

**UNITED STATES OF AMERICA
BEFORE THE
DEPARTMENT OF ENERGY
OFFICE OF ELECTRICITY DELIVERY AND ENERGY RELIABILITY**

Morgan Stanley Capital Group Inc.

)

Docket No. EA-185-12

**APPLICATION OF
MORGAN STANLEY CAPITAL GROUP INC.
FOR RENEWAL OF AUTHORIZATION TO
EXPORT ELECTRICITY FROM THE UNITED STATES TO CANADA**

Pursuant to Section 202(e) of the Federal Power Act ("FPA") (16 U.S.C. § 824a(e)) and the regulations promulgated under 10 C.F.R. §§ 205.300, *et seq.* (2014), Morgan Stanley Capital Group Inc. ("MSCG" or "Applicant") hereby submits requests this Application for Renewal of Authorization to Transmit Electricity from the United States to Canada for a period of five years (or such longer period as may be permitted by the Department). In support of this Application, MSCG respectfully states as follows:

I. INTRODUCTION

On June 9, 2010, in Order No. EA-185-C, the United States Department of Energy, Office of Electricity Delivery and Energy Reliability ("Department") authorized MSCG to export electric energy from the United States to Canada as a power marketer for a period of five years ending on August 21, 2015.¹ MSCG requests that it be authorized to export electricity from the United States to Canada for an additional five-year period, or such longer period as the Department may authorize for similarly situated power marketers.

¹ See *Morgan Stanley Capital Group Inc.*, "Order Authorizing Electricity Exports to Canada," Order No. EA-185-C (June 9, 2010).

II. DESCRIPTION OF APPLICANT

The exact legal name of the Applicant is "Morgan Stanley Capital Group Inc." Applicant is a Delaware corporation with its principal place of business in New York, New York, and is a direct, wholly-owned subsidiary of Morgan Stanley. MSCG is engaged in the marketing of electric power at wholesale, as well as in facilitating customer transactions in other physically and financially-settled energy products. MSCG is not seeking authorization to export power on behalf of, or in conjunction with, any partners or partnerships.

Applicant is in the business of participating in the wholesale market for purchases and sales of electric energy, as well as participating in the market for other energy commodities and related financial products. MSCG does not directly own or control any electric generation or transmission facilities, nor does it hold a franchise or service territory for the transmission, distribution or sale of electric power. MSCG has three direct and indirect subsidiaries that are exempt wholesale generators ("EWGs") and that own electric generating facilities and associated interconnection facilities.² Additionally, MSCG is affiliated, via common upstream ownership and control, with other entities that own or control, or have passive investment interests in,

² The three generation-owning EWG subsidiaries are South Eastern Electric Development Corporation ("SEEDCO"), South Eastern Generating Corporation ("SEGCO"), and Naniwa Energy LLC ("Naniwa"). Each of them is authorized by the Federal Energy Regulatory Commission ("FERC") to engage in the wholesale sale of electricity at market-based rates. See *South Eastern Electric Development Corp.*, 85 FERC ¶ 61,337 (1998) (granting EWG status to SEEDCO); *Rocky Road Power, LLC, et al.*, 87 FERC ¶ 61,163 (1999) (granting market-based rate authorization to SEEDCO); *South Eastern Generating Corp.*, 91 FERC ¶ 62,027 (2000) (granting EWG status to SEGCO); *Reliant Energy Shelby County, LP, et al.*, 91 FERC ¶ 61,073 (2000) (granting market-based rate authorization to SEGCO); *Naniwa Energy LLC*, 94 FERC ¶ 62,006 (2001) (granting EWG status to Naniwa); *Naniwa Energy LLC*, Docket Nos. ER01-457-000 and ER01-457-001, Letter Order (Feb. 15, 2001) (unpublished) (granting market-based rate authorization to Naniwa). None of these MSCG subsidiaries has or has sought authorization to export electricity to Canada or Mexico.

electric generating facilities and associated interconnection facilities.³ None of MSCG's subsidiaries or affiliates holds a franchise or service territory for the transmission, distribution or sale of electric power.

Applicant operates as a power marketer⁴ and sells and buys electric power at wholesale and arranges services in related areas such as fuel supplies and transmission services. Applicant will purchase the power to be exported to Canada from wholesale generators, electric utilities, and federal power marketing agencies. Applicant will have title to any electricity transmitted to Canada under the authorization sought in this Application. This application relates to MSCG as a marketer of electric power only.

