CAC Exhibit #85-1
Transcript Page #8881-8884, 8888-8894, 8942, 8954-8956

Information Accepted Subject to Check, April 28, 2014

The following information is provided in response to the information Dr. Melanie O'Gorman accepted subject to check on April 28, 2014. The original transcript pages are included in the electronic version but will not be included in the paper version.

Response:

All figures mentioned by Jack London below have been updated in a revised appendix to our report, which is attached. The only exception is the rates of return estimates for total economic benefits stemming from the project. This is provided below:

Returns to Cash Investment in the Keeyask Project for the KCN communities for each phase of the project

	Low estimate	High estimate
Construction period	$95,175 income/$2.25 million investment = 4.23%	$95,175 income/$2.25 million investment = 4.23%
First 5 years post-construction period - 1.9% equity holding	$1.06 million income/$25 million investment = 4.23%	$3.63 million income/$25 million investment = 14.52%
After 5 years, post-construction - 1.9% equity holding	$1.06 million income/$25 million investment = 4.23%	$3.8 million income/$25 million investment = 15.2%
First 5 years post-construction period - 2.5% equity holding	$1.06 million income/$25 million investment = 4.23%	$4.83 million income/$25 million investment = 19.32%
After 5 years, post-construction - 2.5% equity holding	$1.06 million income/$25 million investment = 4.23%	$5 million income/$25 million investment = 20%

We do not believe that estimates of investment returns should include benefits such as construction or operational jobs, as these benefits would occur regardless of investment by the KCN communities, as they are not only financial partners in the project. To capture total economic benefits accruing to the KCNs from their partnership in the Keeyask project, we reproduce our updated Table 6 from our report below:

Table 6: Illustrative Total Annual Economic Benefits (Direct and Indirect Benefits) for KCNs from the Keeyask Project, Assuming Preferred Unit Equity Option		
	Estimated Range of Benefit	
Period	Low estimate	High estimate
During construction phase – estimated total annual benefits	**$10.26 million/year**	**$20.67 million/year**
Construction phase total benefits per capita	**$1,616/year**	**$3,255/year**
After construction phase – 1.9% equity ownership, which includes:		
Investment income (first 5 years post-construction)	$1.06 million/year	$3.63 million/year
Investment income (6 years onward)	$1.06 million/year	$3.8 million/year
Manitoba Hydro funding for operational jobs	$1.23 million/year	$1.23 million/year
Labour income from operational jobs	$5.9 million/year	$11.8 million/year
Multiplier effect	$1.39 million/year	$3.09 million/year
Estimated Total Benefits (6 years post-construction)	**$9.58 million/year**	**$19.92 million/year**
Estimated Benefits per capita (6 years post-construction)	**$1,509/year**	**$3,137/year**
After construction phase – 2.5% equity ownership, which includes:		
Investment income (first 5 years post-construction)	$1.06 million/year	$4.83 million/year
Investment income (6 years onward)	$1.06 million/year	$5 million/year
Manitoba Hydro funding for operational jobs	$1.23 million/year	$1.23 million/year
Labour income from operational jobs	$5.9 million/year	$11.8 million/year
Multiplier effect	$1.39 million/year	$3.33 million/year
Estimated Total Benefits (6 years post-construction)	**$9.58 million/year**	**$21.36 million/year**
Estimated Benefits per capita (6 years post-construction)	**$1,509/year**	**$3,364/year**

If we did take total economic benefits for each phase of the project to be the 'return' to KCN investment, Jack London's assertion that the rates of return would be very high is correct. This is show below:

Rates of Return to Cash Investment, Assuming Investment Returns Include Total Economic Benefits		
	Low estimate	High estimate
During construction phase – estimated total annual benefits	456%	919%
Post construction phase - 1.9% equity holding (6 years post-construction)	38%	80%
Post construction phase - 2.5% equity holding (6 years post-construction)	38%	85%

Again, we do not believe it is appropriate to consider total economic benefits as investment income.

Regarding Sven Hombach's questions, I confirm that voter turnout in the last Winnipeg Mayoral election was 47.1%

(http://www.winnipeg.ca/clerks/docs/elections/2010Election/pdfs/2010ElectionOfficialResults.pdf) and voter turnout in the last Federal election was 61.1% (http://www.elections.ca/content.aspx?dir=turn&document=index&lang=e&section=ele).

