

KEEPING ONTARIANS SAFE AT

# WORK HOME & PLAY

INSIDE



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# WORK HOME &PLAY

We believe in an Ontario free from electrical incidents and fatalities. We will work tirelessly until we get to zero injuries and deaths from electrical accidents by putting our resources where they have the greatest impact and through innovation, insight and smart strategies. We make a difference where we're needed most, keeping Ontarians safe in their homes, at work and in their communities.

# WE ARE THE ELECTRICAL SAFETY AUTHORITY.

The Electrical Safety Authority (ESA) is an administrative authority acting on behalf of the Government of Ontario with specific responsibilities under the Electricity Act and the Safety and Consumer Statutes Administration Act. As part of our mandate, we are responsible for administering regulation in four key areas:

- > Ontario Electrical Safety Code (Regulation 164/99);
- > Licensing of Electrical Contractors and Master Electricians (Regulation 570/05);
- > Electrical Distribution Safety (Regulation 22/04); and
- > Electrical Product Safety (Regulation 438/07).

ESA operates as a private, not-for-profit corporation. Our funding derives from fees for safety oversight, safety services, and licensing of electrical contractors and Master Electricians. Our activities include:

- > identifying and targeting leading causes of electrical risk;
- > promoting awareness, education and training on electrical safety;
- > ensuring compliance with regulations;
- > investigating fatalities, injuries and fire losses associated with electricity;
- > engaging with a broad range of stakeholders to improve safety.

In 2010, ESA launched its five-year Harm Reduction Strategy, which targets a 30 per cent reduction in electrical fatalities from 2010 to 2015.

## OUR VALUES

**SAFETY**

**LEADERSHIP**

**COLLABORATION**

**ACCOUNTABILITY**

**INTEGRITY AND TRUST**

## OUR MANDATE

To enhance public electrical safety in Ontario.

## OUR MISSION

To improve electrical safety for the well-being of the people of Ontario.

We regulate in  
**4 KEY  
AREAS**

Ontario Electrical  
Safety Code

Licensing of Electrical  
Contractors and  
Master Electricians

Electrical Distribution Safety

Electrical Product Safety

## HERE'S HOW WE DO IT:

**OUR VISION:** An Ontario free of electrical fatalities and serious damage, injury or loss.



**5-YEAR GOAL:** 30% reduction in electrical fatalities and fire fatalities

To do this, we use risk-based management to focus on **5 HARMS**



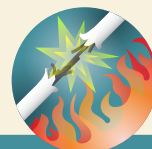
POWERLINE  
SAFETY



HIGH-RISK  
WORKER SAFETY



ELECTRICAL  
PRODUCT SAFETY



AGING  
INFRASTRUCTURE



NEW  
WIRING

BEST PRACTICES

### OUR WORK IS ACCOMPLISHED THROUGH



COMPLIANCE &  
ENFORCEMENT



BUSINESS TOOLS  
& PROCESSES



HUMAN  
RESOURCES  
MANAGEMENT



RISK  
MANAGEMENT



COMMUNICATIONS  
& STAKEHOLDER  
COLLABORATION



SOUND  
FINANCIAL  
PRACTICES

WE MEASURE OUTCOMES AND MILESTONES  
WE COLLECT AND ASSESS DATA TO IDENTIFY BEST PRACTICES

# AN UNEQUALLED PASSION FOR SAFETY



Reflecting on my nine years on the Board, I'm struck by ESA's achievements over that period of time. There is concrete evidence that we have advanced the cause of electrical safety in Ontario. We have seen a dramatic reduction in the number of electrical-related fatalities, injuries and fires and we are on the path of eliminating them entirely. This achievement is the direct result of the commitment and contribution of every person who works at ESA. On behalf of the Board, I extend my sincere thanks to all of our employees for their efforts.

In fiscal year 2013 (FY2013), ESA continued to refine its risk-informed approach to managing electrical safety risk. We are becoming increasingly sophisticated and consistent in identifying and understanding the most prevalent electrical harms, allowing us to systematically address them. Due diligence on ESA's electrical safety risk assessment tool was undertaken by a third-party expert, which concluded that the development process was robust.

The Board maintained a focus on its pursuit of progressive and leading-edge governance. Our Board takes its role in guiding the organization very seriously, as it does its accountability to the Ministry of Consumer Services. The Board's diligence included the appropriate oversight of the risk-informed approach to our mandate, a sustainable resource strategy and a focus on harm reduction to ensure the successful delivery of our important mandate.

Late this year, the Board entered into a new administrative agreement with the Ministry of Consumer Services. The agreement clarifies our continuing role as the trusted advisor

**IT HAS BEEN AN HONOUR TO BE PART OF AN ORGANIZATION WHERE EACH EMPLOYEE DEMONSTRATES SUCH A STRONG PASSION FOR ELECTRICAL SAFETY.**

on electrical safety policy and elaborates on our mandate under the Electricity Act and the pertinent regulations. In carrying out our responsibilities, we continue to look for opportunities to make positive contributions to the electrical safety of the people of Ontario.

As I near the end of my term on the Board, I would like to congratulate Charlie Cippola on his selection as Chair. I've had the pleasure of serving with Charlie on the Board since 2006, and under his capable guidance and with the support of a seasoned Board, ESA will continue to flourish. I would also like to thank David Collie, our President and CEO, who has made such a significant contribution to ESA's transformation into a leading safety organization. It has indeed been a pleasure working with David.

It has been an honour to be part of an organization where each employee demonstrates such a strong passion for electrical safety. Our vision of zero fatalities is truly a shared one, and for that reason I have no doubt that it will someday be achieved.

A handwritten signature in black ink, appearing to read 'John Wiersma'.

John Wiersma  
Chair, Board of Directors

# RISING TO THE CHALLENGE

In FY2013 ESA made excellent progress against our electrical safety targets, and we did so by increasing the smartness and sophistication of our approach to work. Teams across the company

found innovative new ways to reach people and businesses with our message, and developed better analytics and a deeper understanding of trends in the data we have gathered. This drove refinements in our tools, training and safety products, as well as greater efficiency and customer focus in our field operations.

We continued to improve our core operations, pre-scheduling more inspections to make them more convenient for customers and to use our resources more efficiently. We rolled out the 2012 Ontario Electrical Safety Code. Participation in Code training sessions exceeded 9,500, with nearly 1,000 participating online. By year-end, there were 7,255 Licensed Electrical Contractors and 11,672 Master Electricians in Ontario. We continued to enforce regulation through inspection, investigation and, where necessary, warnings, suspensions and charges laid.

We made great progress with the Ministry of Consumer Services and Health Canada toward harmonizing provincial and federal product safety regulations to achieve a robust national product safety system under Health Canada's purview.

It was very gratifying to see our efforts to improve safety mirrored by people in our community. In September, ESA was honoured to present awards to individuals and organizations who found ways to advance the cause of electrical safety in the province. It was a proud moment for me to stand with these safety heroes, knowing that we are working toward a shared goal of saving lives.

**IN FY2013 ESA MADE EXCELLENT PROGRESS AGAINST OUR SAFETY TARGETS. WE DID SO BY INCREASING THE SMARTNESS AND SOPHISTICATION OF OUR APPROACH TO WORK.**

While it was a successful year, there was no shortage of challenges to overcome. ESA has seen pension and other post-employment benefits costs rise 90 per cent over the period 2009–2012, and this trend continued in FY2013. Multi-year financial planning and foresight, coupled with a tight budgeting process and strong financial controls, enabled ESA to absorb the impact while still delivering on our mandate.

ESA continued to build strong partnerships to help us better understand and address electrical risks. We are working closely with the Office of the Ontario Fire Marshal and the Canadian Standards Association (CSA) to enhance prevention of stovetop fires. We took a deep dive into the psyche of electrical workers to understand what deep-rooted attitudes and behaviours need to change to keep this key at-risk group safe. These are just a few examples of how our partners and ESA's staff are reducing the risk of electrical contact where Ontarians work, live and play.

The last leg of a long journey can often be the toughest – to keep pushing forward to achieve our vision of getting to zero. It speaks to character. Everyone at ESA shares a fundamental passion for electrical safety – it's in their DNA. No surprise, since it's clearly evident in the work they do each day. And this is what will help us finish the journey.



David Collie,  
President & Chief Executive Officer

# ROY ELWOOD

ESA SENIOR INSPECTOR  
TORONTO, ONTARIO



## ENHANCING PUBLIC SAFETY AT SPECIAL EVENTS THROUGH COMMUNITY PARTNERSHIPS

Ontario is host to more than 3,000 special events and festivals every year. ESA had identified a pattern of significant public safety risks found at several high-profile, high-attendance events and community-based carnivals. In FY2013, ESA executed a strategy to engage stakeholders and address the underlying issues more systematically.

Finding ways to encourage event organizers to think about and plan for electrical safety as early as possible was a key first step. For example, ESA Senior Inspector Roy Elwood worked with the City of Toronto to have ESA's

# ROY



New Entertainment/Special Event permit application form posted on the City of Toronto's special events checklist page, helping event organizers incorporate electrical safety into their plans up front. "Working together with our community partners helped us increase the reach of our safety messages into more high-risk areas," notes Scott Saint, Chief Operating Officer, ESA.

In all, ESA conducted 756 inspections of special events and festivals in FY2013, topping last year's effort by 70 additional inspections. ESA reached out jointly with the Technical Standards and Safety Authority (TSSA) to carnival operators like Magical Midways to help them understand their obligations and how to ensure inspections proceed smoothly and without delays. And carnival operators have stepped right up to work within the process, with two achieving an unprecedented zero-defect inspection record.



# KEEPS HENRY SAFE AT PLAY.

HENRY KOTZ

KONKEL'S KARNIVAL  
SCARBOROUGH, ONTARIO

**DAVID MCCONNELL**  
ESA SENIOR INSPECTOR  
NAPANEE, ONTARIO



## ENSURING ELECTRICAL SAFETY IN ONTARIO'S LONG-TERM CARE HOMES

More than 75,000 Ontarians live in long-term care homes, which often have unique electrical demands for the support of diagnostic, therapy and care equipment. Since early 2012, ESA has been working together with the Ministry of Health and Long-Term Care, the Ontario Association of Non-Profit Homes, Services for Seniors, the Ontario Long-Term Care Association and individual operators to ensure electrical safety in these homes.

ESA Senior Inspector David McConnell has been involved in this initiative from the

# DAVID



beginning, visiting long-term care homes, identifying issues and working with partners. ESA's efforts are focused on increasing operators' awareness of their obligations to comply with the Ontario Electrical Safety Code, including taking out permits and having regular inspections of electrical installations, and highlighting common hazards – in particular, those related to electrical repair and maintenance work.

Thelma Butcher is a resident at the John M. Parrott Centre in Napanee, Ontario, a long-term care home that has put significant focus on maintaining electrical safety and which participates in ESA's Continuous Safety Services program.

Together we are working to keep our seniors safe.

# KEEPS THELMA SAFE AT HOME.

THELMA BUTCHER

RESIDENT, JOHN M. PARROTT CENTRE  
NAPANEE, ONTARIO

CLAUDE LEDUC

ESA SENIOR INSPECTOR  
SUDBURY, ONTARIO



## INNOVATIVE TOOLS THAT IMPROVE SAFETY AND PRODUCTIVITY

Step-by-step safety processes on large worksites are a significant and necessary part of keeping workers safe and managing risk. With robust processes comes a correspondingly high need to articulate and monitor their use – the challenge is to increase productivity and simplify safety processes so they're followed every time.

ESA recognized the demand in the marketplace for a simplified way to better manage electrical safety. e-WorkSAFE is an intuitive and highly effective mobile application. Workers use a tablet to access information about the work they're about to do. The tool outlines the potential hazards of each work process, details the procedures that must be followed and lists

CLAUDE



the protective equipment employees are required to wear. Employees then verify on the tablet that they've followed the necessary steps, creating an on-the-spot audit trail.

When you're 1,000 metres underground, there's no question – you don't cut corners on safety. Gord Tribe is an electrician at Goldcorp's Musselwhite mine, located on the southern shore of Opapimiskwan Lake in northwestern Ontario, 480 kilometres north of Thunder Bay. Gord has been using the ESA e-WorkSAFE tool for nearly six months and has seen immediate benefits. "I have the information I need right here in my hands," says Gord. "I know what risks to watch for and have confidence that the procedures are up to date," he says. "And logging my activity on the tablet as I go helps me avoid paperwork at the end of the day."



# KEEPS GORD SAFE AT WORK.

**GORD TRIBE**

ELECTRICIAN

GOLDCORP INC.

OPAPIMISKWAN LAKE, ONTARIO

# UNDERSTANDING RISK TO SAVE LIVES



ESA HAS MADE GREAT STRIDES THROUGHOUT ITS HISTORY, IMPROVING ELECTRICAL SAFETY THROUGH ENFORCEMENT AND EVOLUTION OF POLICY AND REGULATION AND BY RAISING PUBLIC AWARENESS OF ELECTRICAL SAFETY RISKS.

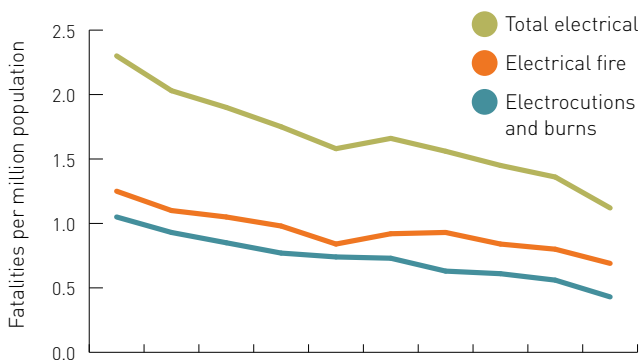
The five-year average for electrical-related fatalities has decreased 29 per cent over the last five years. This is great progress, but there is still much work to do. We have reached a point on the safety continuum where traditional

approaches to compliance and enforcement alone cannot achieve the outcomes we are striving for.

Getting to zero injuries, deaths and loss requires continual evolution of our approach to identifying and addressing electrical harms. We need to understand these deeply embedded causal factors, including behaviours that lead to electrical fires and electrical contacts, while we encourage and foster a culture change around how we approach electricity, electrical work and electrical products in our homes, communities and job sites. This requires a deeper understanding of the data we collect and the details we uncover through the incidents we investigate, the surveys we conduct and the information shared by our partners.

