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April 10, 2013

Mr. Martin Hayward
 Managing Director, Corporate Services and City Treasurer, Chief Financial Officer
 The Corporation of the City of London
 300 Dufferin Ave., 4th Floor
 London, ON N6A 4L9

C: TO: CATHY SIMONDES
 FOR ACTION
 FOR INFORMATION
 FOR REPORT
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 OTHER _____

Re: Additional Information Regarding Training Expenditures for London Hydro Board Members

Dear Mr. Hayward:

This is in response to the letter from the City Clerk's Office dated March 27, 2013 regarding the above matter. It is my pleasure to provide you the following information.

Briefly, London Hydro has a corporate policy of continuous training and development of its employees from top to bottom including the Board members as well as frontline staff. As part of this policy, London Hydro reimburses 100% of the cost of employee training and development which could be taken either as separate and specialized course work, or part of group training provided by London Hydro.

As you are aware, London Hydro is a corporation incorporated under the Ontario Business Corporation Act and has the responsibility to adhere to the highest standards of corporate governance. We are absolutely grateful for the Municipal Council to seek out and appoint the most skilled and experienced candidates to London Hydro's Board; this is manifested in great performance by London Hydro year upon year, as well as in the good upkeep of London Hydro's assets and service. In the last decade or so the complexity of corporate governance has continuously increased; not only in simple business performance, but also in complex accounting, disclosure, regulatory and legislative requirements. Given this complex governance environment, there has been a recognized need for focused training in the area of corporate governance; as such, the University of Toronto's Rotman School of Management in conjunction with the Institute of Corporate Directors and McMaster University's DeGroote School of Business in conjunction with the Conference Board of Canada began providing this specialized training in the last ten years. I personally took the original training from the Director's College (i.e. McMaster University combined with Conference Board of Canada) in 2007-2008 and found

this training extremely helpful especially in educating me on the legal framework, significant performance standards for public corporations, directors responsibilities, risk management, disclosure requirements, and governance issues pertaining to corporations. During my studies there were cohorts from Oakville Hydro, banks, federal government agencies, and not-for-profit organizations. Thereafter, I strongly recommended this training for all board members, London Hydro and otherwise.

By virtue of introduction, please be advised that there are only two institutions in Ontario that provide such training and year upon year the number of directors taking this training is continuously increasing. Today the Institute of Corporate Directors boasts of approximately 7,000 members who are trained and certified directors; and, there is a local chapter of such an institution in London which has a vibrant membership as well. These two institutions offer very similar training made up of four to five modules. The Directors College offers: (i) Accountability & Change; (ii) Leadership & Strategy; (iii) Oversight & Finance; (iv) Social Responsibilities; and, (v) Corporate Finance & Board Simulation. The Institute of Corporate Directors offers: (i) Guiding Strategic Direction and Risks; (ii) Monitoring Financial Strategy, Risks and Disclosure; (iii) Guiding Human Performance; and, (iv) Assessing Enterprise Risk and Directing Extreme and Unique Events. The objective of this training at both institutions is to elevate the corporate governance to the highest level possible, provide the latest legal and regulatory framework regarding the Business Corporation Act, enhance ethics and governance, provide them liabilities framework, train them on the latest disclosure requirements pertaining to various multi-lateral instruments e.g. 52-110, 52-109 (corresponding to Sarbanes-Oxley legislation in the USA), as well as principle based enterprise risk management and governance. Having taken this training myself, I can vouch for the fact that this training enhances the level of performance of an individual and thereby that of the board on which the individual serves.

As I mentioned earlier, there is an increasing number of members of boards from all types of corporations taking such training, particularly we are aware of various members from Hydro Ottawa, Oakville Hydro, Brantford Hydro, and Horizon Utilities who have taken such training through The Institute of Corporate Directors (University of Toronto) or through The Directors College (McMaster University). By the way, in 2011 as an alumnus, I attended the annual convocation where I met about 7 graduating directors from various crown corporations of the province of Saskatchewan.

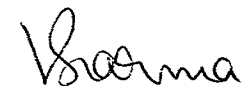
I say the following with some pride that London Hydro, since its incorporation in 2000, has achieved excellence in all respects and is recognized as one of the top performing utilities in Ontario, as an example:

1. Shareholder value as measured by the rate base of a regulated entity like London Hydro, has increased continually at an annual rate of 3.7%, the 2013 approved rate base being \$267 million.

2. London Hydro has provided the City of London dividends and special dividends for the last ten years at an aggregate of about 40% of our net income, which was the stated goal in the Shareholder Declaration; between 2000 to 2013 the total payout (dividends, interest and others) was approx. \$70 million.
3. London Hydro has continuously met all of the goals established by the Shareholder.
4. Since 2000, reliability of supply to Londoners has been continuously enhanced and today we are the third highest performing utility in Ontario.
5. London Hydro was the third ready utility recognized by the Ontario Energy Board in 2002 for the deregulation of the electricity sector.
6. London Hydro led 65 other Ontario utilities in procurement, advice and implementation of the smart meter mandate.
7. London Hydro has been well respected, commended, as well as recognized as a leading utility by the Ontario Energy Board. The greatest manifestation of this is in the fact that London Hydro in its history to date was never called upon for any oral hearing on its cost of service rate application, such hearings often can cost up to \$750,000. The rate of our success of the rate application with respect to the Ontario Energy Board has been 96% or higher.

I am the first one to recognize and thank the employees of London Hydro who are truly the reason for London Hydro's above noted success; however, success is a cooperative measure. London Hydro's success greatly depends upon the guidance, governance and counsel of the Board of Directors. Their advice and at times critical questioning together with the perseverance of all of us at London Hydro help achieve this success. In closing, from my perspective the continuous training of our board members has elevated the level of governance of London Hydro, placed significant requirements on London Hydro's management, and has brought about the success that I speak of. The requirement of adequate training in governance for the board members was even recognized by the Ontario Distribution Sector Review Panel in its final report dated December 2012. I therefore kindly submit to you that training expenses of London Hydro's board members is a wise investment. These board members give us their valuable time and bring their expertise to bear upon our performance; our modicum of investment in their training further elevates London Hydro's performance as well as that of the individual directors.

Sincerely,



Vinay Sharma
Chief Executive Officer
London Hydro Inc.