Appendix 1: An Illustration of Economic Benefitsof the Keeyask Model[1]

In this section, potential economic benefits for the KCNs from the Keeyask project are estimated. The Keeyask project is expected to bring a wide range of economic benefits for the KCNs. In this section we present scenarios for the construction and operational periods of the Keeyask project, to illustrate the potential magnitude of benefits arising from the Keeyask project for KCN Members. We begin by first discussing increased employment and business opportunities during the construction period.[2]

Economic Benefits During the Construction Period

Employment Benefits – Construction Jobs

This section summarizes labour income to Keeyask communities flowing from the project. The job target for KCN Members for the construction phase of the Keeyask project is 630 person years of employment. Given an estimated total person years of employment of 4,225, KCN members would hold 15% of total projected construction jobs on the Keeyask project if the target is met.[3]

KHLP (2012) provides an estimate of the total economic benefit to job creation resulting from the construction phase of the Keeyask project (page 3-105 to 3-106), shown in Table 2 below. The low estimate corresponds to the total wage bill if the lowest wage within a job category (construction support, non-designated and designated trades) applied, while the high estimate corresponds to the total wage bill if the highest wage within a job category applied. The Partnership notes that most of the labour income stemming from the construction phase of the project will come from employment on the DNCs (KHLP (2012), page 3-105).

Employment Benefits – Operational Jobs

In the JKDA Benefits Summary (Manitoba Hydro (2013a)), it is noted that "Manitoba Hydro and the KCNs have agreed to a 20 year target for the employment of 182 Members of the KCNs in Manitoba Hydro's ongoing operations. The funding quantam agreed to in the JKDA for this initiative is $20 million and the 20-year period is 2009-2029" (page 3). This funding is included as an economic benefit in Table 2 below, referred to as Manitoba Hydro funding for Operational employment[4].

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1 Please note that calculations in this Appendix do not include the increase in capital costs for the Keeyask project reported by Manitoba Hydro at the NFAT hearings on March 10, 2014.

2 While recognizing the economic flows resulting from the Keeyask project will be reflective of the ebbs and flows of the construction schedule, for the purposes of the illustrative scenarios below we take averages of economic benefits flowing from each phase of the project.

3 There is risk that the KHLP will not meet that target. The BNA notes that "regardless of the hiring preferences in place, all employment will be conditional on each applicant having the required qualifications for the job." (http://keeyask.com/wp/the-project/employment) As noted above, 1,876 individuals were trained through the HNTEI, however this statistic includes those that have only taken one course (WKTC (2010)). After taking one course through the HNTEI, a person could still be deemed 'unqualified'.

4 Please note that the multiplier is not applied to funding for the operational employment in Table 1.

Income will also accrue to KCN members who obtain operational jobs with Manitoba Hydro. For sake of clarity I provide the detailed assumptions made by Michael Cobb (Hobbs and Associates, correspondence on May 9, 2014) regarding the magnitude of operational employment income in the table below:

*Table 1: Income from Operational Jobs**

	High estimate		Low estimate	
	Jobs filled	Total earnings	Jobs filled	Total earnings
2016-17	18	$1,123,632	9	$561,816
2017-18	36	$2,292,209	18	$1,146,105
2018-19	54	$3,507,080	27	$1,753,540
2019-20	72	$4,769,629	36	$2,384,815
2020-21	90	$6,081,277	45	$3,040,639
2021-22	108	$7,443,483	54	$3,721,742
2022-23	126	$8,857,745	63	$4,428,872
2023-24	144	$10,325,600	72	$5,162,800
2024-25	162	$11,848,626	81	$5,924,313
2025-26	182	$13,577,647	91	$6,788,824
2026-27	182	$13,849,200	91	$6,924,600
2027-28	182	$14,126,184	91	$7,063,092
2028-29	182	$14,408,708	91	$7,204,354
	Total income:	**$112,211,022**		**$56,105,511**
* Salaries are increased by the rate of inflation since 2014, assumed to be 2% per year.				

For a low estimate of income stemming from operational employment, it is assumed that KCN members will secure 9 operational jobs per year, and for the high estimate, 18 members per year are assumed to secure operational jobs. Each job has been assumed to have an annual salary of $60,000 (information from Jane Kidd-Hantscher). Included in Table 2 below is the average income for the period 2016/7-2020/1.

