investments represent the outstanding principal portion of amounts receivable from clients for capital expenditures undertaken by the Agency on their behalf, and recoverable operating costs, if any, not billed.

The investments receivable are supported by agreements that bear interest at rates between 4.25% and 10.52%. Scheduled principal repayments of the investments are as follows:

(12 Months Beginning December)	*(in thousands of dollars)*
2013	918
2014	836
2015	731
2016	603
2017	597
Thereafter	300
	3,985
Less: Current portion	(918)
	3,067

In August of 1999, the Agency entered into a loan agreement to finance the construction of a water pipeline, which was completed in May 2000. The outstanding loan balance including accumulated interest was $18.6 million at December 31, 2005. The Agency has recognized the loan as fully impaired and accordingly the loan amount of $18.6 million has been reflected in an allowance for loan impairment.

Other than as described in this note, there are no other provisions established for investment receivables.

3. FINANCIAL INSTRUMENTS

(a) Cash and Short-Term Investments

The Agency has $59.6 million invested in bank balances and term deposits as follows:

	(in thousands of dollars)
Bank Balances	17,418
Term deposits due within a year (Interest rates 2.35%-2.40%)	22,431
Cash and Short-Term Investments	39,849
Term deposits due within two years (Interest rates 2.22%-2.27%)	17,058
	56,907

The fair value of cash and short-term investment approximate carrying value.

(b) Credit Risk

The Agency is exposed to low credit risk because receivables are due from municipalities and payment is usually collected in full.

(c) Cash Flow Risk

The Agency has extended a $120 million loan to Ontario Infrastructure and Land Corporation with a variable interest rate set at four basis points below the average monthly Canadian Dollar Offered Rate. It also has term deposits and bank balances that are sensitive to the prevailing interest rates. As a result, it is exposed to a cash flow risk related to the fluctuations in interest rates.

(d) Other

Other than as described in these notes, the Agency is not exposed to any additional currency, liquidity or other price risk on its financial instruments.

4. TANGIBLE CAPITAL ASSETS

(in thousands of dollars)	Cost	Accumulated Amortization	**Net Dec. 31, 2012**	Net Dec. 31, 2011
Computer Software	2,767	657	**2,110**	1,024
Information Systems	3,519	1,941	**1,577**	2,251
Furniture and Fixtures	94	33	**61**	64
Automotive Equipment	5,253	2,828	**2,425**	2,182
Computer Hardware	4,322	1,461	**2,861**	1,290
Machinery and Equipment	546	124	**423**	276
Leasehold Improvements	334	49	**285**	8
	16,835	7,093	**9,742**	7,095

The Board has approved capital expenditures of up to $13.6 million from fiscal 2012 to 2018 to modernize its information technology infrastructure.

5. LEASE COMMITMENTS

Annual lease payments under operating leases for rental of office equipment, premises and vehicles in aggregate are as follows:

	(in thousands of dollars)
2013	1,317
2014	1,028
2015	998
2016	902
2017	857
Thereafter	1,905
	7,007

6. NET ASSETS

When the Agency was first established, the opening net assets were received from the Province of Ontario in the form of the book value of net assets in excess of obligations assumed.

Subsequent adjustments to the opening balance relate to repairs and maintenance and legal costs that were agreed to prior to the establishment of the Agency.

7. CONTINGENCIES

(a) Litigation

The Agency is the defendant in a number of lawsuits. Most of these claims are covered by insurance after the application of a deductible, ranging from $5,000 to $100,000, depending on when the event giving rise to the claim occurred and the nature of the claim. The outcome of the lawsuits cannot be determined at this time.

(b) Letters of Credit

The Agency has a line of credit with the Royal Bank of Canada for $10.0 million. This line of credit has been used to provide letters of credit to municipalities in accordance with the terms of their operations and maintenance agreements. As of December 31, 2012, nothing has been drawn on the letters of credit.

8. RELATED PARTY TRANSACTIONS

(a) Non-Pension Employee Future Benefits

The Agency is responsible for its accrued legislated severance, unpaid vacation, and workers compensation obligations.

The costs of these employee future benefits obligations have been estimated at $13.6 million (2011 - $12.7 million) of which $2.7 million (2011 - $2.6 million) has been classified as current liability. The amount charged to the income statement in 2012 was $1.8 million (2011 - $0.9 million) and is included in salaries and benefits expense in the Statement of Operations and Changes in Net Assets.