In ESA's 2011 Ontario Electrical Safety Report, we reported that the fatality rate for electrical workers (electricians and linespersons) was one of our greatest areas of concern, accounting for 22 per cent of all occupational electrical-related fatalities between 2006 and 2010. At least two electricians are critically injured each year and this is usually due to unsafe work practices. To keep electricians safe, ESA initiated a project to gain a better understanding of why their work is often undertaken in an unsafe manner. We plan to join with academia in a multi-disciplinary group where diverse perspectives will help us better understand these behaviours and find the appropriate methods and places for intervention. We need to move this stubborn trend of incidents involving electricians in the right direction. This approach will allow ESA to create a targeted

## OVERALL FIVE-YEAR ROLLING AVERAGE ELECTRICAL-RELATED FATALITIES IN ONTARIO, 1998-2011



|                          | 1998-2002 | 1999-2003 | 2000-2004 | 2001-2005 | 2002-2006 | 2003-2007 | 2004-2008 | 2005-2009 | 2006-2010 | 2007-2011 |
|--------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total electrical         | 2.30      | 2.03      | 1.90      | 1.75      | 1.58      | 1.66      | 1.56      | 1.45      | 1.36      | 1.12*     |
| Electrical fire          | 1.25      | 1.10      | 1.05      | 0.98      | 0.84      | 0.92      | 0.93      | 0.84      | 0.80      | 0.69*     |
| Electrocutions and burns | 1.05      | 0.93      | 0.85      | 0.77      | 0.74      | 0.73      | 0.63      | 0.61      | 0.56      | 0.43      |

Source: ESA and Coroner's records. \* Preliminary data subject to change.

**Conclusion:** The five-year average fatality rate has decreased 29 per cent over the last five years.

The five-year average for electrical-related fatalities decreased 29 per cent over the last five years. This is great progress, but there is still much work to do. We have reached a point on the safety continuum where traditional approaches to compliance and enforcement alone cannot achieve the outcomes we are striving for.

and appropriate response to this phenomenon; one that cannot be addressed through compliance and enforcement alone and one that ESA cannot implement in isolation.

In 2010, the most recent year of Office of the Ontario Fire Marshal (OFM) data, 40 per cent of structural fires where electricity was the ignition source were related to cooking equipment. These stovetop fires continue to be a key area of concern. It is a complex issue because of technological and behavioural factors; ESA would be challenged to address this issue alone. Partnerships provide additional data and

outreach channels to help us better understand and address the underlying causes of these incidents.

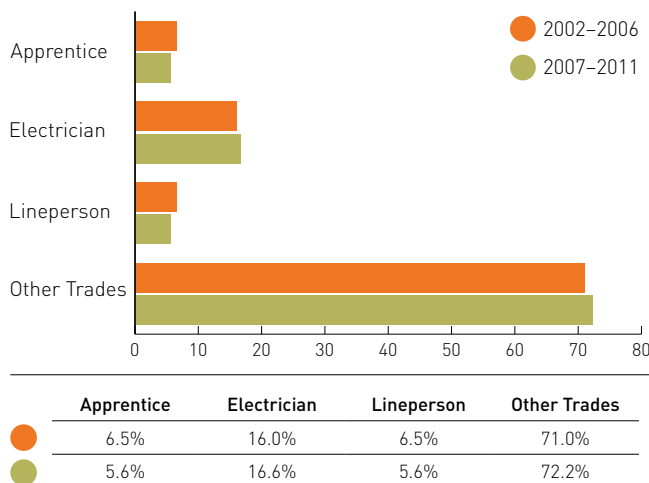
As part of an ongoing collaboration, a formal agreement was struck with the Office of the Ontario Fire Marshal and the Fire Marshal's Public Fire Safety Council of Ontario to determine the benefits of new technology in the mitigation of electric stovetop fires in Ontario. By working together, we will gain a new understanding of this area of concern, allowing for the creation of future common approaches.

To further advance our risk-informed approach, ESA refined its safety risk assessment tool for new wiring installations and had it evaluated by a third-party expert. The tool was found to be leading-edge practice and will continue to support the evolution of our approach to compliance and oversight. The tool has already been successfully used to identify wiring installations with a higher electrical risk to help focus efforts to reduce and mitigate those risks.

Developing tools and approaches that enable a deeper and more precise understanding of electrical safety risk provides a platform from which we can assess not only today's potential harms, but also emerging trends in electrical safety risks as technology and work practices evolve.

Doug Crawford,  
Chief Public Safety Officer

**PERCENTAGE OF OCCUPATIONAL ELECTRICAL-RELATED FATALITIES BY WORK TYPE IN ONTARIO, 2002-2006 AND 2007-2011**



**Conclusion:** No change in electrical-related fatality percentage for all electrical trades people.



Report from the Chief Operating Officer

# A FOCUSED USE OF RESOURCES IN CORE OPERATIONS

**IN FY2013, ESA OPERATIONS CONTINUED TO IMPROVE THE EFFECTIVENESS AND EFFICIENCY OF THE DELIVERY OF OUR CORE ACTIVITIES IN CODE COMPLIANCE, LICENSING, ENFORCEMENT AND CUSTOMER SERVICE. IN ADDITION, WE BEGAN TO FIELD-TEST NEW RISK-INFORMED APPROACHES TO ALLOCATING OUR WORK.**

## **PUTTING THE PLAN INTO ACTION**

Operations used safety data and analysis to identify and intervene in higher-risk wiring installations, highlighting three key areas of focus: special events and festivals, older apartment buildings and campgrounds. In each case, ESA reached out to key partners including industry associations and business improvement areas to help engage decision makers and raise awareness of electrical hazards.

Special events and festivals required a substantial effort (see page 6 for more detail) and in the end more than 750 festivals agreed to participate in a pilot program. With a better understanding of the ongoing complexity and risk associated with staging high-profile, high-attendance events, a number of special event and festival organizers became Continuous Safety Services (CSS) customers.

The pilot program for multi-residential buildings offered free inspections, and more than 65 property managers took part. The campground safety program was launched in the winter in order to achieve safety improvements before the start of the 2013 summer camping season.

## **RESPONDING TO THE UNEXPECTED**

At the same time, we needed to respond to unexpected safety events. In May 2012, Thunder Bay declared a state of emergency after flash flooding in the city and surrounding area. Between 3,000 and 5,000 homes were affected and

200 had to be disconnected due to water levels rising above electrical equipment. ESA inspectors and support staff worked tirelessly to ensure power could be safely restored to these homes and businesses as soon as possible.

This experience allowed ESA to refine its emergency plans, which were activated again in October due to severe flooding in Wawa and then because of storm damage due to Hurricane Sandy.

## **DESIGNING NEW TOOLS AND APPROACHES**

CSS's innovative e-WorkSAFE tool puts critical safety information directly into the hands of workers (see page 10 for more detail). The e-WorkSAFE tool was enhanced this year to make implementation smoother and more efficient. Nineteen organizations across Ontario signed on to use the tool as part of their regular safety processes.

ESA also surveyed electrical contractors, one of the most at-risk groups, to get their perspective on using a similar tool. Survey results confirmed that the majority of electricians have worked on installations without shutting off the power at the breaker – 'working live'. Preliminary product design is complete and stakeholder input is underway.

## **DELIVERING ON OUR CORE MANDATE**

In FY2013, ESA conducted more than 830 investigations related to the Ontario Electrical Safety Code. Investigations

in particular targeted high-risk situations and areas of greatest risk to public safety. This is in keeping with the company's risk-informed approach of deploying resources where they can achieve the greatest safety impact. ESA pursued these investigations and charges with a focus on cases where a strong message could be sent to the marketplace on the consequences of non-compliance, and ultimately to achieve the greatest overall benefit to electrical safety in Ontario.

ESA also targeted individuals performing electrical work without a licence. Particular focus was given to those cases where public safety was at significant risk and a strong compliance and enforcement message could be sent to both consumers and unlicensed individuals. ESA investigated a total of 55 reports of unlicensed individuals, resulting in 14 charges and 17 convictions to date.

A key example was the conviction of ThyssenKrupp Industrial Services Canada Inc. in July 2012 for violating the Electricity Act by hiring an unlicensed individual to do electrical work. The individual suffered very serious arc flash injuries while attempting to remove conductors from an electrical panel. A fine of \$70,000 was imposed on ThyssenKrupp, which included \$50,000 provided to ESA to be used for education about electrical safety. This sent a strong message to property owners and managers that they must ensure the safe condition of the electrical systems on their properties and hire only licensed electrical contractors to complete the work.

Another example resulted in an individual being convicted of one count of doing electrical work without a licence and one count of leaving a hazardous condition. The case was particularly egregious in that the individual had connected a residential building to an outbuilding, leaving an unprotected wire on the ground hot enough to melt the snow around it. Had the ESA Inspector not taken immediate action to have this installation disconnected and corrected, a serious injury or damage to property could have occurred. This conviction resulted in fines to the contractor of \$3,000 plus \$760 in costs. ESA continues to work to publicize convictions like this to the trade and the public in order to raise awareness and encourage compliance.

### LEVERAGING PARTNERSHIPS

ESA worked with the more than 70 Local Distribution Companies (LDCs) in Ontario to address their safety priorities and identified risks through targeted due diligence construction verification inspections (DDIs). LDCs were

## MEASURING ELECTRICAL SAFETY IMPACT

ESA measures the safety impact of its operations by assigning a value to the different categories of notifications that are issued by ESA inspectors for Ontario Electrical Safety Code violations. Notifications related to licenced electrical contractors are assigned a lower value than non-contractors, since non-contractors – which include homeowners – are more likely to have defects in their work that could result in a greater risk of fire and shock hazards.

In FY2013, the number of non-contractor notifications dropped significantly, which led to a greater proportion of contractor notifications contributing to the Electrical Safety Impact (ESI) number, while the number of notifications remained stable year-over-year. This led to a lower ESI per notification value in FY2013 [see page 23].

ESA is investigating the reasons behind this trend, and will add training, general inspections and other activities to better capture the overall Electrical Safety Impact value contributed.

allowed to direct a percentage of their DDIs to larger, more complex installations where there was an expectation of greater risk. This helped to improve safety overall while making more efficient use of ESA and LDC resources.

### ENHANCED CUSTOMER FOCUS

In November, ESA launched the first phase of its new online application system (NOLA) in the customer service centre. NOLA brings together data from several sources, which are used by our customer service representatives to answer questions and schedule appointments related to electrical permits and inspections. The new system enables ESA's representatives to provide faster service to resolve inbound requests and inquiries due to enhanced productivity. Future phases of the project will offer self-serve options to contractors and consumers.

Scott Saint,  
Chief Operating Officer

# BUSINESS PLAN

In 2010 ESA established a Harm Reduction Strategy with the central goal of reducing electrical fatalities by 30 per cent over five years. The strategy identified the electrical harms that generate the most deaths, injuries and fires in Ontario and defined approaches for reducing the rates of these events. The strategy also identified four key corporate capabilities required by ESA. Annually, the organization commits itself to specific progress objectives in each of the harm and capability areas. A report on those commitments and achievements for the past year starts on page 19.

ESA's Business Plan details the required activities needed to meet the objectives of the Harm Reduction Strategy, fulfill regulatory obligations and ensure the sustainability of ESA in meeting its mandate. The current Business Plan covers FY2013 to FY2015 and is updated on an annual basis to reflect progress made and new developments.

ESA's planning is guided by its regulatory governance principles, including making informed decisions that are transparent, accountable and evidence-based, and innovative, effective, risk-based and fair.

## GOAL OF OUR HARM REDUCTION STRATEGY:

Reduce electrical  
fatalities by

# 30%

from 2010 to 2015

## WE FOCUS ON 5 HARMS



**POWERLINE  
SAFETY**



**HIGH-RISK  
WORKER SAFETY**



**ELECTRICAL  
PRODUCT SAFETY**



**AGING  
INFRASTRUCTURE**



**NEW  
WIRING**

# HIGHLIGHTS OF THE BUSINESS PLAN

- > **Focus on the five harm areas** – powerlines, high-risk workers, electrical products, aging infrastructure and new wiring – and achieve a 30 per cent reduction in electrical fatalities from 2010–2015;
- > **Focus on four corporate capabilities** – people and growth, business processes, communication and stakeholder engagement, and sustainable resource framework;
- > **Execution of the Sustainable Resource Strategy** – to ensure ESA operates in a financially responsible and sustainable fashion;
- > **Five major projects** – implementing risk-based Code compliance; developing and implementing an electrical worker safety program; eliminating duplication and supporting a national approach to electrical product safety; building ESA's training programs; and supporting advancement of general inspections of older homes;
- > **Efficiency and cost management** – continued efforts to manage costs and improve efficiency;
- > **Risk-informed approaches** – applying risk-based management, in which the greatest efforts go to the areas of greatest risk;
- > **Revenue growth** – targeting growth in strategic areas that will generate revenue, including training, Continuous Safety Services and Field Evaluation Services;
- > **Multi-year fee planning** – taking a multi-year approach to fee setting to improve predictability for both ESA and stakeholders;
- > **Integration of Enterprise Risk Management (ERM)** – continued integration of ERM into business planning and management.

## PLANNED DEFICIENCY/SURPLUS

- > FY2014 – deficiency of \$1,139,000
- > FY2015 – surplus of \$575,000
- > FY2016 – surplus of \$2,460,000

More detail is provided in the financial summary and outlook starting on page 37.

## PROGRESS ON IMPROVEMENTS IN SAFETY

ESA's annual Ontario Electrical Safety Report provides data on changes in rates of electrical injuries, fatalities and fires. The latest report finds that the overall rate of electrical contact fatalities in Ontario continues to decrease at an encouraging pace.

ESA's analysis indicates that fatalities and serious injuries in the electrical trades have increased, contrary to the overall downward trend. ESA has made this area a priority, including designating a major project to develop an electrical worker safety program and undertaking research to better understand the dynamics of behaviour among such workers.

The trend in electrical-related fire fatalities (due to electrical products or older electrical residential installation

failures), although improving, is doing so only gradually. In light of this, ESA has established partnerships with the Office of the Ontario Fire Marshal and the Fire Marshal's Public Fire Safety Council to address stovetop fires and distribution equipment fires in dwellings.

More detail on the progress in electrical safety can be found in the Chief Public Safety Officer's Report on page 12.

## SUSTAINABLE RESOURCE STRATEGY

The execution of the Sustainable Resource Strategy has progressed significantly and will continue over the next two years. Although needing to operate under tight fiscal restraint in FY2013, ESA was still able to move major projects forward and, most importantly, continue to make improvements in electrical safety.

The main features of the strategy include: building revenue from training, Continuous Safety Services and Field Evaluation Services; containing costs and improving efficiencies; growing areas like awareness-building and education; increasing fixed revenue streams that are less subject to economic fluctuations; and improving financial administrative and analytical tools.

## IT PLAN

In FY2013 a new, comprehensive multi-year IT strategy was developed, structured around the pillars of data and analytics, efficiency through collaboration and mobility, and robust IT governance.

## MAJOR PROJECTS

ESA's Business Plan includes five major projects:

### Risk-Based Code Compliance

Consistent with the best practices of leading regulators, ESA is committed to applying risk-based approaches. As part of that effort, ESA created a tool that can be used to assess the relative safety risk of wiring installations. This year, an independent review of the Safety Risk Assessment Tool confirmed that its development process was robust and aligned with ESA's regulatory governance principles.

ESA used the tool to identify three areas of high safety risk: special events/festivals, older multi-storey residential apartments and campgrounds. Safety blitzes were developed for each one. At the same time, ESA is identifying low-risk sectors or installations suitable for other compliance approaches, such as self-declaration or audited quality management systems. In FY2013, ESA began a pilot project to identify potential areas and a working group assessed alternative compliance approaches. A white paper was initiated, which will be used to gain input from stakeholders.