Business Opportunities

Construction of the Keeyask project will bring opportunities for businesses owned by KCN individuals through Direct Negotiated Contracts (DNCs). A value of $203.1 million in DNCs has been reserved for KCN contractors however total business contracts for KCN contractors are now estimated to total $450 million. This amounts to 20% of the overall value of construction (estimated at $2.2 billion (KHLP (2012), page 3-123)).[5]

[5] Assuming that profits account for 10% of business income --the rate of profit is used by InterGroup Consultants Inc. on page 3-106 of KHLP (2012)-- business profits would be $33.75 million if KCN Members owned 75% of businesses undertaking DNCs. We take this as our high estimate of business profits from DNCs. However if KCN Members owned only 50% of DNCs, then half of the $45 million profit from DNCs would accrue to KCN members ($22.5 million). We take this as our low estimate of business profits from DNCs.

Investment Income

Given the initial $2.25 million investment made by the KCNs at the beginning of the construction period, they will start to receive investment income upon Initial Closing which is assumed to be in early July 2014[6]. They will receive the Preferred Minimum Distribution over this period, which is an annual payment equal to a KCN's own cash invested multiplied by the Thirty Year Rate minus 1.5%. Hence as long as the Thirty Year Rate is greater than 1.5%, the KCNs will see a stable stream of investment income with this option.

To illustrate the magnitude of investment income, in Table 2 below we assume the Thirty Year Rate is equal to 5.73%, the average of the Thirty Year rate using the average long-term Government of Canada bond rate as a proxy for the 30 year Government of Canada bond rate, and the average long-term Provincial bond rate as a proxy for the Manitoba 30 year bond rate, both for the period 1983-2012. Subtracting 1.5% from the Thirty Year Rate of 5.73% gives a Preferred Minimum Distribution Rate of 4.23%.[7]

Multiplier effects

As more KCN Members who have been hired to work on the Keeyask project have incomes to spend, demand for goods and services in other (non-Hydro) sectors will increase in the KCNs. That is, if workers spend their incomes in the KCN communities, they will create increased demand for all goods and services in the KCNs which will lead to further employment in the KCNs, further spending, and so on. We refer to this as the multiplier effect for the Keeyask project.

The within-province total multiplier for Manitoba for 2009 was 1.4 (Statistics Canada (2009)). We decrease this multiplier to 1.2 to account for the fact that a large portion of income stemming from the Keeyask project will be spent in Gillam, Thompson and even Winnipeg . Using this multiplier, if aggregate wages and business income stemming from the Keeyask project were $55 million, an additional $11 million of economic activity would be generated through the multiplier effect. The extent to which this happens will depend on how broadly the benefits are spread. If many KCN Members obtain employment, this multiplier effect would be greater.

Investment income may be used to build housing, local roads or water infrastructure in the KCNs. It is appropriate then to calculate a multiplier effect for infrastructure spending as well. Infrastructure multipliers are used to calculate the increase in output that results from a given increase in infrastructure spending in a given geographic region. Estache (2010) notes that infrastructure multipliers may range from 1.2 – 2.0. We assume that the infrastructure multiplier equals the lower bound of this range (1.2) in the calculations below.

An illustration of total economic benefits during the construction period

In Table 2 below we sum the annual economic benefits during the construction period of the Keeyask project. It is evident that there is a great deal of variance in the expected economic benefits resulting from the Keeyask project. However even if the high estimate of Keeyask benefits were realized, total economic benefits per KCN member would depend on how such benefits were distributed between all KCN Members.

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6 The annual payment of invesmtment income during construction will be $2,250,000*0.0423=$95,175.

7 All figures for investment income reported in Tables below may be taken as final income, given that such income is tax-free according to an advance tax ruling secured by the KCNs (communication with Jack London, May 9, 2014).

A uniform distribution of the economic benefits from Keeyask is not assured by the JKDA in its present form.[8]

Table 2: An Illustration of the Economic Benefits for the KCNs from the Construction period (2014-2021) of the Keeyask Project

	Estimated Range of Benefit	
Item	Low estimate	High estimate
Total and annual labour income from Keeyask construction employment	$21.6 million (KHLP (2012), page 3-105, Table 3-25) or $3.09 million/year	$62.2 million (KHLP (2012), page 3-105, Table 3-25) or $8.89 million/year
Total and annual business profits during construction period of the project	$22.5 million or $3.21 million/year	$33.75 million or $4.82 million/year
Investment income	$95,175/year	$95,175/year
Annual labour income from Operational employment	$1.27 million/year	$2.53 million/year
Manitoba Hydro funding for Operational employment	$1.06 million/year	$1.06 million/year
Multiplier effect	$1.53 million/year	$3.25 million/year
Potential annual income for construction period of the project	**$10.26 million**	**$20.67 million**