Included in employee future benefits obligation is an estimated workers compensation obligation in the amount of $2.4 million (2011 - $2.1 million). This amount has been determined from the most recent available actuarial calculations provided by the Workplace Safety and Insurance Board (WSIB) as at December 31, 2011.

It is management's opinion that the balance at December 31, 2012 will not be materially different. Adjustment to the estimated WSIB obligation cumulative balance, if any, will be made in the year the updated balance is provided by WSIB.

The cost of other post-retirement, non-pension employee benefits is paid by the Province and therefore is not included in the financial statements.

(b) Pension Plan

The Agency's full-time employees participate in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU-PF), which are defined benefit pension plans for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF and a joint sponsor of the OPSEU-PF, determines the Agency's annual payments of the funds. As the sponsors are responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the agency. The Agency's annual payments of $4.0 million (2011 - $3.5 million), are included in salaries and benefits in the Statement of Operations and Changes in Net Assets.

(c) Other

As a result of the relationship of the Agency with the Province, the following related party transactions exist:

(i) The Agency received revenue of $2.5 million (2011 - $2.6 million) from the Ontario Infrastructure and Lands corporation for water and wastewater treatment services OCWA has provided. The services were provided at competitive rates similar to those of other OCWA clients.

(ii) The Agency received revenue of $2.8 million (2011 - $2.7 million) from the Ministry of the Environment for water and wastewater treatment services OCWA has provided. The services were provided at competitive rates similar to those of other OCWA clients. In addition, the Agency received $0.3 million (2011 - $0.3 million) for the Emergency Preparedness Funding.

(iii) The Agency received revenue of $0.5 million (2011 - $0.6 million) from the Ministry of the Northern Development and Mines for water and wastewater treatment services OCWA has provided. The services were provided at competitive rates similar to those of other OCWA clients.

(iv) The Agency has a $120 million loan receivable with Ontario Infrastructure and Land Corporation, as described in note 3 (c).

(v) The Agency relies on the Province to process its payroll and administer its benefits, and to obtain some internal audit and legal services. The Province absorbs some of these administrative costs.

(vi) The Agency has a $1.4 million (2011 - $1.0 million) accounts payable to the Ministry of the Environment for rent proceeds it collects for a property, net of realty taxes paid, managed on behalf of the Ministry.

Board of Directors, as of December 31, 2012


Michael R. Garrett, Chair


Art Leitch, Vice Chair


Juli Abouchar


John Bergsma


Susan Fletcher


Allan Gunn

Michael R. Garrett, Chair

Term: June 2008 to June 2013

Michael R. Garrett has extensive experience as a senior executive in the public sector. Mr. Garrett has served in a variety of capacities including: Chief Administrative Officer for the Regional Municipality of York, City Manager for the City of Toronto, Chief Administrative Officer for the Regional Municipality of Peel, Assistant Deputy Minister of the provincial Ministry of Natural Resources, Program Director for the South Nation Basin and Director of Water Resources with the Metropolitan Toronto and Region Conservation Authority.

Art Leitch, Vice Chair

Term: July 2007 to July 2013

Art Leitch is former President and Chief Executive Officer of the Hamilton Utilities Corporation. Prior to that, Mr. Leitch served as General Manager of Public Works for the City of Hamilton, Commissioner with Hamilton Hydro Commission, General Manager of Sarnia Hydro, Senior Vice-President of United Utilities International PLC and Commissioner of Planning and Public Works for the Region of Halton. Mr. Leitch serves as Chair of the Advisory Board of the Link-Line Group of Companies, Chair of the Board of Ontario Digital Cadastre Corporation, Past Chair for the Board of Directors of the Canadian Automobile Association and Board Director at Thunder Bay Hydro. Mr. Leitch earned his Master of Environmental Engineering degree from the University of Toronto and his Master of Business Administration degree from York University.

Juli Abouchar

Term: August 2007 to July 2013

Juli Abouchar is Partner and Environmental Specialist with Willms & Shier Environmental Lawyers LLP. Ms. Abouchar was Assistant Commission Counsel at the Walkerton Inquiry, served on the multi-stakeholder Source Water Protection Implementation Committee and was legal advisor to the Expert Panel on Regulating Safe Drinking Water on First Nations. She practices administrative law before environment and energy tribunals and has published numerous articles. Ms. Abouchar holds a Master of Laws from the University of London and a Bachelor of Laws and a Bachelor of Civil Law from McGill University.