### Electrical Worker Safety Program

A dedicated electrical worker safety program will influence high-risk behaviour among electrical workers. The goal is to inform and remind them of appropriate safety practices in various situations. This will assist industry in developing and following electrical safety management systems that result in a reduction in injuries and serious incidents. Research and development work was done in FY2013.

### Eliminating Duplication in Consumer Electrical Product Safety

ESA is working with the provincial and federal governments to reduce regulatory duplication in consumer product safety. In FY2013, the three organizations defined areas of overlap. ESA also worked with Health Canada to reduce duplication in the handling of electrical product safety reports. ESA has been contracted to provide training and knowledge transfer to Health Canada staff.

### ESA Training Programs

ESA will expand its training business to positively impact safety and contribute to financial sustainability. This will be achieved by building our brand, responding to evidence-

based research of high-risk groups and industries, engaging strategic partners, leveraging resources, exploring new training opportunities and broadening online offerings. This year ESA made progress by establishing a dedicated training delivery team, expanding e-learning options, selecting a learning management system to build interactive e-learning curriculum, and investing in technology to broadcast training presentations to online audiences, both live and on-demand.

### General Inspection Program for Older Homes

ESA wants to prevent fires in existing residential dwellings associated with electrical wiring, panels and other distribution equipment. The approach is to develop a dedicated program focused on the role of general inspections of older homes. It will take a non-regulatory, market-based approach to ensure high-quality general inspection work. The current ESA general inspection process will be enhanced or revised as required and ESA will look to partner with third-party service providers as needed.

## PRIORITIES AHEAD

ESA's business planning process includes situational analysis, risk assessment, review of strategic themes, safety outcomes, and required resources, approaches and activities. Based on the progress made and the challenges remaining, the following are key priorities for the future:

- > supplementing enforcement and compliance with non-regulatory solutions that improve safety;
- > focusing in particular on the challenges of electrical worker safety and fires/aging infrastructure;
- > developing capacity including data analytics, risk-based decision-making, IT and communications strategies;
- > allocating staff resources where they can make the greatest impact on electrical safety while also planning for an expected significant number of retirements in the years ahead;
- > accounting for global trends such as the rise in self-regulation and objective-based codes; and
- > further advancing Enterprise Risk Management.

In March 2015, ESA's current Harm Reduction Strategy and Three-Year Business Plan will reach the end of their planned time horizon. Work has begun on the development of the next corporate strategy and business plan. This will include defining goals, milestones and strategies required to further improve electrical safety in Ontario. The work will be informed by ESA's ongoing collection and analysis of electrical safety incident data, leveraging the expertise and capabilities of staff and systems, and identifying collaborative opportunities with stakeholders.



# 1 POWERLINE SAFETY

ESA is focused on reducing powerline contact incidents involving third parties and advancing the safety practices of Local Distribution Companies (LDCs).

## FY2011–FY2015 GOAL

**160 to 113\*\***  
**30% ↓**

Decrease the number of worker and non-worker powerline contact incidents from 160 to 113 (based on five-year rolling average).

## STATUS AS OF FY2013

**145\* to 130**  
**10% ↓**

Steady progress continues.

## FY2013 ACHIEVEMENTS

| STRATEGIES                                                | COMMITMENTS                                                                                                                                                                           | FY2013 ACHIEVEMENTS                                                                                                                                                                                                       |
|-----------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Advance safety practices of LDCs</b>                   | <b>Support Community Powerline Safety Alliance (CPSA); facilitate, provide support, interpretation and documentation to address priorities established.</b>                           | CPSA in place, key priorities set and first Powerline Safety Week established May 2013.                                                                                                                                   |
|                                                           | <b>Coordinate with LDC community on shared powerline safety awareness efforts; increase use by stakeholders of ESA safety materials and campaigns.</b>                                | ESA safety awareness material, social media content provided to LDCs. LDC participation secured for new Powerline Safety Week in May 2013. Powerline safety information toolkit established for LDCs.                     |
|                                                           | <b>Development of Asset Management Public Safety Guideline. Test guideline in collaboration with stakeholders to advance risk-informed approaches for existing utility equipment.</b> | Pilot user guide drafted. Testing of prototype risk assessment tools underway.                                                                                                                                            |
| <b>Reduce incidents involving high-risk third parties</b> | <b>Hold community-based powerline safety events across the province.</b>                                                                                                              | 158 powerline safety events held across the province.<br><br>Events varied from formal speaking engagements with contractors, safety talks, to direct intervention with workers when an unsafe work practice is detected. |

## FY2013–FY2015 PLANS

| STRATEGIES                              | PLANS                                                                                                                                   | FY2014 COMMITMENTS                                                                                                         |
|-----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| <b>Advance safety practices of LDCs</b> | <b>Support Community Powerline Safety Alliance.</b>                                                                                     | Launch Powerline Safety Awareness Week in May 2013.<br>Engage construction sector through collaboration with associations. |
|                                         | <b>Coordinate with LDC community on shared powerline safety awareness efforts.</b>                                                      | Collaborate with LDCs and others on Powerline Safety Awareness Week.                                                       |
|                                         | <b>Test guideline risk model in collaboration with stakeholders to advance risk-informed approaches for existing utility equipment.</b> | Continued testing of prototype risk model.                                                                                 |

\* Note: This number was updated after the publication of the FY2012 Annual Report, as published in 2011 Ontario Electrical Safety Report, page 34.

\*\* This number was misstated in the FY2012 Annual Report.



## 2 HIGH-RISK WORKER SAFETY

ESA works with electrical trades, workers, industry, safety stakeholders, and other safety regulators and organizations to decrease the number of worker-related electrical fatalities and critical injuries.

### FY2011–FY2015 GOAL

**25 to 18**  
**28% ↓**

Decrease the number of worker-related electrical fatalities and critical injuries from 25 to 18 (based on five-year rolling average).

### STATUS AS OF FY2013

**21 to 16\***  
**24% ↓**

Five-year goal exceeded; working to maintain level.

Rates for electrical workers are not decreasing at same rate.

### FY2013 ACHIEVEMENTS

| STRATEGIES                                            | COMMITMENTS                                                                                                                          | FY2013 ACHIEVEMENTS                                                                                                                                                                                                                                                                                                                                                                          |
|-------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Influence and support collaborative approaches</b> | <b>Develop electrical worker safety program. Define specific measurable improvement in electrical work accidents and fatalities.</b> | Worker Safety Program was developed based on incident data research and stakeholder survey. A tool was identified and is being designed to bridge the safety gap. Measurables were defined as the intake and use of the tool along with overall reduction of serious injuries reported to the Ministry of Labour.                                                                            |
|                                                       | <b>Hold or participate in community-based worker safety events across the province.</b>                                              | Participated in more than 900 events throughout the province.<br>Events executed by inspectors included safety forums with carnival operators, Sarnia Lambton Safety, Mining Safety, First Nations Conference, DIG-SAFE Sessions. In addition, inspectors conducted safety talks and direct interventions with workers while performing inspections.                                         |
| <b>Encourage safe work practices and behaviour</b>    | <b>Launch Worker Safety Taskforce with experts in safety, industry practices, behaviour change and utility sector.</b>               | Multi-disciplinary taskforce launched with first phase completed.<br>Supported the research work of Toronto Rehabilitation Institute and St. John's Rehabilitation Hospital in assessing key drivers in electrically-injured workers successful work re-integration.<br>Phase 2 initiated. Canadian Institute of Health Research (CIHR) planning grant to research high-risk male behaviour. |

### FY2013–FY2015 PLANS

| STRATEGIES                           | PLANS                                                            | FY2014 COMMITMENTS                                                                                                                     |
|--------------------------------------|------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| <b>Encourage safe work practices</b> | <b>Continue development of Electrical Worker Safety program.</b> | Achieve market penetration of 10 per cent for use of new safety product among Licensed Electrical Contractors and Master Electricians. |

\* Based on the most recent (calendar year 2011) data from the Ontario Ministry of Labour.



# 3 ELECTRICAL PRODUCT SAFETY

ESA works with other agencies to advance awareness of and processes to reduce fires and safety incidents related to electrical products. Working with the Office of the Ontario Fire Marshal (OFM) and the Ontario Fire Marshal's Public Fire Safety Council, ESA is assessing the effectiveness of new stovetop element technology.

## FY2011-FY2015 GOAL

**1,952 to 1,367**  
**30% ↓**

Decrease the number of electrical-related product fires from 1,952 to 1,367 (based on five-year rolling average).

## STATUS AS OF FY2013

**1,739 to 1,574\***  
**9.5% ↓**

Favourable progress toward target.

## FY2013 ACHIEVEMENTS

| STRATEGIES                                      | COMMITMENTS                                                                                                                                                                                                                                                                                  | FY2013 ACHIEVEMENTS                                                                                                                                                                     |
|-------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Enhance understanding of cooking fires</b>   | <p>Initiate cohort study of effectiveness of new stovetop element technology with Office of the Ontario Fire Marshal and Ontario Fire Marshal's Public Fire Safety Council.</p> <p>Produce five-year study plan and design, and report on findings from new stovetop element technology.</p> | Signed a tri-party partnership agreement with Office of the Ontario Fire Marshal and the Ontario Fire Marshal's Public Fire Safety Council to share the funding of the five-year study. |
| <b>Assess, respond to and monitor incidents</b> | Review, assess and successfully resolve incoming product safety incident reports. Effectively manage the volume of electrical product incident reports.                                                                                                                                      | 994 incident reports received during year; 1,120 current and prior year reports resolved by year-end; 821 cases still active.                                                           |

## FY2013-FY2015 PLANS

| STRATEGIES                                    | PLANS                                                                                                                                                                    | FY2014 COMMITMENTS                                                          |
|-----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| <b>Enhance understanding of cooking fires</b> | Initiate cohort study of effectiveness of new stovetop element technology with Office of the Ontario Fire Marshal and Ontario Fire Marshal's Public Fire Safety Council. | Establish detailed project milestones and initiate research data gathering. |

\* Based on most recent (calendar year 2011) Office of the Ontario Fire Marshal data.



# 4 AGING INFRASTRUCTURE

ESA will focus on increasing the impact of general inspections in reducing the number of electrical fires in existing residential dwellings associated with electrical wiring, panels and other distribution equipment.

## FY2011–FY2015 GOAL

**788 to 552**  
**30% ↓**

Decrease the number of electrical fires with distribution equipment as an ignition source in homes built prior to 1975 from 788 to 552 (based on five-year rolling average).

## STATUS AS OF FY2013

**716 to 699\***  
**2.4% ↓**

Progress made but rate is slower than desired.

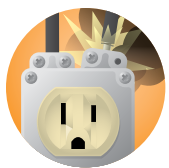
## FY2013 ACHIEVEMENTS

| STRATEGIES                                            | COMMITMENTS                                                                                                                                                                       | FY2013 ACHIEVEMENTS                                                                                                                                                                                                                                                                                                                                                    |
|-------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Market-based approach leveraging third parties</b> | <b>Evolve general inspections of older homes.</b>                                                                                                                                 | Successfully populated data in the geographic information system (GIS). Have identified residential communities at risk.<br><br>Engaged cross-functional team to develop alternative options and recommendations for the delivery of general inspections of older homes based on the CSA C 22.6 – Electrical Inspection standard for existing residential occupancies. |
|                                                       | <b>Continue active support of Electrical Safety Foundation International Canada (ESFI) to raise awareness of safety issues, including first National Electrical Safety Month.</b> | ESA continues as active member. National Electrical Safety Month launched in May 2012.                                                                                                                                                                                                                                                                                 |
| <b>Enhance understanding of electrical fires</b>      | <b>With Office of the Ontario Fire Marshal, identify and profile at-risk communities.</b>                                                                                         | Geo-spatial analysis of fire data done to identify patterns of at-risk communities.                                                                                                                                                                                                                                                                                    |

## FY2013–FY2015 PLANS

| STRATEGIES                                       | PLANS                                                                                               | FY2014 COMMITMENTS                                                                  |
|--------------------------------------------------|-----------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| <b>Market-based approach</b>                     | <b>Enhance general inspection program for older homes.</b>                                          | Complete pilot program.<br><br>Establish plan to launch in at-risk communities.     |
|                                                  | <b>Continue active support of ESFI to raise awareness of safety issues.</b>                         | Continue to provide support to ESFI's national electrical safety awareness efforts. |
| <b>Enhance understanding of electrical fires</b> | <b>With Office of the Ontario Fire Marshal, identify and better understand at-risk communities.</b> | Identify and profile at-risk communities.                                           |

\* Based on the most recent (calendar year 2011) Office of the Ontario Fire Marshal data.



# 5 NEW WIRING

Align inspection and non-inspection resources to well-defined high-priority harm reduction initiatives to improve safety by increasing Ontario Electrical Safety Code compliance and reducing defects in higher-risk installations.

## FY2011–FY2015 GOAL

**30% ↑**

Increase the Electrical Safety Impact (ESI) (see page 15) for wiring notifications by 30 per cent. ESA's ESI measurement tool calculates the safety contribution for different categories of inspection activities.

## STATUS AS OF FY2013

**13.4% to 12.7% ↓**

Much lower than anticipated due to marketplace fluctuation. See page 15 for more detail.

## FY2013 ACHIEVEMENTS

| STRATEGIES                                 | COMMITMENTS                                                                                                                                                                            | FY2013 ACHIEVEMENTS                                                                                                                                                                                                                                                                                               |
|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Advance safety management framework</b> | <b>Implement risk-informed approach for Code compliance. Execute the risk-informed inspection approach to increase wiring installation compliance in three high-risk target areas.</b> | Three high-risk areas identified and inspection blitzes executed: special events and festivals, older apartment buildings and campgrounds. Additionally, identified risks in some long-term care facilities and engaged government and associations to manage compliance with the Ontario Electrical Safety Code. |
|                                            | <b>Complete 2012 Code training with positive feedback from participants.</b>                                                                                                           | 8,590 participants were trained in 394 sessions with 96 per cent satisfaction rating. An additional 982 participants completed online training.                                                                                                                                                                   |

## FY2013–FY2015 PLANS

| STRATEGIES                                 | PLANS                                        | FY2014 COMMITMENTS                                                                                     |
|--------------------------------------------|----------------------------------------------|--------------------------------------------------------------------------------------------------------|
| <b>Advance safety management framework</b> | <b>Implement risk-based Code compliance.</b> | Consult on alternate compliance options. Implement low-risk pilot.<br>Develop IT data management plan. |

# PEOPLE AND GROWTH

ESA will continue to build and ensure employee engagement in the Harm Reduction Strategy, align human resources and business strategies, and increase the organization's capability to thrive in a changing environment.

## FY2011–FY2015 GOAL

Establish clear succession plans for 100 per cent of critical roles and 75 per cent of leadership roles.