Economic Benefits Post-Construction

Income from Operational Jobs

As above, for a low estimate of operational employment income, 9 KCN members are assumed to obtain new operational jobs with Manitoba Hydro each year in the post-construction phase, while 18 KCN members are assumed to obtain new jobs in the high estimate case. With each job assumed to have an annual salary of $60,000, average earnings stemming from operational employment during the post-construction phase is provided in Table 3 (taking 2021-29 as the post-construction phase in Table 1).[9]

Table 3: An Illustration of Income for KCN Members from Operational Jobs

	Estimated Range of Benefit	
Item	Low estimate	High estimate
Total income for 182 individuals securing operational jobs for the 20 year post-construction period	$5.9 million/year	$11.8 million/year

[8] Funds will flow to the KCNs to support the Adverse Effect Agreements (AEAs), however such funding has not been included in the calculation in this Appendix. This is because the AEAs are meant to compensate for and mitigate adverse effects of the Keeyask project.

[9] Please note that no multiplier effect has been added to estimates of investment income in Tables 3, 4 and 5 below. The multiplier effect is taken into account in Table 6.

Investment Income

The KCNs have two options for investment in the Keeyask project. The first option is for KCNs to hold their investment in the form of Common Units. As the KCNs would receive investment income proportionate to the Partnership's financial performance with this option, investment income stemming from this option would be highly uncertain. In times of low financial performance, the KCNs could receive no distributions from the project but will still be repaying loans from Manitoba Hydro, which means there is the potential for significant losses with this option. A hypothetical return for this option is very difficult to calculate given that it would depend on many factors whose expected value we are not aware of.[10]

The second option for investment in the Keeyask project is the Preferred Unit option. A KCN Investment Entity that decides to hold its investment in the form of Preferred Units will not have to repay its loans provided by Manitoba Hydro Credit Facilities. This option guarantees a return on KCN investment. In particular, this return will be the higher of the Preferred Minimum Distribution and the Preferred Participating Distribution[11].

As noted above, the Preferred Minimum Distribution is an annual payment equal to a KCN's own cash invested multiplied by the Thirty Year Rate minus 1.5%. Assuming that aggregate KCN own cash invested is $25 million , the Preferred Minimum Distribution would be $1.06 million per year.

If however revenue of the Keeyask project were high, the Preferred Participating Distribution would be the higher distribution for the Preferred Unit Option. This distribution provides an annual payment equal to the following proportions of Adjusted Gross Revenue (AGR) for each 1% share of KCN equity:
- 0.8% of AGR for AGR < $250 million
- 1.2% of AGR for $250 million < AGR < $1 billion
- 1.6% of AGR for AGR > $1 billion

Assuming that aggregate KCN own cash invested of $25 million plus revenue sharing (during commissioning of the 7 turbines) bring total KCN investment to $29,450,000 (in the case of 1.9% equity ownership), the Preferred Participating Distribution would be $3.63 million per year. This is $250 million x 0.008 x 1.9 minus $168,618.83[12]. If KCN own cash invested plus revenue sharing instead totaled $38.75 million (in the case of 2.5% equity ownership), the Preferred Participating Distribution would be $4.83 million per year ($250 million x 0.008 x 2.5 minus minus $168,618.83).

Below we illustrate investment income for the KCNs if their combined investment in the project were 1.9% (Table 4) and 2.5% (Table 5)[13]. For the low estimate of investment income in each table, we

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10 The assumption that the KCNs opt for Preferred Shares is also made in Information Request response CAC/MH 1-022 a) (Manitoba Hydro (2013b)).

11 In its NFAT submission Manitoba Hydro assumed the Preferred Unit Option – this is explained in Information Request response CAC/MH II-006 a).

12 The latter deduction occurs in the first 5 years of the post construction phase provided the KCN's preferred distribution is, after the deduction, greater than the minimum distribution. If that is not the case then the deduction is deferred until the years that preferred distributions are large enough. The amount deducted is the balance on the Common Unit Distribution Credit at Final Closing which is the sum of all distributions, plus interest charges, made during the construction period (communication with Michael Cobb, May 10, 2014).

