

1 Q. Reference: At page 51 of the report, Liberty states that “In January 2012, Hydro
2 elected to reject all of the potential solutions offered by its consultant.”
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4 a) At the time that Hydro elected not to proceed with the potential solutions
5 offered by its consultant which of those solutions does Liberty suggest Hydro
6 should have proceeded with?

7 b) Please provide Liberty’s rationale for the solution it believes Hydro should have
8 proceeded with arising from its consultant report.
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11 A. Liberty responds to the question’s two parts as follows:
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13 a) Had Hydro conducted an appropriate evaluation, any one of several alternates
14 available at that time would likely have been deemed reasonable and prudent. Liberty
15 does not argue that Hydro’s imprudence stems only from a decision to reject the
16 consultant’s alternates. Rather, Hydro erred in: (1) failing to give the consultant all
17 requisite information, and then (2) failing to consider resulting recommendations
18 adequately. Page 52 of Liberty’s report (quoted below) summarizes the basis for
19 Liberty’s conclusion, and continues to reflect our judgments:
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21 *Hydro acted imprudently in the following ways with respect to the 2011*
22 *outside consultant study:*
23

- 24 • *Hydro commissioned a study for a permanent solution, but appears*
25 *not to have informed the consultant that it actually sought an*
26 *interim solution.*
- 27 • *Hydro rejected all of the consultant recommendations on the sole*
28 *basis of cost, without consideration of functionality, as*
29 *demonstrated below in the discussion of the Hardwoods decision.*
- 30 • *Hydro rejected what would have been the least cost option had the*
31 *requirement for backup black start capability been treated*
32 *consistently.*
33

34 b) See a) above.