## FY2013 ACHIEVEMENTS

| STRATEGIES                         | COMMITMENTS                                                                                                                                                                                                                           | FY2013 ACHIEVEMENTS                                                                                                                                          |
|------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Alignment and culture</b>       | <p>Develop employee capabilities and skills for culture shaping, project management and financial awareness.</p> <p>Design implementation plan including student selection, course outline, modification of modules to audiences.</p> | In support of culture change, developed and delivered ESA-specific project management program and launched fifth class of the ESA Senior Leadership Academy. |
| <b>Organizational capabilities</b> | Ensure availability and leadership continuity in critical positions. Validate critical positions, identify successors and complete development plans.                                                                                 | Critical positions identified and validated, and succession plans created.                                                                                   |
| <b>Cost management</b>             | Address ESA pension and other post-employment benefits (OPEB) challenges. Identify best options for cost management.                                                                                                                  | Meaningful progress on a number of fronts including significant savings derived from benefit carrier change.                                                 |

## FY2013–FY2015 PLANS

| STRATEGIES                         | PLANS                                                                                                     | FY2014 COMMITMENTS                                                                                                                                                       |
|------------------------------------|-----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Alignment and culture</b>       | Develop employee capabilities and skills for culture shaping, project management and financial awareness. | Develop and implement plans to address barriers preventing alignment with ESA's Harm Reduction Strategy.                                                                 |
| <b>Organizational capabilities</b> | Ensure availability and continuity in critical positions.                                                 | <p>Validate critical positions, identify successors and complete development plans.</p> <p>Continue assessment of bench strength and revisions to development plans.</p> |
| <b>Cost management</b>             | Address ESA pension, benefit and OPEB challenges.                                                         | Continue active cost management.                                                                                                                                         |

# BUSINESS PROCESSES

In addition to implementing a risk-informed compliance model for new wiring, ESA will expand the use of business analytic tools and risk-informed approaches to advance the Harm Reduction Strategy and improve operating efficiency.

## FY2011–FY2015 GOAL

Increase the ratio of prevention activities by 20 per cent and fully integrate a safety management framework.

## FY2013 ACHIEVEMENTS

| STRATEGIES                            | COMMITMENTS                                                                                                                                                                                                                                                                            | FY2013 ACHIEVEMENTS                                                                                                                                                                                                                      |
|---------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Customer service effectiveness</b> | <b>Launch new online application system (NOLA) for customer access. Offer contractors robust online self-serve option to arrange electrical inspection or check inspection status.</b><br><br><b>Maintain stability and reliability of microcomputers by replacing at end of life.</b> | New online application system launched internally. External launch delayed to ensure functionality and stability.<br><br>Replacement of end-of-life microcomputers began in the fourth quarter; remaining replacement schedule on track. |

## FY2013–FY2015 PLANS

| STRATEGIES                            | PLANS                                        | FY2014 COMMITMENTS                                                                   |
|---------------------------------------|----------------------------------------------|--------------------------------------------------------------------------------------|
| <b>Customer service effectiveness</b> | <b>Launch new online application system.</b> | Leverage NOLA to increase customer service and efficiency within the business units. |

# EFFECTIVE COMMUNICATION AND STAKEHOLDER ENGAGEMENT

ESA will ensure it is a trusted source for electrical safety information and advice. ESA will continue to build stakeholder awareness and support for risk-informed approaches.

## FY2011–FY2015 GOAL

Leverage stakeholder partnerships to mobilize action related to the key safety harms.

## FY2013 ACHIEVEMENTS

| STRATEGIES                                                                         | COMMITMENTS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | FY2013 ACHIEVEMENTS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Enhance understanding by stakeholders of ESA's role, mandate and activities</b> | <p><b>Expand reach of safety awareness programs including greater third-party use of materials. Grow overall impressions to 50 million.</b></p> <p><b>Undertake website content rationalization. Enhance higher-traffic content, and eliminate dated or low-traffic content.</b></p> <p><b>Enhance strategic use of social media through campaigns and content management strategy, and first phase of social media strategy.</b></p> <p><b>Implement improved internal communications program in collaboration with staff.</b></p> | <p>Reach of awareness programs significantly increased. Impressions goal exceeded by 20 per cent. Stakeholder toolkits and social media connections established.</p> <p>Content rationalization project completed. New site design and revised navigation readied for launch in FY2014.</p> <p>ESA social media strategy developed for Twitter, Facebook and YouTube. Active content management strategy in place.</p> <p>Employee engagement survey provided key feedback on communications needs.</p> |
| <b>Develop stakeholder understanding and support</b>                               | <p><b>Build stakeholder support for risk-informed approaches.</b></p> <p><b>Improve reporting to regulated stakeholders.</b></p> <p><b>Gather feedback from consultation with and surveys of contractors to improve stakeholder understanding and support.</b></p>                                                                                                                                                                                                                                                                  | <p>Ongoing review of progress on risk-informed approaches via stakeholder Advisory Councils.</p> <p>Summary Report to Contractors launched as first new report for regulated stakeholders.</p> <p>Survey of contractors completed and results being used to identify opportunities for improvement.</p>                                                                                                                                                                                                 |

## FY2013–FY2015 PLANS

| STRATEGIES                                                                            | PLANS                                                                                                                                                  | FY2014 COMMITMENTS                                                                                                                                                                                                                 |
|---------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Enhance understanding by stakeholders of ESA, its role, mandate and activities</b> | <p>Expand reach of safety awareness programs.</p> <p>Leverage digital and social media.</p> <p>Implement improved internal communications program.</p> | <p>Grow overall impressions of ESA programs to 60 million.</p> <p>Execute content strategy and introduce social media streams.</p> <p>Develop internal communications program in collaboration with human resources and staff.</p> |
| <b>Develop stakeholder understanding and support</b>                                  | <p>Build stakeholder support for risk-based approaches.</p> <p>Improve reporting to regulated stakeholders.</p>                                        | <p>Achieve positive progress as measured through consultation feedback and stakeholder research.</p>                                                                                                                               |

# SUSTAINABLE RESOURCE FRAMEWORK

Establish robust and flexible financial framework to support the Harm Reduction Strategy. Ensure Enterprise Risk Management is well integrated into the fabric of ESA operations.

## FY2013 ACHIEVEMENTS

| STRATEGIES                              | COMMITMENTS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | FY2013 ACHIEVEMENTS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Financial performance</b>            | <p>Achieve financial response plan target: net income of \$165,000.</p> <p>Auditor confirmation of successful application of Accounting Standard for Not-for-Profit Organizations beginning April 2012.</p> <p>Develop five-year financial forecast including key drivers. Source forecasting tools to support the development of longer-term insights.</p> <p>Apply cost allocation model to better understand safety system cost and assist in communicating to stakeholders.</p>                                                                                                                                                                           | <p>Net income of \$2.2 million achieved.</p> <p>Completed.</p> <p>Financial forecast being integrated with next phase of five-year strategy. Key drivers and source forecasting tool identified.</p> <p>Completed. Used to support more robust reporting to stakeholders of revenue allocation through Advisory Councils and new Summary Report to Contractors.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Enterprise Risk Management (ERM)</b> | Maintain robust Enterprise Risk Management assessment and response capability.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Mapped and assessed risks associated with auditable universe as part of internal control approach and recommendation.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Sustainable resource</b>             | <p>National product safety system development.</p> <p>Establish basis for elimination of duplication between provincial and federal jurisdictions in order to ensure product safety is achieved with greater efficiency.</p> <p>Grow ESA training program to generate additional safety benefits and revenues.</p> <p>Transition Field Evaluation business to the FieldWorker mobile information technology management system.</p> <p>Implement workforce management plan.</p> <p>Grow and improve Continuous Safety Services (CSS) program. Develop an integrated plan to extend CSS across the broader industrial, commercial and institutional market.</p> | <p>Amendment proposed by provincial government to eliminate duplication with federal system.</p> <p>Training offerings expanded:<br/>Classroom: 21 to 24 courses<br/>Online: 1 to 3 courses<br/>French: 1 to 2 courses<br/>Safety Meeting Presentations: 11 to 14</p> <p>Updated core technical courses offered in support of the 2012 Ontario Electrical Safety Code.</p> <p>Transition completed.</p> <p>Multi-year workforce management plan established and FY2013 targets achieved for head count and productivity improvements.</p> <p>Integrated plan for three-year growth program completed. Plan's pillars are:</p> <ul style="list-style-type: none"> <li>&gt; Provide training and development tools for staff to enable them to influence health and safety strategy with clients;</li> <li>&gt; Strengthen sales capacity with new methodology and improved collateral support;</li> <li>&gt; Identify staff development plan to achieve the above.</li> </ul> |

## FY2013–FY2015 PLANS

| STRATEGIES                              | PLANS                                                                                                                                                                             | FY2014 COMMITMENTS                                                                                                                                                                                                                                                                                                                              |
|-----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Financial performance</b>            | <p>Achieve annual financial target.</p> <p>Develop five-year financial forecast in conjunction with the updated five-year strategy.</p>                                           | <p>Deficiency of \$1.1 million (see page 40).</p> <p>Review and update annually.</p>                                                                                                                                                                                                                                                            |
| <b>Enterprise Risk Management (ERM)</b> | Maintain robust ERM assessment and response capability.                                                                                                                           | Sustained ERM efforts.                                                                                                                                                                                                                                                                                                                          |
| <b>Sustainable resource</b>             | <p>National product safety system development.</p> <p>Grow ESA training program.</p> <p>Implement workforce plan.</p> <p>Grow and improve Continuous Safety Services program.</p> | <p>Continue to assist in the elimination of duplication between the provincial and federal jurisdictions.</p> <p>Achieve revenue target of \$1.6 million.</p> <p>Implement sales and marketing strategy.</p> <p>Expand e-learning offerings.</p> <p>Manage labour costs according to plan.</p> <p>Achieve revenue target of \$20.9 million.</p> |

# MANAGING COMPLIANCE AND ENFORCEMENT

ESA has programs, processes and procedures in place to ensure the efficient administration of our regulatory responsibilities as defined by Part VIII of the Electricity Act. As part of these responsibilities ESA administers a number of regulations.

## **Ontario Electrical Safety Code, O.Reg. 164/99**

establishes requirements and standards for electrical wiring installations, the safe use of electricity and equipment

in Ontario, and the appointment of electrical inspectors. To advance electrical safety, ESA also reviews plans for electrical installations, conducts general inspections of existing electrical installations and investigates electrical safety incidents. ESA works to ensure compliance to Ontario's safety requirements and the timely resolution of defects. Where required, ESA will escalate enforcement to the courts.

|                                                                  | FY2013                  | FY2012                  |
|------------------------------------------------------------------|-------------------------|-------------------------|
| Customer service calls answered                                  | 503,091                 | 513,495                 |
| Inspections conducted                                            | 430,224                 | 451,782                 |
| Continuous Safety Services customers                             | 4,126 with 25,764 sites | 3,740 with 25,371 sites |
| Warnings issued                                                  | 19,722                  | 21,660                  |
| Defects identified                                               | 248,505                 | 236,899                 |
| Investigations conducted                                         | 832                     | 2,607                   |
| Charges laid                                                     | 13                      | 99                      |
| Convictions                                                      | 11                      | 56                      |
| Appeals                                                          | 31                      | 22                      |
| Electrical Safety Impact (as measured by ESI tool – see page 15) | [0.7%]                  | 7.5%                    |
| Freedom of Information requests                                  | 1,473                   | 1,284                   |
| Complaints handled                                               | 104                     | 73                      |

**Licensing of Electrical Contractors and Master Electricians, O.Reg. 570/05** defines provincial licensing and administration requirements for Electrical Contractors and Master Electricians and is intended to protect the

public from unqualified contractors offering electrical services. ESA activities include managing and enforcing licensing requirements.

|                                                   | FY2013                  | FY2012 |
|---------------------------------------------------|-------------------------|--------|
| Electrical Contractor licenses issued             | 567                     | 676    |
| Master Electrician licenses issued                | 612                     | 1,189  |
| Licenses renewed                                  | 12,432                  | 12,604 |
| Individuals who wrote the Master Electrician exam | 738                     | 1,133  |
| Master Electrician exam pass rate                 | 85.0%                   | 89.8%  |
| Discipline notifications issued                   | 552                     | 405    |
| Licenses suspended                                | 70                      | 61     |
| Licenses revoked                                  | 0 [1 in appeal process] | 0      |
| Complaints handled                                | 1,427                   | 1,419  |
| Notices of violation issued                       | 440                     | 556    |
| Licensing investigations conducted                | 55                      | 135    |
| Charges laid                                      | 14                      | 72     |
| Convictions                                       | 17                      | 49     |
| Appeals                                           | 9                       | 6      |

**Electrical Distribution Safety Regulation, O.Reg. 22/04**

requires objective-based electrical safety requirements for the design, construction and maintenance of electrical distribution systems owned by licensed distributors. The regulation requires the approval of equipment, plans, specifications and inspection of construction before

systems are put into service, but provides Local Distribution Companies with a number of options to obtain these approvals. ESA conducts audits to ensure compliance to safety standards. In addition, ESA undertakes Due Diligence Inspections to confirm compliance to the regulation.

|                                            | FY2013 | FY2012 |
|--------------------------------------------|--------|--------|
| Electrical distribution-related incidents  | 202    | 201    |
| Electrical distribution-related fatalities | 2      | 3      |
| Due Diligence Inspections                  | 475    | 489    |
| Public safety concerns received            | 134    | 131    |

**Product Safety, O.Reg. 438/07** mandates ESA to protect the public from unsafe electrical products and equipment sold and used in Ontario. Industry members are required to report safety incidents involving electrical products to ESA, and others can voluntarily report events to us. ESA conducts investigations and where necessary ensures there is public notification and corrective action, such as recalls for unsafe products.

ESA continues to support the development of a consistent national product safety system. The Canada Consumer Product Safety Act, which came into effect in June 2011, provides additional support for consumer protection, and ESA is working with Health Canada to reconcile the federal and provincial systems.

|                                       | FY2013 | FY2012 |
|---------------------------------------|--------|--------|
| Total product safety incident reports | 1,120  | 1,735  |
| Reports deemed high-risk              | 13%    | 4%     |
| Medium-risk                           | 52%    | 63%    |
| Low-risk                              | 21%    | 22%    |
| Non-reportable                        | 14%    | 11%    |
| Safety alerts issued                  | 39     | 40     |
| Investigations conducted              | 1      | 7      |
| Recalled product notifications        | 57     | 65     |
| Charges laid                          | 0      | 3      |
| Convictions                           | 0      | 3      |

# GOVERNANCE

ESA's Board of Directors is responsible for corporate governance, regulatory oversight and for guiding the development of the organization's strategy. The Board and management are focused on employing progressive, leading-edge corporate governance and regulatory oversight practices.

Among its key responsibilities, the Board:

- > approves ESA's strategic plan, business plan and budget, and ensures the integrity of the organization's reported financial performance;
- > oversees the appointment, development, monitoring and succession planning of senior management;
- > monitors the strategic environment and ensures appropriate enterprise risk management;
- > monitors external communications and stakeholder relationships; and
- > monitors the integrity of the organization's internal control and management information systems.