13 This is the range of KCN equity investment assumed by Manitoba Hydro in the response to Information Request MIPUG/MH 1-017a) (Manitoba Hydro (2013b), page 59).

assume the Partnership experiences zero AGR, and the KCNs receive the Preferred Minimum Distribution for their cash invested ($25 million). For the high estimate in each table, we assume AGR of $250 million and the KCNs receive the Preferred Participating Distribution[14]. This information provided is for illustrative purposes and any distribution will naturally be a function of the magnitude of KCN investment and of the AGR in any particular year.

Table 4: An Illustration of the Investment Income for the KCNs during the Operational period of the Keeyask Project - 1.9% Preferred Equity Holding

	Estimated Range of Benefit	
Item	Low estimate	High estimate
Estimate of annual investment income (during operational period of the project)	Assuming AGR of $0: $1.06 million/year	Assuming AGR of $250 million: $3.63 million/year

Table 5: An Illustration of the Investment Income for the KCNs during the Operational period of the Keeyask Project - 2.5% Preferred Equity Holding

	Estimated Range of Benefit	
Item	Low estimate	High estimate
Estimate of annual investment income (during operational period of the project)	Assuming AGR of $0: $1.06 million/year	Assuming AGR of $250 million: $4.83 million/year

An illustration of total economic benefits during the post-construction period

We tally the illustrative direct and indirect benefits (annually) for the Keeyask project below. We include the construction benefits along with total benefits during the post-construction period for ease of comparison (Table 6). We acknowledge that if the Common Unit option were chosen, results would be significantly different.

As noted above, economic benefits from the Keeyask project for KCN members will depend on how such benefits are distributed within the KCN communities. We have no information on how benefits will be distributed within the KCN communities. However given a populaton of 6,350 KCN members (http://fnpim-cippn.aandc-aadnc.gc.ca/index-eng.asp), we can calculate estimates of annual economic benefits per capita which assumes that the distribution of benefits is uniform. This is also included in Table 6 below.

While a multiplier effect has been applied to the estimate of total salaries for KCN members who obtain operational jobs, this multiplier effect would be relatively weak if operational jobs were not in the KCN communities.

[14] We note that in the response to CAC/MH II-18, Manitoba Hydro indicates an AGR for 2022/23 of almost $250 million. Further, we note that in the response to PUB/MH I-78 b), Manitoba Hydro estimated preferred distributions declared based upon its 'most likely' economic assumptions, capital costs and export/energy prices. Distributions from 2022 through 2039 ranged from $5 million to $8 million annually. While the question asked Manitoba Hydro to assume a full equity interest subscribed by the partners, Manitoba Hydro's response does not identify the assumptions in terms of subscription.

Table 6: Illustrative Total Annual Economic Benefits (Direct and Indirect Benefits) for KCNs from the Keeyask Project, Assuming Preferred Unit Equity Option

	Estimated Range of Benefit	
Period	Low estimate	High estimate
During construction phase - estimated total annual benefits	**$10.26 million/year**	**$20.67 million/year**
Construction phase total benefits per capita	**$1,616/year**	**$3,255/year**
After construction phase - 1.9% equity ownership, which includes:		
Investment income (first 5 years post-construction)	$1.06 million/year	$3.63 million/year
Investment income (6 years onward)	$1.06 million/year	$3.8 million/year
Manitoba Hydro funding for operational jobs	$1.23 million/year	$1.23 million/year
Labour income from operational jobs	$5.9 million/year	$11.8 million/year
Multiplier effect	$1.39 million/year	$3.09 million/year
Estimated Total Benefits (6 years post-construction)	**$9.58 million/year**	**$19.92 million/year**
Estimated Benefits per capita (6 years post-construction)	**$1,509/year**	**$3,137/year**
After construction phase - 2.5% equity ownership, which includes:		
Investment income (first 5 years post-construction)	$1.06 million/year	$4.83 million/year
Investment income (6 years onward)	$1.06 million/year	$5 million/year
Manitoba Hydro funding for operational jobs	$1.23 million/year	$1.23 million/year
Labour income from operational jobs	$5.9 million/year	$11.8 million/year
Multiplier effect	$1.39 million/year	$3.33 million/year
Estimated Total Benefits (6 years post-construction)	**$9.58 million/year**	**$21.36 million/year**
Estimated Benefits per capita (6 years post-construction)	**$1,509/year**	**$3,364/year**

different results, not that they were inconsistent, and I think we've tried to present the basis -- the -- the basic results from each.