III. COMMUNICATIONS

Communications regarding this Application should be addressed to the following:

³ MSCG is affiliated with NaturEner Tie Line, LLC, which is authorized to export electricity to Canada for a 20-year term over only specific international transmission lines. *See NaturEner Tie Line, LLC*, No. EA-352 (July 7, 2009) (authorizing exports over the international transmission facilities owned by Montana Alberta Tie Ltd. and governed by Presidential Permit No. PP-305). Other than NaturEner Tie Line, LLC, none of MSCG's affiliates has authorization to export electricity to Canada or Mexico.

⁴ As used herein, the terms "marketer" and "power marketer" mean an entity that buys and sells electric power for its own account. Applicant is authorized by FERC to engage in wholesale sales of electric power in interstate commerce, at negotiated rates, under its Rate Schedule FERC No. 1. *See Morgan Stanley Capital Group Inc.*, 69 FERC ¶ 61,175 (1994) (granting market-based rate authority to MSCG), *reh'g denied*, 72 FERC ¶ 61,082 (1995); *see also Morgan Stanley Capital Group Inc., et al.*, Docket Nos. ER15-282-000, et al., Letter Order (Feb. 12, 2015) (unpublished) (accepting most recent notice of change in status and tariff revisions of MSCG and affiliates). As noted, the Department previously authorized MSCG to export electricity to Canada. *See Morgan Stanley Capital Group Inc.*, No. EA-185 (Aug. 21, 1998); *Morgan Stanley Capital Group Inc.*, No. EA-185-A (Aug. 14, 2000); *Morgan Stanley Capital Group Inc.*, No. EA-185-B (Aug. 19, 2005); and *Morgan Stanley Capital Group Inc.*, EA-185-C (June 9, 2010).

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IV. JURISDICTION

Pursuant to FPA Section 202(e), the Department has jurisdiction over the action proposed in this Application. No other known federal, state or local government has jurisdiction over the actions to be taken under the authority sought in this Application, except to the extent that MSCG must comply with applicable FERC requirements in making sales at wholesale. FERC's address is:

Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

V. RENEWAL AUTHORIZATION AND TECHNICAL DISCUSSION

MSCG hereby applies to continue its authorization to transmit electric power to Canada as a power marketer over any authorized international transmission facility that is appropriate for open access transmission by third parties in accordance with the export limits authorized by the Department. MSCG plans to export electric power over authorized transmission interconnections between Canada and the United States. Such sales would be made in foreign commerce at the U.S. – Canada border. Transmission to the point of delivery will be arranged by MSCG over any of the existing international electric transmission facilities set out in Attachment 1, and over any international transmission facilities that may be approved by the Department in the future.

Applicant does not currently own or control electric generation or transmission facilities, and does not have a power supply of its own in the United States on which its exports of power could have a reliability, fuel use or system stability impact.⁵ MSCG will purchase the electric power that it will export, on either a firm or an interruptible basis, from wholesale generators, electric utilities, and federal power marketing agencies voluntarily, and therefore will be surplus to the needs of the selling entities. Accordingly, the proposed exports will not impair or tend to impede the sufficiency of electric power supplies in the United States or the regional coordination of electric utility planning or operations. Additionally, as a power marketer that does not own or operate a transmission system, MSCG does not have the ability to cause a violation of the terms and conditions in the existing authorizations associated with the international transmission facilities identified in Attachment 1. Specifically, MSCG does not have the ability to cause total exports on Presidential Permit facilities to exceed the authorized instantaneous transmission rate.

MSCG will make all necessary commercial arrangements and will obtain any and all other regulatory approvals required in order to carry out any power exports. This would include: (1) scheduling each transaction with the appropriate balancing authority area in compliance with all reliability criteria, standards, and guidelines of the North American Electric Reliability Corporation and the relevant Regional Entities (collectively, "NERC") in effect at the time of export, and (2) obtaining all necessary transmission access over approved export facilities. MSCG agrees to abide by the export limits contained in the relevant export authorization of any transmission facilities over which MSCG exports electric power to Canada. The controls that are

⁵ Applicant has three subsidiaries that own wholesale generating facilities. *See supra*, n.2.

inherent in any transaction that complies with all NERC requirements and the export limits imposed by the Department on the international transmission facilities are sufficient to ensure that exports by MSCG would not impede or tend to impede the coordinated use of transmission facilities within the meaning of FPA Section 202(e).