The ESA Board of Directors is selected based on a set of established qualifications, available at [www.esasafe.com](http://www.esasafe.com). The Board comprises 12 members reflecting: the public; electricity distribution; electrical contractors; engineering; manufacturing; and other. Board members may serve up to three consecutive terms.

In FY2013, the ESA Board met as a whole four times and also held two strategic planning sessions with management. Each Committee met four times. Each member of the Board has signed and agreed to abide by a Directors Code of Conduct, available at [www.esasafe.com](http://www.esasafe.com). The Board participates in a program to ensure it remains abreast of best practices in corporate due diligence reporting, Director responsibilities, governance, and investment and pension management.

## COMMITTEES

**AUDIT COMMITTEE** – supports oversight responsibilities regarding audit, finance, information technology and financial risk management.

The committee manages on behalf of ESA the relationship with external auditors and also reviews discussion and analysis of ESA's annual corporate and pension audited financial statements. This committee also oversees ESA's internal financial structure, reporting and financial risk management systems.

**Chair:** P. Nowina

**Members:** B. Bentz; M. Kelch; E. Krause; O. Sigvaldason; D. Trouten; J. Wiersma

**HUMAN RESOURCES AND INVESTMENT COMMITTEE** – provides oversight responsibilities and risk management regarding investment, human resources and compensation.

This committee oversees a prudent investment management approach for corporate assets, the pension fund and human resources strategy on behalf of ESA. Its role is to ensure the adequacy and effectiveness of systems implemented to ensure compliance with established corporate governance, the Pension Benefits Act, Income Tax Act and human resources legislation, policies and procedures. Members review succession planning, performance assessment, development requirements and compensation philosophy and structure.

**Chair:** C. Cipolla (to February 2013); D. Trouten (from March 2013)

**Members:** B. Bentz; A. Knight; A. Merlo; J. Raepple; O. Sigvaldason; D. Trouten; J. Wiersma

**REGULATORY AFFAIRS AND GOVERNANCE COMMITTEE** – supports oversight responsibilities and risk management regarding public safety, external relations and corporate governance.

This committee ensures ESA is effectively meeting its regulatory obligations, responsibilities and public safety mandate. This includes ensuring alignment with ESA's Regulatory Governance Principles, harm reduction objectives and external relations. To enhance the oversight role of the Board, this committee is also responsible for monitoring and making recommendations regarding corporate governance, Board succession planning and Board evaluation.

**Chair:** M. Kelch (to October 2012); J. Raepple (from November 2012)

**Members:** C. Cipolla; A. Knight; E. Krause; A. Merlo; P. Nowina; J. Raepple; J. Wiersma

## FY2013 COMMITTEE MEETINGS

| April 2012 to March 2013                    |            |
|---------------------------------------------|------------|
| Audit Committee                             | 4 meetings |
| Regulatory Affairs and Governance Committee | 4 meetings |
| Human Resources and Investment Committee    | 4 meetings |

# ESA BOARD MEMBERS

## **JOHN WIERSMA, B.ENG., P.ENG.**

**Chair, Electrical Safety Authority (Term 3, Year 3)**

Director, Independent Electricity System Operator; Life Member, Ontario Energy Association

**Previously:** President and CEO, Chair, Veridian Corporation; President, Municipal Electric Association; Director, Canadian Energy Efficiency Alliance; Director, Electric and Utility Safety Association; President, Chair, Ajax Pickering Board of Trade; Director, Ontario Chamber of Commerce; Chair, Rouge Valley Health System Foundation

## **DAVID COLLIE, FCMA, MBA, C.DIR.**

**President and CEO, Electrical Safety Authority;**

**Ex-Officio of the Board**

Director, Plug n Drive Ontario

**Previously:** President and CEO, Burlington Hydro; Chair, Electricity Distributors Association

## **BRIAN BENTZ, MBA, CA, CET (Term 1, Year 3)**

President and CEO, PowerStream Inc.

Chair, Ontario Energy Association; Director, Electricity Distributors Association

**Previously:** Chair, Electricity Distributors Association; Chair, The MEARIE Group; Chair, Independent Electricity System Operator (IESO) Stakeholder Advisory Committee

## **CHARLES CIPOLLA, CA, ICD.D (Term 3, Year 1)**

Chair, Cambridge & North Dumfries Hydro; Chair, Gore Mutual Insurance

**Previously:** President and CEO, Rockwell Automation Canada Inc.; Chair, Electro-Federation Canada

## **MARGARET KELCH, ICD.D (Term 3, Year 3)**

Director, Guelph Hydro; Director, DST Engineering; Director, Nature Conservancy of Canada

**Previously:** President and CEO, Technical Standards and Safety Authority; Chair, Nature Conservancy of Canada – Ontario

## **ALISON J. KNIGHT, FCA (Term 3, Year 2)**

Director, Waste Diversion Ontario; Trustee, Toronto Salvation Army Grace Health Centre; Member, HRSDC Canada Student Loans External Advisory Committee; Adjunct Faculty, Master of Accountancy program, University of Waterloo; Executive Coach; Member, Institute of Corporate Directors, Institute of Chartered Accountants of Ontario, Consumers Council of Canada

**Previously:** CAO, Anglican Diocese of Toronto; SVP, Equifax Canada; Director, Consumers Council of Canada; Chair, Ontario Board of Funeral Services; Director, Pay Day Lending Education Fund Corporation; Council member, Institute of Chartered Accountants of British Columbia

## **ERWIN KRAUSE, MASTER ELECTRICIAN (Term 3, Year 1)**

**Previously:** President, Ecco Electric; Director, Niagara Peninsula Electrical Contracting Association; Director, Meridian Credit Union

## **AL MERLO, MASTER ELECTRICIAN (Term 3, Year 1)**

President, Merlo Electric

Director, Ontario Electrical League; Director, Hamilton, Halton & Toronto Construction Association; Director, Hamilton & District Electrical Contractors Association

**Previously:** President, Canadian Mushroom Association

## **PAMELA NOWINA, MBA, ICD.D, A.C.C. (Term 1, Year 3)**

Director, St. Joseph's Health Centre; Advisory Board, Sky Energy Consulting; Fellow, Mowat Centre, School of Public Policy, University of Toronto

**Previously:** Vice Chair, Ontario Energy Board; Director, Saint Elizabeth Healthcare Foundation

## **JOHN RAEPPLE, G.S.C., MASTER ELECTRICIAN (Term 2, Year 3)**

President, John Raepple Electric Limited

Director, Electrical Contractors Association of Ontario; Director, Electrical Contractors Association of Central Ontario

## **OSKAR T. SIGVALDASON, PH.D., P.ENG. (Term 3, Year 2)**

Director, Energy Council of Canada; Member, Studies Committee, World Energy Council

**Previously:** President and CEO, Acres Group of Companies; Director, Advisory Board, Hatch Group; Director, Toronto Board of Trade; Director, FortisOntario; Director, Countryside Power; Director, Board of Trustees, Brock University

## **DEBORAH TROUTEN, MA, APR, ICD.D (Term 2, Year 2)**

President, Dakota Communications Inc.

Member, Institute of Corporate Directors; Member, Canadian Public Relations Society

**Previously:** Director, Habitat for Humanity (Toronto); Director, College of Nurses of Ontario

# ORGANIZATIONAL STRUCTURE

## ESA OFFICERS

**DAVID COLLIE, FCMA, MBA, C.DIR.**  
President and CEO, Electrical Safety Authority;  
Ex-Officio of the Board  
Director, Plug n Drive Ontario  
Previously: President and CEO, Burlington Hydro; Chair,  
Electricity Distributors Association

**LESLEY GALLINGER, BA, MBA, CMA, CPA, C.DIR., A.C.C.**  
Vice President, Corporate Services and CFO,  
Electrical Safety Authority  
Director, Plexxus Pension Committee  
Previously: Vice President Corporate Services and CFO,  
Oakville Hydro

**CHRISTOPHER M. JODHAN, BA, LL.B, C.DIR.**  
Vice President, General Counsel and Corporate Secretary,  
Electrical Safety Authority  
Vice Chair, Retirement Homes Regulatory Authority  
Previously: Associate, Blake Cassels and Graydon;  
Crown Attorney, Office of the Attorney General

## EXECUTIVE MANAGEMENT TEAM

David Collie, President and CEO

Doug Crawford, Vice President, Regulatory Affairs and  
Chief Public Safety Officer

Scott Saint, Vice President and Chief Operating Officer

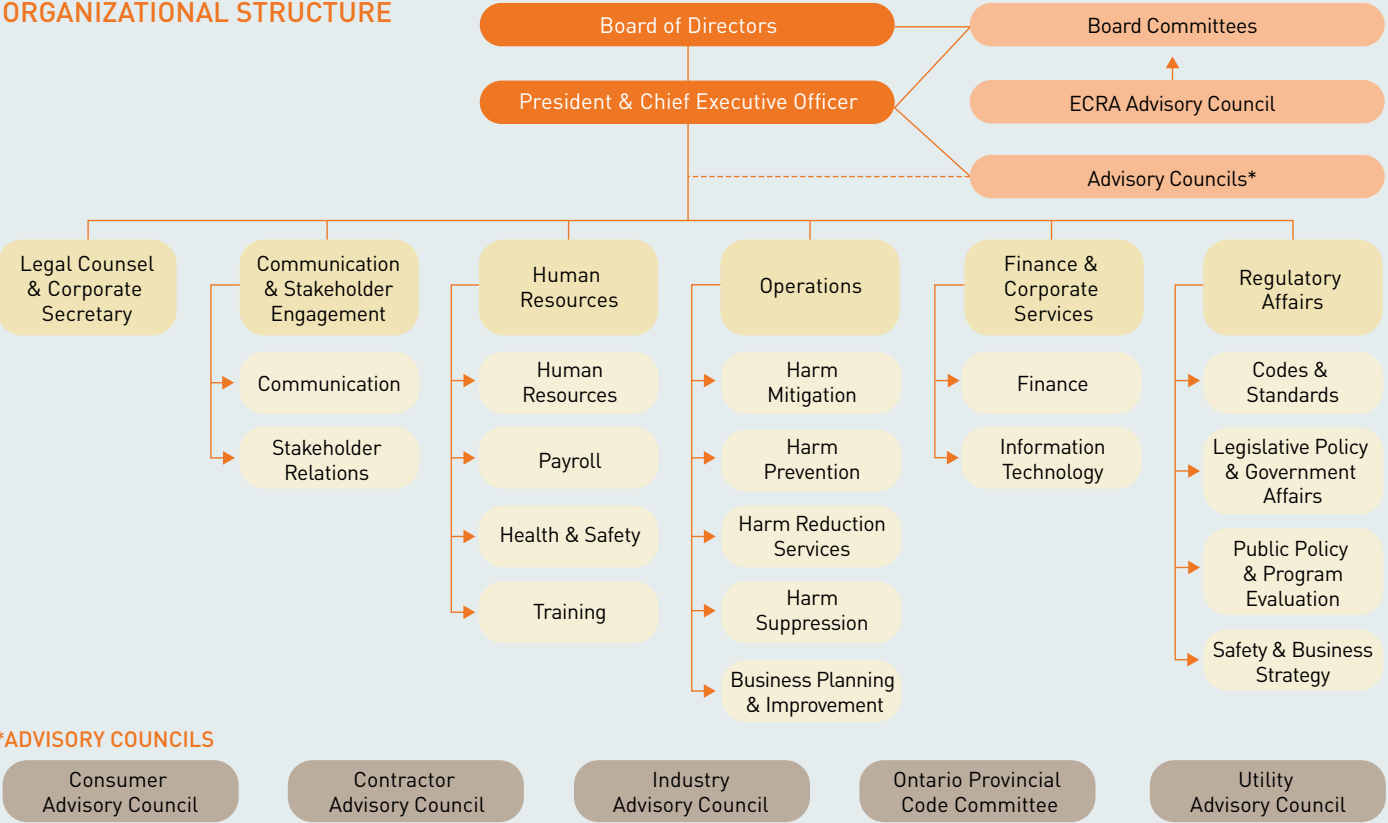
Lesley Gallinger, Vice President and Chief Financial Officer

Christopher M. Jodhan, Vice President and General Counsel

Dave Kirkconnell, Vice President, Human Resources

Nancy Evans, Vice President, Communications and  
Stakeholder Engagement

## ORGANIZATIONAL STRUCTURE



# PERFORMANCE SNAPSHOT

↓29%  
electrocution rate

## IMPACT

We continue to see good progress on the major indicators of electrical safety:

- > 29 per cent decrease in the electrocution rate
- > 73 per cent decrease in the powerline electrocution rate
- > 43 per cent decrease in worker-related electrical fatalities and critical injuries
- > 13 per cent decrease in fires where electricity is the fuel source
- > 14 per cent decrease in fires from electrical wiring

(all based on five-year rolling averages from 2001 to 2010)

↓73%  
powerline  
electrocution rate

## REGULATION AND COMPLIANCE

ESA works to ensure compliance to the regulations which we administer. In FY2013, ESA:

- > Conducted 475 Due Diligence Inspections
- > Saw the electrical safety impact of inspection activity dip slightly by 0.7% due to marketplace fluctuations (see page 15)
- > Issued 19,722 Ontario Electrical Safety Code non-compliance warnings compared to 21,660 in the previous year; conducted 832 investigations resulting in 13 charges and 11 convictions
- > Responded to 1,120 product safety incident reports
- > Licenced 7,255 Electrical Contractors and 11,672 Master Electricians, and suspended 70 licences compared to 61 in the previous year; conducted 55 investigations resulting in 14 charges laid and 17 convictions

↓43%  
worker-related  
electrical fatalities  
and critical injuries

↓13%  
fires where  
electricity is the  
fuel source

↓14%  
fires from  
electrical wiring

# FINANCIAL REVIEW

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# FINANCIAL SUMMARY FY2013

## OVERVIEW

The Electrical Safety Authority (ESA) is a not-for-profit corporation with regulatory authority under the Electricity Act, 1998 which uses its revenues to deliver safety programs and services across the province and to ensure the organization's sustainability so it can fulfill its mandate.

In fiscal year 2013 (April 1, 2012 to March 31, 2013), ESA achieved a surplus of \$2,226,000, a favourable variance from the budgeted surplus of \$165,000, thanks to a concerted effort across the company to manage costs, improve efficiencies and generate income through delivery of a range of programs, as well as strong market performance driving investment income.

In 2011, ESA launched a Sustainable Resource Strategy targeting five areas:

- > building revenue with particular focus on Continuous Safety Services (CSS), training and Field Evaluation Services;
- > containing operating costs and improving efficiencies;
- > investing in strategic areas to advance awareness and education efforts;
- > developing more fixed revenue streams to offset the challenges of variable revenue;
- > improving ESA's financial administrative and analytical tools.

Good progress was made over this past year. FY2013 saw growth in revenue from new residential, commercial and industrial wiring activity, and continued expansion of the CSS program for business. This growth offset declines in revenue from microFIT program-related work. Training revenue grew by 68.5 per cent to \$2,485,000, driven by new code training, while Field Evaluation Services revenue was \$8,515,000.