MR. JACK LONDON: I -- I'll come back to a more chronologically appropriate set of -- set of questions. But I wanted to deal with a couple of matters that are recent in the minds of the -- of the Board. And to do that, I just want to do something that -- a couple of things on the -- on the numbers.

The -- I want to clarify them. In -- in your paper of March 17, 2014...

(BRIEF PAUSE)

MR. JACK LONDON: Sorry, I lost my...

(BRIEF PAUSE)

MR. JACK LONDON: ...at page 73, Table 3. But when I first looked at this table, it struck me that it looked a bit odd because when you look down the first column and you see that at -- after the construction phase at 1.9 percent, there is a low estimate of $1.49 million a year. And at 2.5 -- 2.5 percent, which is only point-o-six (.06) more, it goes

to 6.44 million a year.

So we -- I asked those people who can do this to run those -- re-run those numbers for me and I just want to correct them so that we're dealing with appropriate numbers. And for the most part, in this particular part of the exercise, they -- what they do is to show a bit of a -- a reduced return to the -- to the Cree -- the KCNs. But the Board should have the appropriate and -- and correct information.

So let -- let me just correct those. In the -- during the -- during the construction where you've got $4.76 million a year, I don't have any quarrel with that. In the high estimate as well, the 11.64 million a year, it looks fine. After the construction phase in 1.9 percent -- 9 -- in the 1.9 percent interest you've got 1.49 million a year, which is okay. But in the high estimate the number ought not to be 1.97 million a year, but 4.56 million a year.

Would you accept that, Dr. O'Gorman?

DR. MELANIE O'GORMAN: I will definitely have to check that once I have a calculator or an Excel sheet.

MR. JACK LONDON: Subject to check?

DR. MELANIE O'GORMAN: Yeah. Yeah.

MR. JACK LONDON: And in the after

construction phase at 2.5 percent, the opposite happens. You've got 6.44 million a year, and I would suggest that it ought to be 1.97 million a year, considerably lower than what you have there and much more consistent with a 1.9 percent re -- return of 1 -- of 1.49 million.

And on the high estimate after the construction phase we have -- you've got 9 million a year. We work it out to -- to 6 million a year. And so if you'll accept that, subject to check, we can move forward.

DR. MELANIE O'GORMAN: Yes.

MR. JACK LONDON: Now, if we can go to...in that same document to Table 3 on page 73. Sorry, that's where we are. Okay.

I want to pull up your presentation to the CEC of a similar table. And that's at Tab 6 of the book of -- large book of documents. I have hard copies here by the way if you'd like. It'll come up on the screen, but it might be easier for you with hard copies.

DR. MELANIE O'GORMAN: That's okay.

(BRIEF PAUSE)

MS. AIMEE CRAFT: Mr. Chair, if I may, just for our information and assistance, are the numbers that are being put forward by Mr. London on -- available on the record anywhere? Is there something we can refer to for the ra -- the veracity of these numbers, or to assist us?

MR. JACK LONDON: We just took the actual evidence of what the percentages were and what the returns were and multiplied them. All the numbers are there. It -- it was -- I think they were just miscalculation errors.

(BRIEF PAUSE)

MS. AIMEE CRAFT: And have those miscalculations been clarified on the record, or is that the intent?

MR. JACK LONDON: That's my intent. My intent is to say that, for the purposes of today, Dr. Buckland's go -- going to go away. I don't want to have to de -- delay the proceedings. And if there is a -- if Dr. O'Gorman comes back and says the numbers are wrong, I -- we -- we'd be happy to accept that. So that's why I say it's subject to check.

MS. AIMEE CRAFT: Thank you.

MR. JACK LONDON: The -- when we left off -- or -- or this morning we were talking about the returns that the KCN will receive under the JKDA and from the project. And Board member Grant talked about it being a -- maybe the equivalent of a GIC investment. So if we can just spend a couple of minutes talking about that for -- for a moment and see if you'll confirm these -- these figures for me.

I don't have them in -- in any of the documents, because I didn't know that we were going to have to enter into this. But if on the assumption of a 1.9 percent preferred unit holding, which requires $25 million in cash from the KCNs, right?

You're okay with that number, the $25 million cash investment?

MS. MARLA ORENSTEIN: Yes.

