

May 4, 2016

Via E-Mail:
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Bonneville Power Administration
905 NE 11th Avenue
Portland, OR, 97232

SUBJECT: BP- 18 IS HNF

Morgan Stanley Capital Group Inc. Comments on BPA Southern Intertie Rate Case and
Non-Rates Solutions Workshops

Morgan Stanley Capital Group Inc. (MSCG) appreciates this opportunity to provide feedback to Bonneville Power Administration (BPA) regarding the Southern Intertie Rate and Non-Rate Workshops. MSCG has considerable interest in these discussions as a significant Southern Intertie Long-Term Firm (LTF) rights holder and active market participant. MSCG appreciates the amount of time BPA has taken to propose numerous alternatives and hold customer feedback sessions to address the seams issue outlined in the White Paper.

MSCG agrees with Rate Alternative No. 2 of the White Paper and believes that a rate change for Hourly Non-Firm (HNF) is appropriate and warranted to preserve the value of LTF. MSCG also agrees with BPA's initial proposal for BP-18 that provides a calculation based on four to six high value hours. MSCG believes the Hourly Firm rate should match the HNF rate.

In addition, MSCG agrees with the proposal to leave the SCD rate and Day 1-5 rate methodology unchanged.

MSCG does not support the non-rate alternatives proposed by BPA (Alternatives No. 7-14). Restricting access to HNF and restricting use of LTF transmission could create anti-competitive situations in contradiction to open access. MSCG believes that a rate increase is sufficient to increase the value of Long Term Firm Transmission and can be implemented in the BP-18 rate case.

MSCG believes the most prudent approach is for BPA to measure the impact of the HNF rate change on the Southern Intertie before implementing any further changes.

Thank you for your consideration of MSCG's comments.