Labour-related costs including salary, wages, benefits, pension and other post-employment benefits (OPEB) dominate ESA's cost structure, representing 75.3 per cent

of total expenses. Annual pension and OPEB expenses increased again this year to \$15.8 million due to the continued low interest rate environment and increasing estimates of future obligations. In three years, these factors have contributed to an increase in ESA's pension and OPEB annual expenses from \$6.2 million in FY2010 to \$15.8 million this year, an increase of 155 per cent. Nonetheless, ESA absorbed the impact of these substantial increases into its annual budgets while still delivering services and remaining committed to its safety mission. ESA management and the Board continue to execute a multi-year pension strategy that includes reviewing investment options, scenario planning and analysis, working with labour unions toward sustainable models and consulting with other industry members.

ESA has significantly increased the impact of its safety awareness programs without increased marketing spending through the reallocation of efforts to a variety of communications channels, launching social media content, and engaging stakeholders in reusing and reposting ESA materials.

The organization continues to work to balance fixed and variable revenue streams so as to provide greater stability. This includes working on a multi-year program to expand its training services offerings and associated revenue.

## REVENUE

FY2013 revenue from operations was \$93.6 million, an increase of 6.5 per cent from the previous year. ESA's revenues are generated by licensing fees and safety services that are offered in both regulated and non-regulated sectors, in addition to investment income.

ESA's non-regulated revenue is derived from Field Evaluation Services, training services, real estate rental income, mining services and other wiring exempt from the OESC.

## REVENUE BY SOURCE

| (in thousands of dollars)*    | FY2013        | FY2012 |
|-------------------------------|---------------|--------|
| <b>Regulated services</b>     | <b>78,026</b> | 73,195 |
| <b>Non-Regulated services</b> | <b>15,546</b> | 14,637 |
| Sub-Total                     | <b>93,572</b> | 87,832 |
| <b>Investment income</b>      | <b>3,061</b>  | 1,506  |
| <b>TOTAL REVENUE</b>          | <b>96,633</b> | 89,338 |

*\*any differences are due to rounding; FY2012 revenue classification is restated for comparative purposes.*

## FULLY ALLOCATED EXPENSES

| (in thousands of dollars)     | FY2013        | FY2012 |
|-------------------------------|---------------|--------|
| <b>Regulated services</b>     | <b>78,693</b> | 75,870 |
| <b>Non-Regulated services</b> | <b>15,284</b> | 14,587 |
| Sub-Total                     | <b>93,777</b> | 90,457 |
| <b>Investment income</b>      | <b>430</b>    | 300    |
| <b>TOTAL EXPENSES</b>         | <b>94,407</b> | 90,757 |

## REVENUE BY LINES OF BUSINESS

| (in thousands of dollars)                                                     | FY2013        | FY2012 |
|-------------------------------------------------------------------------------|---------------|--------|
| <b>Wiring – Residential</b>                                                   | <b>28,582</b> | 28,295 |
| <b>Wiring – Industrial/Commercial/Institutional</b>                           | <b>22,264</b> | 20,893 |
| <b>Continuous Safety Services (CSS) – Industrial/Commercial/Institutional</b> | <b>21,099</b> | 19,551 |
| <b>Field Evaluation – Product Approvals</b>                                   | <b>8,515</b>  | 8,259  |
| <b>Utility Regulation (Local Distribution Companies)</b>                      | <b>2,488</b>  | 2,396  |
| <b>Contractor Licensing – Electrical Contractors and Master Electricians</b>  | <b>3,578</b>  | 3,457  |
| <b>Plan Approvals</b>                                                         | <b>1,618</b>  | 1,580  |
| <b>Other Revenues</b>                                                         | <b>5,428</b>  | 3,401  |
| <b>TOTAL REVENUE</b>                                                          | <b>93,572</b> | 87,832 |

Note: Other revenues include revenue from training services, Ontario Electrical Safety Code (OESC) book sales and Real Estate Rental Income.

Residential wiring revenue increased by 1.0 per cent over the prior year and industrial, commercial and institutional (ICI) revenue increased 6.6 per cent. Continuous Safety Services (CSS) revenue increased 7.9 per cent.

## EXPENSES

ESA's expenses in 2013 were \$94.2 million (including amortization), an increase of 3.9 per cent over the previous year.

The year-over-year increase in expenses was driven primarily by pension and OPEB obligations. These items represent 16.8 per cent of all expenses, and increased 14.5 per cent from the prior year.

Benefits expense, including costs associated with retiree plans, were \$4.2 million in 2013, an increase of 4.1 per cent since 2012. Pension and OPEB expense increased by \$2.0 million mainly as a result of changes in demographics and a decrease in the discount rate.

Non-labour related expenses were \$21.4 million, an increase of 5.4 per cent year-over-year. This increase was partially driven by volume-related activity such as Code book purchases, as well as new projects which include CSS programs and a new internal audit program.

The major categories of expenses were: purchased services of \$3.9 million or 18.4 per cent of all non-labour operating expense; fleet costs, travel and accommodation, and meals (which includes expenses for Advisory Councils and major events such as the Annual General Meeting, as well as staff-related costs) were \$6.1 million or 28.7 per cent; office administration was \$3.2 million or 15.2 per cent; facilities were \$1.8 million or 8.5 per cent; computer support was \$1.9 million or 9.1 per cent; and other costs were \$4.3 million or 20.1 per cent.

Included in non-labour expenses was \$492,000 in fees paid to the Ontario government for oversight of ESA. The government has notified ESA that these oversight fees will be increasing over each of the next two years to \$685,000 in FY2015, an increase of 39.2 per cent from 2013. In FY2015, when it is expected that full cost recovery will be achieved, it is anticipated that oversight fees will normalize and there will be no significant increases thereafter. Capital spending in 2013 was \$3.1 million (vs. 2012 at \$3.0 million), primarily related to IT infrastructure designed to increase operating efficiencies.

## COMPENSATION FOR EXECUTIVES AND SENIOR MANAGEMENT

As an organization entrusted with enhancing public safety, ESA requires people with significant experience and expertise in areas including safety strategy, electrical systems and engineering, among others. An appropriate compensation package is required to attract and retain this talent. At the same time, in order to ensure delivery of goals and objectives, compensation needs to be tied to defined short- and long-term deliverables.

ESA's approach to management compensation is based on the following principles:

1. Ensuring efficient use of resources and delivery of public value;
2. Supporting ESA's values and culture;
3. Pay-at-risk linking compensation to individual and corporate delivery on publicly stated corporate targets and goals over set periods of time;
4. Alignment with sound risk management; and
5. The Board of Directors undertaking regular reviews of compensation governance through the Human Resources and Investment Committee.

With the aid of an independent compensation consultant, ESA benchmarks its compensation levels against a comparator group for public and private sector organizations of similar scope, size and complexity.

In FY2013, senior management compensation (including all salaries, incentives and severance) totalled \$5.1 million for 25 individuals, unchanged from FY2012.

## SURPLUS/DEFICIENCY

For 2013 there was a deficiency of revenue over expenses before investment income of \$0.6 million. This compares to a deficiency of revenue over expenses before investment income of \$2.8 million in 2012.

Investment income was \$2.8 million vs. \$1.4 million in the prior year, resulting in a surplus of revenues over expenses for 2013 of \$2.2 million compared to a deficiency of \$1.4 million in the prior year.

## BALANCE SHEETS

The balance sheet remained stable with assets exceeding liabilities by \$27.0 million, of which \$15.2 million is represented by capital assets.

However, the balance sheet does not fully reflect unfunded plan deficits measured on an actuarial basis in the ESA Pension Plan and OPEB plan of \$76.9 million and \$61.1 million, respectively (2012: \$62.0 million and \$55.9 million). The Board of Directors has internally restricted \$45.4 million in financial assets to address the OPEB future obligation.

## CONCLUSION

Despite some extraordinary pressures on its expenses, ESA generated a surplus in 2013 as a result of stronger revenue and greater than anticipated investment income. ESA maintained a solid financial base to support the safety programs required to protect the citizens of Ontario, and management continues to work to achieve break-even performance before investment income.

# FINANCIAL OUTLOOK, PROJECTIONS AND TRENDS FY2014–2016

## OVERVIEW

In 2013, ESA completed a three-year Business Plan, which sets its business priorities and establishes its financial outlook through to 2016 (see pages 16 to 18).

The financial outlook takes into account ESA's commitments and obligations as defined by its mandate and regulatory responsibilities, the need to recover from the deficiency of 2012, the implementation of a Sustainable Resource Strategy, which seeks to establish a long-term sustainable footing for ESA, and the economic environment in Ontario.

ESA's revenue and expenses are both impacted by a variety of economic factors which the Company monitors on an ongoing basis. The financial plan takes into consideration a challenging economic environment, and significant pressures driven by high pension and post-employment expenses (see Financial Summary 2013). These factors require ESA to take a prudent approach to expense commitments and cost forecasts.

| REVENUES AND EXPENSES FY2013–2016                                     |          |          |          |              |          |              |          |
|-----------------------------------------------------------------------|----------|----------|----------|--------------|----------|--------------|----------|
| (\$ millions)*                                                        | 2013     | 2014     |          | 2015         |          | 2016         |          |
|                                                                       | (actual) | (budget) | % change | (projection) | % change | (projection) | % change |
| <b>Revenue</b>                                                        |          |          |          |              |          |              |          |
| Total                                                                 | 93.6     | 95.7     | 2.2%     | 99.4         | 3.9%     | 104.1        | 4.7%     |
| <b>Expenses</b>                                                       |          |          |          |              |          |              |          |
| Salaries, wages and benefits                                          | 55.1     | 55.6     | 0.9%     | 56.9         | 2.3%     | 58.4         | 2.6%     |
| Pension and OPEB                                                      | 15.8     | 18.5     | 17.1%    | 18.5         | 0.0%     | 17.4         | –5.9%    |
| Operating expenses                                                    | 21.4     | 22.0     | 2.8%     | 22.3         | 1.4%     | 24.4         | 9.4%     |
| Amortization                                                          | 1.9      | 2.6      | 36.8%    | 3.1          | 19.2%    | 3.5          | 12.9%    |
| Total                                                                 | 94.2     | 98.7     | 4.8%     | 100.8        | 2.1%     | 103.7        | 2.9%     |
| Excess (deficiency) of revenue over expenses before investment income | (0.6)    | (3.0)    | 400.0%   | (1.4)        | –53.0%   | 0.4          | n/a      |
| Investment income                                                     | 2.8      | 1.9      | –32.1%   | 2.0          | 5.3%     | 2.1          | 5.0%     |
| Net Surplus (Deficiency)                                              | 2.2      | (1.1)    | n/a      | 0.6          | n/a      | 2.5          | 316.7%   |

*\*any differences are due to rounding*

## ECONOMIC ASSUMPTIONS

The revenue projection for FY2014 (April 1, 2013 to March 31, 2014) reflects anticipated declines in the new apartment building market and modest growth in the residential renovation, commercial and industrial sectors in Ontario, all of which directly impact the demand for ESA services. For 2015 and 2016, housing starts are estimated to recover to higher levels and industrial and commercial growth will remain modest.

## REVENUE

ESA is projecting 2014 revenue of \$95.7 million, an increase of 2.2 per cent over 2013. The increase is primarily due to modest fee increases in most lines of business implemented to offset rising costs of delivering safety services, including annual pension and OPEB costs and annual Ministry oversight fees.

Revenue is projected to increase 3.9 per cent to \$99.4 million in 2015, and by 4.7 per cent to \$104.1 million in 2016. These revenue increases are expected based on a combination of targeted revenue growth efforts and stable, modest fee increases.

## EXPENSES

Total operating expenses for 2014 are projected at \$98.7 million, an increase of 4.8 per cent over the prior year. Expenses are projected at \$100.8 million for 2015 and \$103.7 million for 2016.

As seen in the chart above, salaries, wages and benefits, and pension and OPEB, represent the largest areas of ESA's operating expenses. These comprise 75.1 per cent of all expenses in the 2014 budget, 74.8 per cent for 2015 and 73.1 per cent for 2016.

As noted earlier, ESA, like many other organizations with defined benefit retiree plans, has seen pension and retiree benefit expenses rise significantly in recent years as a result of falling long-term bond yields, lower returns from pension

fund assets and changing demographics. Long-term bond yields are used by actuaries to set the discount rate, which in turn is used to calculate pension and retiree benefit expenses. The drop in discount rate over the past five years has been a significant contributing cause of ESA's increased benefit costs.

As seen in the three-year financial projections, ESA is anticipating pension and OPEB annual expenses at about \$18.5 million in 2015 and \$17.4 million in 2016.

Other operating expenses are flat or limited to moderate increases due to purchasing and efficiency gains, in line with expected revenue service increases.

One of ESA's key business priorities is to resolve duplication in electrical product safety regulation as a result of Health Canada's assumption of responsibility for electrical products nationally. ESA's effort in this area has been established as one of the five major projects of the Three-Year Business Plan (see page 18).

Capital spending for 2014 to 2015 is planned to focus primarily on investments in technology and other infrastructure that is critical to achieving efficiencies in business processes and continual improvement in delivering our safety mandate.

## CONCLUSION

Through the establishment of the Three-Year Business Plan, ESA expects to achieve greater predictability in its financial performance and mitigate the impact of significant factors including pension and OPEB obligations.

ESA has forecasted a deficiency in 2014 and surpluses in the following two years. However, achieving projected surpluses in 2015 and 2016 will require careful monitoring and adjustment.

The primary risks to this three-year projection relate mainly to the accuracy of economic forecasts for housing and commercial construction starts and the accuracy of actuarial assumptions used to project the cost of employee and retiree benefits.