MR. JACK LONDON: After construction, just looking at investment income at 1.9 percent, the low estimate is 1.25 million over a $25 million cash investment, correct?

DR. MELANIE O'GORMAN: I have 1.49 million for the post-construction, 1.9 percent equity holding.

MR. JACK LONDON: That -- that would -- that would be with the multiplier effect included?

DR. MELANIE O'GORMAN: Sorry, you're right.

MR. JACK LONDON: So without the multiplier effect, it's 1.25 million over a $25 million investment -- cash investment, which presents a 5 percent return on investment, correct, subject to check?

DR. MELANIE O'GORMAN: Yes.

MR. JACK LONDON: And at 2.5 percent, it would be 1.64 million if my -- the number I gave you earlier is correct, over a $25 million cash investment, which would be a return of -- a cash on cash of 6.5 percent, correct?

DR. MELANIE O'GORMAN: Yes.

MR. JACK LONDON: And in a high, the 1.9 percent return of 3.8 million over a cash investment of 25 million would indicate a return on cash investment of 15.2 percent?

DR. MELANIE O'GORMAN: Yes.

MR. JACK LONDON: And on the 2.5 percent holding, the return would be $5 million which is the number that the Board has seen repeatedly in documents that have come before the Board on several occasions, over $25 million, which is a 20 percent return.

DR. MELANIE O'GORMAN: Yes, subject to check.

MR. JACK LONDON: So the -- the -- just to stop -- to pause there for a second, the -- the -- in a response to the IR, which I don't have in front of me, the -- there was a table -- the -- the Board was given a table of the investment -- the returns on the investment likely to be obtained by the -- by the Cree Nations, and it shows in the -- about a $5 million a year return.

With a $25 million investment, the return is 20 percent, correct?

DR. MELANIE O'GORMAN: I remember that IR, yes.

MR. JACK LONDON: And how much money do you have that you'd like to invest at 20 percent these days?

DR. MELANIE O'GORMAN: It's a pretty high return.

MR. JACK LONDON: Yeah, okay. Now, if we take it the way -- and we don't -- we don't just look at investment income, but we look at all benefits, excluding ongoing jobs and excluding the Adverse Effects Agreements. So the numbers actually would be higher, but I'm prepared to do this without even taking

into account the ongoing jobs and the Adverse Effects Agreements.

So after you include the multiplier effect of 1.20 percent, the -- subject to check, would you accept that the returns in the low case on a 1.9 percent holding would be 5.8 percent?

DR. MELANIE O'GORMAN: Yes.

MR. JACK LONDON: On the 2.5 percent holding, it would be 7.9 percent?

DR. MELANIE O'GORMAN: Yes.

MR. JACK LONDON: And the high case, 4.56 million over the 25 million cash would be 18.24 percent?

DR. MELANIE O'GORMAN: Subject to check, yes.

MR. JACK LONDON: Subject to check. And at 2.5 percent, the return is actually 24 percent.

DR. MELANIE O'GORMAN: Yes.

MR. JACK LONDON: And if you add in the hundred and eight-three (183) operational jobs, which includes $10 million of income per ann -- per annum for those jobs?

DR. MELANIE O'GORMAN: We've never heard that value before. This is the first time we're hearing a value attached to those jobs.

jobs for KCN members. That's the annual income.

--- UNDERTAKING NO. 125: MKO to Calculate the value of one hundred and eight-two (182) ongoing post-construction jobs for KCN members

CONTINUED BY MR. JACK LONDON:

MR. JACK LONDON: Now, if -- if I'm approximately correct, again subject to check and perhaps you can just include this as part of the undertaking, in the low case with a 1.9 percent holding, that would produce a return of 48.8 percent?

DR. MELANIE O'GORMAN: Yes.

MR. JACK LONDON: Sorry, 45.8 percent. I -- I misread it, 40 -- 45.8 percent.

On a 2.5 percent holding in the low case, it would be 47.8 percent?

DR. MELANIE O'GORMAN: Yes.

MR. JACK LONDON: In the high case it -- at 1.9 percent it would be 58.2 percent return?

DR. MELANIE O'GORMAN: Yes

MR. JACK LONDON: And at the 2.5 percent, it would be 84 percent?

DR. MELANIE O'GORMAN: Subject to check, yes.

MR. JACK LONDON: Subject to check return.

THE CHAIRPERSON: Could you enlighten me about the way you're treating those numbers as being the fruit of an investment?