In previous orders granting export authorizations to electric power marketers, the Department declined to rigidly apply the information filing requirements contained in its regulations and instead used a flexible approach which takes into consideration the unique nature of power marketers and previously authorized export limits of cross-border facilities.⁶ These same considerations demonstrate that MSCG's proposed exports will not impair or tend to impede the sufficiency of electric supplies in the United States or the regional coordination of electric utility planning or operations.

VI. CONSISTENCY WITH LAWS

Authorization of the exports proposed by MSCG is consistent with the North American Free Trade Agreement and United States energy policy and will foster development of a more efficient and competitive North American energy market. MSCG will conduct all operations pursuant to this authorization in accordance with the provisions of the FPA and pertinent rules, regulations and orders adopted or issued thereunder, and in conformity with the applicable reliability criteria, standards and guidelines of NERC, reliability coordinators, and balancing

⁶ See, e.g., *NorAm Energy Services, Inc.*, No. EA-105-CN (Aug. 16, 1996); *MidCon Power Services Corp.*, No. EA-114 (July 15, 1996); *USGen Power Services*, No. EA-112 (June 27, 1996); *CNG Power Services Corp.*, No. EA-110 (June 20, 1996); *Destec Power Services, Inc.*, No. EA-113 (May 31, 1996); *North American Energy Conservation, Inc.*, No. EA-103 (May 30, 1996); *NorAm Energy Services, Inc.*, No. EA-105-MX (May 30, 1996); *Enron Power Marketing, Inc.*, No. EA-102 (Feb. 6, 1996); *Morgan Stanley Capital Group Inc.*, No. EA-185-A-CN (Aug. 14, 2000); *Saracen Energy Partners, LP*, No. EA-340 (June 18, 2008).

authority area operator(s), including any applicable regional transmission organizations or independent system operators.

Because the proposed exports will occur over existing transmission facilities, Applicant respectfully submits that the Application qualifies for a categorical exclusion under the National Environmental Policy Act of 1969, such that neither an Environmental Agreement nor an Environmental Impact Statement is required.

Finally, MSCG will continue to comply with such requirements as may be imposed by the Department on other power marketers with blanket electricity export authorization, including making periodic reports to the Department regarding exports, as may be applicable or required.

VII. EXHIBITS

MSCG includes the following Exhibits with this Application:

Exhibit A	(Not applicable) - Agreements.
Exhibit B	Legal Opinion of MSCG's Counsel.
Exhibit C	(Not applicable) - Map.
Exhibit D	(Not applicable) - Designated Agent.
Exhibit E	(Not applicable) - Corporate Relationship or Existing Contract.
Exhibit F	(Not applicable) - Operating Procedures.
Exhibit G	Verification.

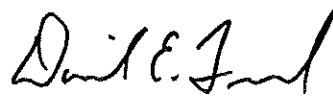
To the extent necessary, MSCG requests a waiver of the requirement to provide the exhibits that are not applicable to this Application, as noted.

Finally, the existing international electric transmission facilities authorized for third-party use (including MSCG's use pursuant to the authorization sought herein) are set out in Attachment 1.

VIII. CONCLUSION

For the foregoing reasons, Morgan Stanley Capital Group Inc. respectfully requests that the Department of Energy grant this Application as requested herein.

Respectfully submitted,



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*Attorneys for
Morgan Stanley Capital Group Inc.*

Date: March 2, 2015

EXHIBIT A
(NOT APPLICABLE)

EXHIBIT B
OPINION OF COUNSEL

LEGAL OPINION

United States Department of Energy
Office of Electricity Delivery and Energy Reliability
Washington, DC

Re: Application of Morgan Stanley Capital Group Inc. for Renewal of Authorization
to Transmit Electric Energy from the United States to Canada
(Docket No. EA-185)

Ladies and Gentlemen:

I am counsel to Morgan Stanley Capital Group Inc., a Delaware corporation ("MSCG"), and have represented MSCG in connection with the Application of Morgan Stanley Capital Group Inc. for Renewal of Authorization to Transmit Electric Energy from the United States to Canada (the "Application"). I am an attorney-at-law, authorized to practice law in the State of New York. I am employed as Managing Director and Counsel of Morgan Stanley & Co. LLC and am counsel to MSCG.

I have examined such corporate records, certificates and other documents, and such questions of law, as I have considered necessary or appropriate for the purposes of this opinion. Upon the basis of such examination and as of the date hereof, it is my opinion that:

- (1) MSCG is duly incorporated, validly existing, and in good standing under the laws of the State of Delaware.
- (2) MSCG has the corporate power and authority to engage in the exportation of electric energy as described in the Application.
- (3) Based upon my knowledge of the facts and the law, including as a result of my consultation with outside counsel, following the issuance of the authorization sought in the Application, MSCG shall have complied with all Federal and state laws applicable to the export of electric energy as requested in the Application.