# INDEPENDENT AUDITOR'S REPORT

## TO THE DIRECTORS OF THE ELECTRICAL SAFETY AUTHORITY

We have audited the accompanying financial statements of Electrical Safety Authority, which comprise the balance sheets as at March 31, 2013, March 31, 2012 and April 1, 2011, and the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012 and the related notes, which comprise 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 accounting standards for not-for-profit organizations, 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we 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.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Electrical Safety Authority as at March 31, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

*PricewaterhouseCoopers LLP*

Chartered Accountants, Licensed Public Accountants  
North York, Ontario  
June 7, 2013

# BALANCE SHEETS

| (in thousands of dollars)                                              | March 31, 2013    | March 31, 2012   | April 1, 2011    |
|------------------------------------------------------------------------|-------------------|------------------|------------------|
| <b>ASSETS</b>                                                          |                   |                  |                  |
| <b>Current assets</b>                                                  |                   |                  |                  |
| Cash and cash equivalents                                              | \$ 2,523          | \$ 2,954         | \$ 4,517         |
| Accounts receivable                                                    | 8,745             | 9,778            | 7,946            |
| Current portion of long-term investments (note 3)                      | 5,935             | 5,383            | 8,850            |
| Other assets                                                           | 1,258             | 1,802            | 677              |
|                                                                        | <b>18,461</b>     | <b>19,917</b>    | <b>21,990</b>    |
| <b>Long-term investments</b> (notes 3 and 6)                           | <b>45,367</b>     | <b>37,672</b>    | <b>36,343</b>    |
| <b>Property, plant and equipment</b> (note 4)                          | <b>15,188</b>     | <b>13,922</b>    | <b>12,856</b>    |
| <b>Deferred pension asset</b> (note 5)                                 | <b>22,562</b>     | <b>21,762</b>    | <b>19,242</b>    |
| <b>Other non-current assets</b>                                        | <b>123</b>        | <b>138</b>       | <b>246</b>       |
|                                                                        | <b>\$ 101,701</b> | <b>\$ 93,411</b> | <b>\$ 90,677</b> |
| <b>LIABILITIES AND NET ASSETS</b>                                      |                   |                  |                  |
| <b>Current liabilities</b>                                             |                   |                  |                  |
| Accounts payable and accrued liabilities (note 11)                     | 12,299            | 11,205           | 12,551           |
| Deferred revenue                                                       | 17,358            | 16,684           | 15,294           |
|                                                                        | <b>29,657</b>     | <b>27,889</b>    | <b>27,845</b>    |
| <b>Employee future benefit obligations</b> (note 5)                    | <b>45,017</b>     | <b>40,721</b>    | <b>36,612</b>    |
|                                                                        | <b>74,674</b>     | <b>68,610</b>    | <b>64,457</b>    |
| <b>Net assets</b>                                                      |                   |                  |                  |
| Invested in property, plant and equipment and net unrestricted surplus | 27,027            | 24,801           | 26,220           |
|                                                                        | <b>\$ 101,701</b> | <b>\$ 93,411</b> | <b>\$ 90,677</b> |
| <b>Contingencies and commitments</b> (notes 8 and 9)                   |                   |                  |                  |

The accompanying notes are an integral part of these financial statements.

Approved by the Board of Directors



Director



Director

# STATEMENTS OF OPERATIONS

| For the years ended March 31 (in thousands of dollars)                      | 2013             | 2012       |
|-----------------------------------------------------------------------------|------------------|------------|
| <b>Revenue</b>                                                              | <b>\$ 93,572</b> | \$ 87,832  |
| <b>Expenses</b>                                                             |                  |            |
| Salaries, wages and benefits                                                | 70,911           | 68,461     |
| Operating                                                                   | 21,403           | 20,284     |
| Amortization                                                                | 1,858            | 1,910      |
|                                                                             | 94,172           | 90,655     |
| <b>Deficiency of revenue over expenses before investment income</b>         | <b>(600)</b>     | (2,823)    |
| Change in fair value of investments                                         | 1,828            | (128)      |
| Other investment income                                                     | 998              | 1,532      |
| <b>Investment income</b>                                                    | <b>2,826</b>     | 1,404      |
| <b>Excess of revenue over expenses (expenses over revenue) for the year</b> | <b>\$ 2,226</b>  | \$ (1,419) |

The accompanying notes are an integral part of these financial statements.

# STATEMENTS OF CHANGES IN NET ASSETS

| For the years ended March 31 (in thousands of dollars)               | 2013             | 2012      |
|----------------------------------------------------------------------|------------------|-----------|
| <b>Balance – Beginning of year</b>                                   | <b>\$ 24,801</b> | \$ 26,220 |
| Excess of revenue over expenses (expenses over revenue) for the year | 2,226            | (1,419)   |
| <b>Balance – End of year</b>                                         | <b>\$ 27,027</b> | \$ 24,801 |

The accompanying notes are an integral part of these financial statements.

# STATEMENTS OF CASH FLOWS

| For the years ended March 31 (in thousands of dollars)                         | 2013         | 2012           |
|--------------------------------------------------------------------------------|--------------|----------------|
| <b>CASH PROVIDED BY (USED IN)</b>                                              |              |                |
| <b>Operating activities</b>                                                    |              |                |
| Excess of revenue over expenses (expenses over revenue) for the year           | \$ 2,226     | \$ (1,419)     |
| Item not affecting cash                                                        |              |                |
| Amortization                                                                   | 1,858        | 1,910          |
| Decrease in other non-current assets                                           | 15           | 108            |
| Loss on disposal of property, plant and equipment                              | –            | 30             |
| OPEB obligation expense                                                        | 5,914        | 5,883          |
| Pension benefit plan expense                                                   | 9,885        | 7,925          |
| Change in fair value of investments                                            | (1,828)      | 128            |
|                                                                                | 18,070       | 14,565         |
| Net change in non-cash working capital balances related to operations (note 7) | 3,345        | (2,913)        |
| OPEB obligation contributions                                                  | (1,618)      | (1,774)        |
| Pension benefit plan contributions                                             | (10,685)     | (10,445)       |
|                                                                                | 9,112        | (567)          |
| <b>Investing activities</b>                                                    |              |                |
| Net purchase of investments                                                    | (6,419)      | 2,010          |
| Purchase of property, plant and equipment                                      | (3,124)      | (3,006)        |
|                                                                                | (9,543)      | (996)          |
| <b>Net decrease in cash and cash equivalents during the year</b>               | <b>(431)</b> | <b>(1,563)</b> |
| <b>Cash and cash equivalents – Beginning of year</b>                           | <b>2,954</b> | <b>4,517</b>   |
| <b>Cash and cash equivalents – End of year</b>                                 | <b>2,523</b> | <b>2,954</b>   |
| <b>Cash and cash equivalents is comprised of the following:</b>                |              |                |
| Cash                                                                           | 2,011        | 1,837          |
| Cash equivalents                                                               | 512          | 1,117          |
|                                                                                | \$ 2,523     | \$ 2,954       |

The accompanying notes are an integral part of these financial statements.

# NOTES TO FINANCIAL STATEMENTS

March 31, 2013 and March 31, 2012  
(in thousands of dollars)

1

## BASIS OF PRESENTATION

The Electrical Safety Authority (the "Company" or "ESA") is a corporation without share capital incorporated under the Corporations Act (Ontario) and operates as an Administrative Authority under an Administrative Agreement with the Ministry of Consumer Services ("MCS"). ESA is not taxable under Section 149 of the Income Tax Act (Canada).

2

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of presentation

Effective April 1, 2011, the Company elected to adopt Canadian accounting standards for not-for-profit organizations. The accounting policies selected under this framework have been applied retrospectively for comparative purposes. There were no adjustments to the balance sheets or statements of operations, changes in net assets and cash flows as a result of the adoption of these standards.

The Company has elected to measure fixed income equities at fair value.

The significant accounting policies are as follows:

### Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term deposits with original terms to maturity of 90 days or less.

### Investments and investment income

Publicly traded securities are valued based on the latest bid prices. Short-term securities are valued based on cost plus accrued income, which approximates fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Investment income consists of interest and dividends.

### Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Amortization is calculated on the straight-line basis in amounts sufficient to amortize the cost of the assets over their useful lives as follows:

|                                           |          |
|-------------------------------------------|----------|
| Buildings                                 | 25 years |
| Computer software and licenses            | 5 years  |
| Electronic equipment                      | 3 years  |
| Telephone and projection system equipment | 5 years  |
| Office furniture and equipment            | 10 years |
| Inspection equipment                      | 10 years |

Leasehold improvements are amortized on the straight-line basis over the term of the lease. Repairs and maintenance costs are charged to the statements of operations as incurred.

### Asset retirement obligations

On an annual basis, ESA reviews its assets and lease commitments to determine if there are any asset retirement obligations and associated asset retirement costs to accrue. Management has determined that no such accruals are required.

### Impairment of long-lived assets

An impairment charge is recognized for long-lived assets, including intangible assets with definite lives, when an event or change in circumstances causes the asset's carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated as the difference between the estimated fair value of the asset and its carrying value. Management has determined that there are no impairment losses.

### Employee future benefits

The costs of pensions and other post-employment and post-retirement benefits earned by employees are actuarially determined using the projected benefits method prorated on services and management's best estimates of expected investment performance, salary escalation, retirement ages and expected health care costs. The long-term disability plan is actuarially determined using the accrued benefit method. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of the plan assets is amortized on a straight-line basis over the expected average remaining service life of active employees. Past service costs arising from plan amendments are amortized on a straight-line basis over the average remaining service life of active employees.

The costs of termination benefits and compensated absences are recognized when the event that obligates ESA occurs; costs include projected future compensation payments, health care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis.

Assets of the pension fund are valued using the year-end market values.

Employee future benefit liabilities are discounted using current interest rates on high-quality long-term corporate bonds.

ESA accrues its obligations under pension and other post-employment benefits ("OPEB") plans and the related costs, net of plan assets.

### Revenue recognition

Revenue is recognized based on the attributes of the service line. Revenue is recognized monthly on a pro-rata basis for long-term contracts, which generally span 12 months. Short-term contract revenue is recognized when the initial inspection service is completed. Licensing and registration fees are recognized evenly over the period covered by the fee. Revenue billed but not earned is carried forward as deferred revenue.

### Financial instruments

Financial instruments are financial assets or liabilities of ESA which, in general, provide ESA the right to receive cash or another financial asset from another party or require ESA to pay another party cash or other financial assets.

The fair values of ESA's cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of these financial instruments. The fair value of investments is disclosed in note 3.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and significant matters of judgment. Changes in assumptions could significantly affect the estimates.

Cash and cash equivalents are measured at fair value at the balance sheet date; accounts receivable and accounts payable and accrued liabilities are recorded at amortized cost.

### Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

## 3

### INVESTMENTS

Investments consist of the following:

|                                       | 2013      | 2012      |
|---------------------------------------|-----------|-----------|
| Fixed income Canadian                 |           |           |
| Federal bonds                         | \$ 219    | \$ 1,377  |
| Provincial bonds                      | 782       | 2,138     |
| Corporate bonds/GICs                  | 28,820    | 22,616    |
| Fixed income U.S.                     | 2,529     | 2,485     |
| Fixed income foreign (non-U.S.)       | 3,160     | 1,315     |
|                                       | 35,510    | 29,931    |
| Equities                              |           |           |
| Canadian                              | 5,909     | 4,360     |
| U.S.                                  | 4,386     | 4,777     |
| Foreign (non-U.S.)                    | 5,497     | 3,987     |
| Total investments                     | 51,302    | 43,055    |
| Less: Investments recorded as current | 5,935     | 5,383     |
|                                       | \$ 45,367 | \$ 37,672 |

Investments are internally restricted for future expenditures for post-retirement benefits (note 6). The bonds have a weighted average term to maturity of 61 months, a weighted average interest rate of 3.65% and a weighted average yield to maturity of 2.30%.

# 4

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

|                                           | 2013             |                          |                  |
|-------------------------------------------|------------------|--------------------------|------------------|
|                                           | Cost             | Accumulated amortization | Net              |
| Land                                      | \$ 2,314         | \$ –                     | \$ 2,314         |
| Buildings                                 | 8,341            | 1,625                    | 6,716            |
| Computer software and licenses            | 13,479           | 9,687                    | 3,792            |
| Electronic equipment                      | 3,804            | 3,378                    | 426              |
| Telephone and projection system equipment | 1,795            | 1,740                    | 55               |
| Office furniture and equipment            | 1,689            | 1,205                    | 484              |
| Inspection equipment                      | 19               | 19                       | –                |
| Leasehold improvements                    | 1,791            | 1,789                    | 2                |
| Capital work in process                   | 1,399            | –                        | 1,399            |
|                                           | <b>\$ 34,631</b> | <b>\$ 19,443</b>         | <b>\$ 15,188</b> |

|                                           | 2012             |                          |                  |
|-------------------------------------------|------------------|--------------------------|------------------|
|                                           | Cost             | Accumulated amortization | Net              |
| Land                                      | \$ 2,313         | \$ –                     | \$ 2,313         |
| Buildings                                 | 8,271            | 1,290                    | 6,981            |
| Computer software and licenses            | 10,153           | 8,824                    | 1,329            |
| Electronic equipment                      | 3,768            | 3,036                    | 732              |
| Telephone and projection system equipment | 1,795            | 1,505                    | 290              |
| Office furniture and equipment            | 1,689            | 1,130                    | 559              |
| Inspection equipment                      | 19               | 19                       | –                |
| Leasehold improvements                    | 1,791            | 1,781                    | 10               |
| Capital work in process                   | 1,708            | –                        | 1,708            |
|                                           | <b>\$ 31,507</b> | <b>\$ 17,585</b>         | <b>\$ 13,922</b> |

# 5

## EMPLOYEE FUTURE BENEFIT PLANS

ESA's employee benefit plans include defined benefit plans that provide pension and other post-employment benefits ("OPEB"), such as medical, dental and life insurance benefits, to most of its employees. The registered pension plan, contributions to which are governed by the Pension Benefits Act of Ontario, is a contributory defined benefit plan covering all regular employees of ESA. Defined benefit plan assets and obligations and related expenses are impacted by factors including interest rates, adjustments arising from plan amendments and changes in assumptions.

The accrued benefit obligations for the pension plan and supplemental employee retirement plan are measured as of December 31, 2012 and OPEB and long-term disability are measured as at March 31, 2013. The fair value of assets is determined using the December 31, 2012 asset values.

The actuarial present value of the accrued pension benefits for accounting purposes is estimated as at March 31, 2013 based on a projection of the actuarial valuation as of January 1, 2012. The effective date of the next required actuarial valuation report for funding purposes for the pension plans is January 1, 2013.

Information about ESA's defined pension benefit plans and OPEB plans for the year ended March 31, 2013 is as follows:

|                                                               | <b>2013</b>                      |                    |
|---------------------------------------------------------------|----------------------------------|--------------------|
|                                                               | <b>Pension<br/>benefit plans</b> | <b>OPEB plans</b>  |
| Accrued benefit obligation, end of year                       | <b>\$ 293,250</b>                | <b>\$ 61,063</b>   |
| Fair value of plan assets, end of year                        | <b>216,384</b>                   | <b>–</b>           |
| Funded status – plan deficit                                  | <b>(76,866)</b>                  | <b>(61,063)</b>    |
| Unamortized net actuarial loss                                | <b>90,900</b>                    | <b>16,986</b>      |
| Deferred asset loss                                           | <b>5,441</b>                     | <b>–</b>           |
| Employer contributions from January 1, 2013 to March 31, 2013 | <b>2,568</b>                     | <b>–</b>           |
| Unrecognized prior service cost                               | <b>519</b>                       | <b>(170)</b>       |
| Accrued benefit asset (liability)                             | <b>22,562</b>                    | <b>(44,247)</b>    |
| Add: Workplace Safety Insurance Board of Ontario liability    | <b>–</b>                         | <b>(770)</b>       |
| Total employee future benefit asset (obligation)              | <b>\$ 22,562</b>                 | <b>\$ (45,017)</b> |

|                                                               | <b>2012</b>                      |                    |
|---------------------------------------------------------------|----------------------------------|--------------------|
|                                                               | <b>Pension<br/>benefit plans</b> | <b>OPEB plans</b>  |
| Accrued benefit obligation, end of year                       | <b>\$ 257,732</b>                | <b>\$ 55,949</b>   |
| Fair value of plan assets, end of year                        | <b>195,659</b>                   | <b>–</b>           |
| Funded status – plan deficit                                  | <b>(62,073)</b>                  | <b>(55,949)</b>    |
| Unamortized net actuarial loss                                | <b>61,301</b>                    | <b>16,051</b>      |
| Deferred asset loss                                           | <b>19,481</b>                    | <b>–</b>           |
| Employer contributions from January 1, 2012 to March 31, 2012 | <b>2,456</b>                     | <b>–</b>           |
| Unrecognized prior service cost                               | <b>597</b>                       | <b>–</b>           |
| Accrued benefit asset (liability)                             | <b>21,762</b>                    | <b>(39,898)</b>    |
| Add: Workplace Safety Insurance Board of Ontario liability    | <b>–</b>                         | <b>(823)</b>       |
| Total employee future benefit asset (obligation)              | <b>\$ 21,762</b>                 | <b>\$ (40,721)</b> |

The amount of \$22,562 (2012 – \$21,762) reported on the balance sheets as a deferred pension asset represents the excess of the net assets over the actuarial value of accrued pension benefits and consists of a balance of \$24,622 (2012 – \$23,358) in the pension plan and a liability of \$2,060 (2012 – \$1,596) in the Supplementary Retirement Plan.