MR. JACK LONDON: I'm sorry, I didn't hear.

THE CHAIRPERSON: I'm wondering how -- why you're linking the 10 million flowing from jobs as being part of the investment return. My --

MR. JACK LONDON: The question was: What is the net benefit?

THE CHAIRPERSON: And I'm trying to understand why you're taking the 10 million and -- and plugging it into the investment return on the --

MR. JACK LONDON: I'm not plugging it into an investment return, Mr. Chairman. I -- I said that the -- the second category was the total benefits --

THE CHAIRPERSON: I see.

MR. JACK LONDON: -- analysis, including the investment return and the operational jobs --

percentages, and --

DR. MELANIE O'GORMAN: Yes.

MR. SVEN HOMBACH: -- will you accept subject to check that in the last Winnipeg mayoral election the turnout was approximately 47 percent?

DR. MELANIE O'GORMAN: Yes.

MR. SVEN HOMBACH: Whereas in the last federal election it was approximately 61 percent?

DR. MELANIE O'GORMAN: Yes.

MR. SVEN HOMBACH: Assuming that those percentages are true, does that change your answer or does that put you in a better position to assess whether this was an expected level of turnout?

DR. MELANIE O'GORMAN: It puts me in a better position to understand how common that type of voter turnout is, but my overall view is that I would like to have seen a majority of individuals in the KCNs vote to be sure that that vote represented their -- their choice, because as we speculated, there are a number of reasons for why an individual might not vote. So we just lack that -- we lack quantitative knowledge on -- on the motivations behind those people.

It's interesting but I would say it wouldn't -- it wouldn't change my overall concern that we don't know how the majority of KCN members feel.

only have one (1) question.

CONTINUED CROSS-EXAMINATION BY MR. JACK LONDON:

MR. JACK LONDON: You raised the -- My -- My Learned Friend raised the -- the federal statistics, the voting statistics. So I suggest to you -- well, in a article entitled, "First Nations Candidacy and On-reserve Voting in Manitoba," and on June 2011, written by C. Adams (phonetic) from the University of Winnipeg. I'm not sure what the -- the initial stands for, but you probably know that is. So don't tell me that you're going to doubt the credibility of the article.

DR. MELANIE O'GORMAN: No.

MR. JACK LONDON: G. Poezer, P-O-E-Z-E-R, University of Saskatchewan, and L. Birdall (phonetic), University of Saskatchewan. And you can do this subject to check.

Would you agree that -- were you aware that that article found large differences between on-reserve and non-reserve pools across the province having a turnout rate of only on reserve 27.8 percent, and 58 percent at non-reserve pools?

DR. MELANIE O'GORMAN: I was not aware of that.

MR. JACK LONDON: And you are aware that the 33 percent minimum vote and the -- and the statistics that you gave was a blended vote between on and off reserve?

DR. MELANIE O'GORMAN: Yes.

MR. JACK LONDON: So that the number actually is greater -- the lowest number is greater than the 28 -- 27.8 percent on reserve?

DR. MELANIE O'GORMAN: Right.

MR. JACK LONDON: I have no other questions.

THE CHAIRPERSON: Mr. London --

MS. AIMEE CRAFT: Can Mr. London clarify, just for the record, and that's an article in relation to First Nations governance elections or band elections and not referenda.

Is that correct?

MR. JACK LONDON: I -- I don't have that -- I -- I can't answer that question, Ms. Craft. But I -- if you'd -- if you'd like I'm happy to investigate.

MS. AIMEE CRAFT: If we could have the article, that would be helpful and then we can undertake to provide a further response if -- if required.

MR. JACK LONDON: We have it -- we have it online don't we? We have it online and I'll have it sent to you.

THE CHAIRPERSON: Thank you.

MR. JACK LONDON: I didn't -- I didn't know about it in advance, actually. I hadn't done my homework.

THE CHAIRPERSON: Could you frame that as an undertaking, Mr. London? Could you frame it as an undertaking, please?

MR. JACK LONDON: We undertake to forward to you a electronic copy of the article just referenced, "First Nations Candidacy and On-reserve Voting in Manitoba."

--- UNDERTAKING NO. 127: Mr. London to forward electronic copy of the article "First Nations Candidacy and On-reserve Voting in Manitoba"

THE CHAIRPERSON: Thank you for that, Mr. London. Board member Grant has a question, or a comment.

DR. HUGH GRANT: I keep finding bees in