The foregoing opinion is limited to the Federal laws of the United States, the laws of the State of New York and the General Corporation Law of the State of Delaware as of the date hereof, and I am expressing no opinion as to the effect of the laws of any other jurisdiction.

In rendering this opinion, I have relied as to certain matters on information obtained from public officials, officers of MSCG and other sources believed by me to be responsible, and I have assumed that the signatures on all documents examined by me are genuine, assumptions which I have not independently verified.

I am furnishing this opinion solely for your benefit in connection with the Application. This opinion may not be relied upon by you for any other purpose or relied upon by or furnished to any other person without my express written consent.

Very truly yours,

Edward J. Zabrocki
Edward J. Zabrocki
Managing Director and Counsel
Morgan Stanley & Co. LLC

Dated: March 2, 2015

EXHIBIT C
(NOT APPLICABLE)

EXHIBIT D
(NOT APPLICABLE)

EXHIBIT E
(NOT APPLICABLE)

EXHIBIT F
(NOT APPLICABLE)

EXHIBIT G
VERIFICATION

VERIFICATION

STATE OF NEW YORK)

)

CITY OF PURCHASE)

)

I, Deborah L. Hart, as Vice President of Morgan Stanley Capital Group Inc. ("MSCG"), am authorized to provide this verification on behalf of MSCG, have knowledge of the matters set forth in the foregoing Application of Morgan Stanley Capital Group Inc. for Renewal of Authorization to Transmit Electric Energy from the United States to Canada, and hereby verify that the contents thereof are true and correct to the best of my knowledge, information and belief.

Deborah L. Hart

Deborah L. Hart
Vice President

SIGNED AND SWORN TO before me this 2nd day of February, 2015.

[Signature]
Notary Public

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(S)

My commission expires: 11/2/2017



ATTACHMENT 1

**Transmission Facilities Located
At the U.S. – Canada Border
Authorized for Third-Party Use**

<u>Present Owner</u>	<u>Location</u>	<u>Voltage</u>	<u>Presidential Permit No.</u>
Bangor Hydro-Electric Company	Baileyville, ME	345-KV	PP-89
Basin Electric Power Cooperative	Tioga, ND	230-kV	PP-64
Bonneville Power Administrative	Blaine, WA	2-500-kV	PP-10
	Nelway, WA	230-kV	PP-36
	Nelway, WA	230-kV	PP-46
Eastern Maine Electric Cooperative	Calais, ME	69-kV	PP-32
International Transmission Company	Detroit, MI	230-kV	PP-230
	Marysville, MI	230-kV	PP-230
	St. Claire, MI	230-kV	PP-230
	St. Claire, MI	345-kV	PP-230
Joint Owners of the Highgate Project	Highgate, VT	120-kV	PP-82
Long Sault, Inc.	Massena, NY	2-115-kV	pp-24
Maine Electric Power Company	Houlton, ME	345-kV	PP-43
Maine Public Service Company	Limestone, ME	69-kV	PP-12
	Fort Fairfield, ME	69-kV	PP-12
	Madawaska, ME	138-kV	PP-29
	Aroostook, ME	2-69-kV	PP-29
Minnesota Power, Inc.	International Falls, MN	115-kV	PP-78
Minnkota Power Cooperative	Roseau County, MN	230-kV	PP-61
Montana Alberta Tie Ltd.	Cut Bank, MT	230-kV	PP-305*
New York Power Authority	Massena, NY	765-kV	PP-56
	Massena, NY	2-230-kV	PP-25
	Niagara Falls, NY	2-345-kV	PP-74
	Devils Hole, NY	230-kV	PP-30
Niagara Mohawk Power Corp.	Devils Hole, NY	230-kV	PP-190
Northern States Power Company	Red River, ND	230-kV	PP-45
	Roseau County, MN	500-kV	PP-63
	Rugby, ND	230-kV	PP-231
Sea Breeze Olympic Converter LP	Port Angeles, WA	±450-kV DC	PP-299*
Vermont Electric Power Co.	Derby Line, VT	120-kV	PP-66
Vermont Electric Transmission Co.	Norton, VT	±450-kV DC	PP-76
	Imperial Valley, CA	230-kV	PP-79

* These transmission facilities have been authorized but are not yet constructed or placed into operation.