John Bergsma

Term: August 2007 to July 2013

John Bergsma is a former Commissioner of Corporate Services for the Regional Municipality of Niagara. As well, Mr. Bergsma sits on the Boards of St. Catharines Hydro Inc., Horizon Utilities Inc. and Pioneering Technologies Inc. In the past, he was President and Chief Executive Officer of Union Gas Limited and President of Lennox Canada Inc., Massey Ferguson Research Ltd. and Columbus McKinnon Limited. He served on the University of Waterloo Board of Governors for more than 20 years and the Boards of the Stratford Festival of Canada, the Ontario Great Lakes Renewal Foundation, the Canadian Urban Institute and various United Ways across Ontario. Mr. Bergsma holds a Master of Applied Science in Water Resource Planning.

Susan Fletcher

Term: November 2009 to December 2015

Susan Fletcher, a Certified Management Accountant and consultant, has provided consulting services in a variety of business sectors over the past 20 years, including financial services, health care, non-profit organizations and municipal government. Ms. Fletcher has previously held senior financial management positions in the automotive and research and development sectors. She is a member of the Society of Management Accountants of Ontario and holds a Bachelor of Commerce degree from Queen's University.

Allan Gunn

Term: July 2007 to January 2016

Allan Gunn is the Assistant Deputy Minister of Corporate Services at the Ontario Ministry of Community Safety and Correctional Services. He is responsible for the corporate leadership of strategic and business planning, controllership and human resource management for an organization of over 16,000 staff with an annual budget of $1.8 billion. Mr. Gunn has been an executive in the Ontario Public Service for over 20 years, including six years as Assistant Deputy Minister with the Ontario Ministry of the Environment. He is an alumnus of Carleton University, Queen's University and the Richard Ivey School of Business.


Brian Mergelas


Elizabeth A. McLaren


Gino Nicolini

Brian Mergelas

Term: December 2012 to December 2013

Brian Mergelas is the CEO of WaterTAP, an Ontario corporation that was created to help Ontario become a global leader in water technologies. Dr. Mergelas is the former Chief Executive Officer of the Pressure Pipe Inspection Company, which he founded in 1997. He presently serves on the board of the Children's Aid Foundation and is an advisor in the MaRS Cleantech practice. He is a member of the Young Presidents Organization, the York Angel Investors, as well as various industry associations, including the American Water Works Association, the Water Environmental Federation, the American Society for Non Destructive Testing and the American Society of Civil Engineers.

Elizabeth A. McLaren

Term: November 2010 to November 2013

After a career in the Ontario Public Service that spanned nearly four decades, Elizabeth McLaren retired in 2008. Over the years she held several different senior-level positions, including Assistant Deputy Minister for the Office of the Greater Toronto Area. Immediately preceding her retirement, Ms. McLaren was the Assistant Deputy Minister of the Municipal Services Division in the Ministry of Municipal Affairs and Housing. Since her retirement, she has been a Senior Associate with Hill & Knowlton Canada and GCI Group.

Gino Nicolini

Term: August 2008 to August 2013

Gino Nicolini is semi-retired from a career in engineering. Mr. Nicolini has served as: President of Nicolini Construction and Engineering Ltd., President of Val Nicol Construction Ltd., and Project Engineer of Kilmer Van Nostrand Construction and Engineering Ltd. Mr. Nicolini serves as member of the Landfill and Waste Disposal Regulatory Policy Group of the Public Advisory Committee for the City of Ottawa. His previous contributions include serving as President of the Ottawa-Gloucester Rotary Club and member of the Committee of Adjustment for the City of Ottawa. Mr. Nicolini is a member of the Professional Engineers of Ontario.