The net benefit plan expense for the year ended March 31, 2013 for the pension benefit plans is \$9,885 (2012 – \$7,925) and for OPEB plans is \$5,914 (2012 – \$5,883).

The significant actuarial assumptions adopted in measuring ESA's accrued pension benefits and OPEB obligations for the year ended March 31 are as follows:

|                                  | Pension benefit plans                         |       | OPEB plans                                    |       |
|----------------------------------|-----------------------------------------------|-------|-----------------------------------------------|-------|
|                                  | 2013                                          | 2012  | 2013                                          | 2012  |
| Discount rate                    | 4.40%                                         | 5.10% | 4.40%                                         | 4.90% |
| Rate of compensation             |                                               |       |                                               |       |
| Increase in Consumer Price Index | 1.90%                                         | 2.00% | 1.90%                                         | 2.00% |
| Increase (before merit)          | 2.50% per year for 3 years and 2.90% ultimate | 3.00% | 2.50% per year for 3 years and 2.90% ultimate | 3.00% |

The significant actuarial assumptions adopted in measuring ESA's expenses for pension benefits and OPEB obligations for the year ended March 31 are as follows:

|                                                  | Pension benefit plans |       | OPEB plans |       |
|--------------------------------------------------|-----------------------|-------|------------|-------|
|                                                  | 2013                  | 2012  | 2013       | 2012  |
| Discount rate                                    | 5.10%                 | 5.50% | 4.90%      | 5.70% |
| Rate of compensation                             |                       |       |            |       |
| Increase (before merit)                          | 3.00%                 | 3.00% | 3.00%      | 3.00% |
| Increase in Consumer Price Index                 | 2.00%                 | 2.25% | 2.00%      | 2.25% |
| Expected long-term rate of return on plan assets | 6.50%                 | 6.90% | –          | –     |

ESA's rate of growth for health care costs in 2013 is estimated as follows:

Drugs – 7.50% in 2013, then grading down to 5.00% per year in 2018

Other medical costs – 4.50% per year

Dental – 3.50% per year

The pension plan assets principally include equities and corporate and government debt securities, which are selected by professional investment managers. Pension plan assets are valued using current market values.

The pension plan assets are invested as follows:

|                             | 2013 | 2012 |
|-----------------------------|------|------|
| Cash                        | 4%   | 1%   |
| Fixed income securities     | 37%  | 38%  |
| Canadian equities           | 22%  | 20%  |
| U.S. equities               | 15%  | 21%  |
| Non-North American equities | 22%  | 20%  |
|                             | 100% | 100% |

Other information about ESA's defined benefit pension plan is as follows:

|                                                         | 2013      | 2012     |
|---------------------------------------------------------|-----------|----------|
| Employer's contributions                                | \$ 10,089 | \$ 9,843 |
| Employer's contributions in respect of Gainsharing Plan | 596       | 602      |
| Employees' contributions                                | 2,795     | 2,808    |
| Benefits paid                                           | 10,695    | 8,570    |

6

## INTERNALLY RESTRICTED LONG-TERM INVESTMENTS

Long-term investments in the amount of \$45,367 (2012 – \$37,672) are restricted for specific purposes relating to future expenditures for post-retirement benefits.

7

## STATEMENTS OF CASH FLOWS

The net change in non-cash working capital balances related to operations consists of the following:

|                                          | 2013     | 2012       |
|------------------------------------------|----------|------------|
| Accounts receivable                      | \$ 1,033 | \$ (1,832) |
| Other assets                             | 544      | (1,125)    |
| Accounts payable and accrued liabilities | 1,094    | (1,346)    |
| Deferred revenue                         | 674      | 1,390      |
|                                          | \$ 3,345 | \$ (2,913) |

8

## CONTINGENCIES

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, suppliers and employees. Specific claims have been brought against the Company, the outcome of which is indeterminable at this time. Management believes that adequate provisions have been recorded in the accounts where required and that there are no excess determinable liabilities that have not been recorded at March 31, 2013.

Although it is not possible to accurately estimate the extent of potential costs and losses, if any, management believes, but can provide no assurance, that the ultimate resolution of such claims would not have a material adverse effect on the financial position of the Company. Should any additional losses occur, they would be charged to operations in the year the amounts become determinable.

9

## COMMITMENTS

a) The Company is committed to premises and equipment leases with terms expiring at various dates during the next five years and thereafter. Future minimum annual payments under non-cancellable operating leases are as follows:

|            |           |
|------------|-----------|
| 2014       | \$ 2,322  |
| 2015       | 2,257     |
| 2016       | 2,222     |
| 2017       | 2,148     |
| 2018       | 2,144     |
| Thereafter | 2,143     |
|            | \$ 13,236 |

b) As at March 31, 2013, a letter of credit in the amount of \$1,034 has been issued to the Workplace Safety Insurance Board of Ontario to support an accrued liability of \$770.

## 10

### FINANCIAL INSTRUMENTS

#### Risks arising from financial instruments and risk management

ESA is exposed to a variety of financial risks including market and credit risk. ESA's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on ESA's financial performance. ESA is exposed to interest rate risk and market risk with regard to its short- and long-term investments, which are regularly monitored.

#### Credit risk and customer concentration

Credit risk arises from cash and cash equivalents held with financial institutions, and credit exposures to customers on outstanding accounts receivable balances. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. Cash is held at a major financial institution that has a high credit rating assigned to it by international credit-rating agencies, minimizing any potential exposure to credit risk. ESA assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors. Management also monitors payment performance and the utilization of credit limits of customers.

Concentration of credit risk arises when a group of customers has similar characteristics, such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions. Management has assessed the risk of concentration of credit risk and has concluded that this is not a significant risk based on the makeup of the accounts receivable balance. ESA has policies in place to ensure that sales are made to customers with an appropriate credit history.

#### Liquidity risk

Liquidity risk results from ESA's potential inability to meet its obligations associated with the financial liabilities as they become due. ESA monitors its operations and cash flows to ensure that current and future obligations will be met. ESA believes that its current sources of liquidity are sufficient to cover its currently known short- and long-term cash obligations.

## 11

### GOVERNMENT REMITTANCES OUTSTANDING

Government remittances consist of amounts (such as property taxes, sales taxes and payroll withholding taxes) required to be paid to government authorities and are recognized when amounts become due. In respect of government remittances \$1,232 (2012 – \$1,330) is included within accounts payable and accrued liabilities.

## 12

### COMPARATIVE FIGURES

Certain prior year comparative figures have been reclassified to conform to the current year's financial statement presentation.

# ADVISORY COUNCILS

ESA operates with seven stakeholder advisory councils: six provide advice and counsel to ESA management and one (the Electrical Contractor Registration Agency Advisory Council) provides advice and counsel to ESA's Regulatory Affairs and Governance Committee.

ESA recognizes the important contributions made by advisory council members. The guidance and direction provided by these councils assists ESA in advancing our safety goals and objectives.

Advisory councils are guided by terms of reference and chaired by individuals voted to the role by his/her respective council members, with the exception of the Ontario Provincial Code Committee and the Cross-Sector Advisory Council, which are chaired by ESA management. Specific projects and issues are addressed by working groups or ad hoc committees when appropriate, and consultations are used to gather broad stakeholder feedback on key safety initiatives. Advisory council terms of reference, meeting minutes and information on working groups and consultations are posted on [www.esasafe.com](http://www.esasafe.com).

## CONSUMER ADVISORY COUNCIL

Dean Anderson (Chair, to September, 2012)  
Joan Pajunen (Chair, from September, 2012)  
John Buchanan  
Karen Girling  
Hollis Hopkins  
Kari Manninen  
Bernie Silvestri  
Rod Skinkle  
Sarah Thompson  
Bob Wing

## CONTRACTOR ADVISORY COUNCIL

Rick Charron (Chair)  
Sandy Ragno (Vice-Chair)  
Dave Ackison  
Luke Bogdanovic  
Joe Kurpe  
Michael Lettner  
Barry Moss  
John Salmon  
Dan Toppazzini

## INDUSTRY ADVISORY COUNCIL

Nancy Evans, ESA (Chair)  
Brad Bell  
Bill Bryans  
Brian Curran  
Vladimir V. Gagachev  
Bala Gnanam  
Nick Maalouf  
Scott McKay  
Gary Rygus  
Dave Sinclair  
Tim Woods

## UTILITY ADVISORY COUNCIL

Neil Sandford (Chair)  
Ken Walsh (Vice-Chair)  
Alan Beattie  
Ray Bou  
Stephen Brown  
Ed Donkersteeg  
Jim Douglas  
Doug Fairchild  
Ajay Garg  
Herb Haller  
Brian Hewson  
Russ Houldin  
Rick Johnson  
Paul Krupicz  
John LaChapelle  
Gabriel Mansour  
Glen McCurdy  
Brian McMillan  
Doug Morrison  
George Mychailenko  
Sheikh Nahyaan  
Joan A. Pajunen  
Andre Perron  
Peter Petriw  
William Schwarz  
Usman Syed  
Jac Vanderbaan  
Jerry Van Ooteghem  
Michael Wittemund  
Gaye-Donna Young  
Frank Zechner

## ONTARIO PROVINCIAL CODE COMMITTEE

Ted Olechna, ESA (Chair)  
Malcolm Brown  
George Chelvanayagam  
Mel Fruitman  
Joe Gajdacs  
John Gryffyn  
Chris Magnusson  
Gabriel Mansour  
Pierre McDonald  
Jeff Miller  
Peter Olders  
Shawn Paulsen  
Tony Poirier  
Eerik Randsalu  
John Salmon  
Maurice Tucci  
Jeremy Walker

## ELECTRICAL CONTRACTOR REGISTRATION AGENCY (ECRA) ADVISORY COUNCIL

John Salmon (Chair)  
Richard Charron (Vice-Chair)  
Larry Allison  
Sean Bell  
Fred Black  
John Buchanan  
Mark Garner  
Debra Mattina  
Paul Rawlings  
Louis Violo

## CROSS-SECTOR ADVISORY COUNCIL (CSAC)

Dean Anderson  
Richard Charron  
Joan Pajunen  
John Salmon  
Neil Sanford

# CORPORATE POLICIES

## PRIVACY GUIDELINES

ESA is committed to maintaining the accuracy, security and privacy of personal information in accordance with the terms of our Administrative Agreement and privacy laws. ESA maintains a customer privacy policy and has a Chief Privacy Officer who oversees policy and activity in this area. ESA collects personal information to support the delivery of services, understand individual needs, manage business operations, develop and enhance services, and meet legal or regulatory requirements.

Due to the importance of information exchange in maintaining public electrical safety, ESA routinely discloses and disseminates records that support our safety mandate. Personal information is not disclosed if such disclosure would violate an individual's right to privacy. Commercial information is not disclosed if it has been provided with the expectation of reasonable commercial protection. In FY2013, ESA received and responded to 1,473 Freedom of Information requests.

## COMPLAINTS

ESA responds to complaints received from customers, stakeholders and the public. We provide information and encourage two-way communication at all levels to ensure we are continually improving service quality. Where possible, complaints are dealt with at the source and in a timely manner. Complaints that are not resolved to the satisfaction of the complainant can be referred to the President and Chief Executive Officer. Information on ESA's complaints policy can be accessed at [www.esasafe.com](http://www.esasafe.com).

In FY2013, ESA received 104 wiring-related complaints and by year-end had resolved 92 in accordance with ESA's complaints policy. ESA continues to work to resolve the outstanding complaints.

## FRENCH LANGUAGE SERVICES

ESA responds to all requests for French services as they arise throughout the year. The nature and level of services we provide in French are determined on an as-required basis to ensure ESA fulfills its public safety mandate. In FY2013, ESA's Harm Reduction Services Centre responded to 2,704 calls in French. ESA monitors requests for service in French to ensure the appropriate level of service to meet public safety and customer service needs.

## APPEALS POLICY

ESA is committed to providing individuals with the opportunity to request a review of Orders or licensing decisions as they arise. ESA has established a fair and transparent appeals process to facilitate the right to appeal any decision rendered by ESA. The appeals process, which can be reviewed at [www.esasafe.com](http://www.esasafe.com), defines specific steps and timelines to respond to an appeal pertaining to the Ontario Electrical Safety Code or the licensing of electrical contractors or Master Electricians.

For the appeal to proceed it must be supported with required information as outlined in the process. The majority of appeals are addressed through the first stage of review: the Director's Review. However, an appeal can be escalated to an independent cross-sector review panel and ultimately can be taken to Divisional Court.

In FY2013, ESA received 22 appeals associated with the Ontario Electrical Safety Code (Regulation 164/99) and three appeals associated with Provincial Contractor Licensing (Regulation 570/05). Eleven could not be processed because they did not meet the submission information requirements. ESA continues to ensure that all appeals are addressed through our established process.

## STAKEHOLDER RESEARCH

ESA surveys key stakeholders on a regular basis. In FY2013, ESA surveyed licensed electrical contractors (LECs) to gather feedback on satisfaction with their engagement with ESA, including the permit process, inspections, fees, licensing and communications. The survey also asked for the contractors' perspective on how to improve safety for electrical workers.

The survey reported an 88 per cent satisfaction score for interactions with ESA including 43 per cent of LECs who were "very satisfied."

In regard to improving electricians' safety, there was significant support for: more training during apprenticeship, increased understanding of employers' and clients' risk associated with electrical work, increased safety training in college-level electrician training, and better on-the-job supervision.

ESA has reported the results of the research to stakeholders through the Advisory Councils, industry associations and our contractor newsletter, and a summary of the results can be accessed at [www.esasafe.com](http://www.esasafe.com).

# CONTACT US

The Electrical Safety Authority is a mission-driven organization committed to getting to zero electrical accidents, injuries and fatalities across the province. We continue to analyze safety data and trends, develop innovative tools, and build strong partnerships to address the areas where there is the greatest need. Every day, we work to enhance electrical safety for the people of Ontario.

## **Customer Service Centre**

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