Board Committees

Audit and Finance Committee

Susan Fletcher (Chair)

Allan Gunn

Doug Lawson

Michael Garrett

Art Leitch

Compliance and Operational Risk Management Committee

John Bergsma (Chair)

Elizabeth McLaren

Gino Nicolini

Art Leitch

M. Garrett

Governance and Nominating Committee

Art Leitch (Chair)

John Bergsma

Elizabeth McLaren

Michael Garrett

Officers of the Agency

Jane Pagel

President and Chief Executive Officer

Jane Pagel was appointed President and Chief Executive Officer of the Ontario Clean Water Agency on November 1, 2010. Ms. Pagel currently serves on the board of Sustainable Development Technology Canada, chairing the board's Project Review Committee, and was a longstanding member of the Prime Minister's Advisory Council on Science and Technology. She is also a member of the WaterTAP Board of Directors. Prior to joining OCWA, Ms. Pagel held a number of senior positions in both Government and the private sector, including Jacques Whitford Limited, Zenon Environmental Laboratories and Ontario Hydro, as well as a number of scientist, management and executive positions within the Ministry of the Environment.

Dan Atkinson

Vice President, Finance and Corporate Services (December 2010 to Present)

Dan Atkinson assumed his current role in December 2010. Prior to that, he was Vice-President, Southern Operations. He has been with the Ontario Public Service for over 30 years and joined OCWA at its inception in 1993. One of the Agency's original officers, Mr. Atkinson has served as Corporate Controller and Vice President of Operations. He is a Certified General Accountant and a Certified Management Accountant and holds a Bachelor of Commerce degree and a Masters of Business Administration.

Cliff Jones

Vice President, Sales and Marketing

Cliff Jones joined OCWA as the Vice President, Sales and Marketing in August 2012 with a wealth of experience in the water industry, including his role as Vice-President of Sales, Marketing and Pipeline Services for Wachs Water Services, a leader in the assessment of pipelines and underground assets in North America. He currently serves as Chair of the Pipeline Committee for the National Association of Sewer Service Companies, Education Chair for the Centre for Advancement of Trenchless Technologies and International Chair for the American Society of Civil Engineers' Pipelines 2012 Committee. He has also published many papers and articles focused on condition assessment of pipelines, water distribution efficiency and asset management. Mr. Jones holds a Master of Business Administration from Warwick University as well as a degree in Industrial Chemistry and a teaching degree.

Robin Kind

General Counsel and Corporate Secretary

Robin Kind has been a member of the Agency's legal group since November 1994. Prior to joining OCWA, Ms. Kind spent several years in private practice in Toronto in the areas of corporate, commercial and environmental law. Ms. Kind held the position of Assistant General Counsel at OCWA from July 2000 until she was appointed General Counsel in May 2003.

Bev Mollard

Vice President, Operations

Bev Mollard joined OCWA at its inception in 1993 and has been with the Ontario Public Service for almost 30 years. She has held many challenging positions with the Ministry of the Environment and OCWA as Plant Operator, Chief of Operations, Plant Assistant Superintendent, Assistant Operations Manager, Research and Compliance Specialist and Regional Manager prior to assuming her current role as Vice President, Operations in May 2012. Ms. Mollard holds her CRSP (Canadian Registered Safety Professional) Designation and is actively involved with Water Environment Association of Ontario as the Laboratory Event Coordinator.

Mohammad Qureshi

Vice President, Information and Information Technology

Mohammad Qureshi joined the Information Technology department at OCWA in 2000. He has held several roles within the Agency, including Manager of Business Solutions and of Infrastructure Services, and most recently as Director, Business Transformation prior to assuming his current role of Vice President, Information and Information Technology in July 2012. Mr. Qureshi holds a Bachelor of Science in Computer Science from the University of Toronto and is ITIL (Information Technology Infrastructure Library) certified. He is also a member of both the CIO Association of Canada and the Municipal Information Systems Association (MISA).

Nick Reid

Vice President, Strategic Partnerships

Nick Reid joined OCWA in February 1995 with 15 years experience in environmental consulting and technical sales. He was instrumental in establishing a client services culture within OCWA and has held progressively responsible positions in Business Development and Operations. Mr. Reid has also served four years as General Manager of the South Peel facilities, two years as Chief Information Officer and five years as Vice President, Business Development prior to assuming his current role as Vice President, Strategic Partnerships in May 2012. He has been an officer of the Agency since 2000.

Sandra Witlarge

Controller, Finance

Sandra Witlarge joined OCWA in September 2000 as Manager of Budgets and subsequently became Controller in May 2002. Prior to joining OCWA, she held various financial positions with a large manufacturing company. Ms. Witlarge is a Certified Management Accountant and a Certified Fraud Examiner and she holds a Bachelor of Administrative studies degree.

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