UNITED STATES OF AMERICA
BEFORE THE
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

H.Q. ENERGY SERVICES (U.S.) INC.) DOCKET NO. EA-182-D

APPLICATION OF H.Q. ENERGY SERVICES (U.S.) INC.
FOR RENEWAL OF AUTHORITY TO TRANSMIT
ELECTRIC ENERGY TO CANADA

H.Q. Energy Services (U.S.) Inc. ("HQUS") hereby submits this application pursuant to section 202(e) of the Federal Power Act ("FPA"), 16 U.S.C. § 824a(e), and 10 C.F.R. § 205.300 *et seq.*, for a five-year extension of its blanket authorization to export electricity from the United States to Canada. HQUS' current export authorization was granted by the Department of Energy ("DOE") on July 19, 2010 in Order No. EA-182-C ("2010 Order"). HQUS requests that this authorization be made effective no later than August 21, 2015, the date on which its current authority to export electricity from the United States to Canada expires, to prevent any lapse in authority. *See* 2010 Order at 13.

I. DESCRIPTION OF APPLICANT

The exact legal name of the Applicant is H.Q. Energy Services (U.S.) Inc. ("HQUS"), a power marketer having its principal place of business at 225 Asylum Street, 27th Floor, Hartford CT 06103. HQUS is a wholly-owned subsidiary and the marketing arm of Hydro-Québec Production, a division of Hydro-Québec. Hydro-Québec was created in 1944 by the Parliament of Québec and is an agent of Québec. Hydro-Québec Production operates and develops generating facilities in Québec to supply the Hydro-Québec market and sells its excess output in wholesale markets.[1] Hydro-Québec Production is functionally separate from, and independent of, any other division within Hydro-Québec, including TransÉnergie and Hydro-Québec Distribution, the transmission and distribution divisions of Hydro-Québec, respectively. This functional separation has been approved by the Québec regulator, the Québec Energy Board (the Régie de l'Énergie du Québec).

Hydro-Québec TransÉnergie, an affiliate of HQUS that owns and operates transmission facilities located exclusively in Québec, has adopted a transmission tariff that has been determined to be substantially in the form of the *pro forma* open access tariff established by the Federal Energy Regulatory Commission ("Commission" or "FERC") and provides open access transmission service pursuant to that tariff. *See H.Q. Energy Servs. (U.S.) Inc.*, 79 FERC ¶ 61,152 (1997). HQUS is also affiliated with Cedars Rapids Transmission Company, Ltd., another Hydro-Québec subsidiary whose limited transmission facilities also are subject to an

[1] Hydro-Québec owns the Les Cèdres generating plant that is physically located in Québec but the New York Independent System Operator, Inc. ("NYISO") models this plant as an internal generator in the NYISO balancing authority area.

open access tariff accepted by the Commission for reciprocity purposes. *See Cedar Rapids Transmission Co.*, Docket No. ER07-769-000 (unpublished delegated letter order issued June 15, 2007).

HQUS is an energy marketer engaged the business of buying and selling electricity for its own account and brokering electricity for others, as well as arranging fuel supplies, transmission services and related activities. HQUS is authorized by the FERC to sell electricity at wholesale in interstate commerce at market-based rates pursuant to its FERC Rate Schedule No. 1. *See H.Q. Energy Services (U.S.) Inc.*, 81 FERC ¶ 61,184 (1997). HQUS does not own or operate any facilities for the generation, transmission or distribution of electricity in the United States or any other country, and neither HQUS nor any of its affiliates has a franchise or service territory for the transmission, distribution or sale of electricity in the United States.

The DOE previously authorized HQUS to export electricity from the United States to Canada, subject to certain conditions, for a five-year period beginning August 21, 2010. *See* 2010 Order at 7-13. HQUS requests an extension of this authority, enabling HQUS to continue exporting electricity from the United States to Canada subject to the standard terms and conditions applicable to similarly situated applicants, over existing transmission facilities at the border between the United States and Canada, which are listed on Exhibit C to this Application.

II. COMMUNICATIONS

All correspondence and communications regarding this Application should be addressed to the following:

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III. JURISDICTION

There is no other Federal, State or local government agency in the United States having jurisdiction over the actions to be taken under the specific export authorization sought in this Application.

IV. TECHNICAL DISCUSSION OF PROPOSED AUTHORIZATION

Section 202(e) of the FPA and the DOE's regulations provide that exports should be allowed unless the proposed export would impair the sufficiency of electric power supply within the United States or would tend to impede the coordinated use of the United States power supply

network. 16 U.S.C. § 824a(e). DOE has interpreted this criterion primarily as an issue of the operational reliability of the domestic bulk electric transmission system. Accordingly, the export must not compromise transmission system security and reliability. *See, e.g.*, *BP Energy Co.*, OE Order No. EA-314, 2 (Feb. 22, 2007), *renewed*, OE Order No. EA-314-A, (May 3, 2012).

HQUS seeks blanket authority to transmit electric power to Canada as a power marketer. HQUS has no electric power supply system on which the proposed exports could have a reliability, fuel use or system stability impact. HQUS also has no native load obligations typically associated with a franchised service area. HQUS will purchase the power to be exported from a variety of sources such as power marketers, independent power producers or U.S. electric utilities and Federal power marketing agencies as those terms are defined in sections 3(22) and 3(19) of the FPA. 16 U.S.C. § 796 (19), (22). By definition, such power is surplus to the system of the generator. DOE has previously found that as a power marketer, HQUS has no native load obligations and any power that HQUS purchases would be surplus to the needs of the entities selling the power to HQUS. 2010 Order at 6. Therefore the electric power that HQUS will export, on either a firm or interruptible basis, will not impair the sufficiency of the electric power supply within the United States. *See Enron Power Mktg., Inc.*, Order No. EA-102 (Feb. 1996).

HQUS will make all necessary commercial arrangements and will obtain any and all other regulatory approvals required in order to schedule and deliver any power exports scheduled pursuant to the requested authorization. All of the electricity exported by HQUS will be transmitted pursuant to arrangements with utilities that own and operate existing transmission facilities and will be consistent with the export limitations and other terms and conditions contained in the existing Presidential Permits and electricity export authorizations associated with these transmission facilities as shown in Exhibit C. HQUS will schedule its transactions with the appropriate balancing authority areas ("BAAs") in compliance with the reliability criteria, standards and guidelines of the North American Electric Reliability Council ("NERC") and its member regional councils in effect at the time of export.

In scheduling exports over the border facilities listed in Exhibit C, HQUS will obtain sufficient transmission capacity to wheel the exported power to and through the relevant border system. In doing so, HQUS will be using domestic transmission facilities for which open-access tariffs have been accepted by FERC, making reservations for transmission service in accordance with the transmission provider's Open-Access Same-Time Information System ("OASIS"), and scheduling deliveries of the export with the appropriate Regional Transmission Organization(s) ("RTO"), Independent System Operator(s) ("ISO"), and/or BAAs. The posting of transmission capacity on OASIS indicates that transmission capacity is available and acceptance of the reservation by the BAA operator confirms that the transmission service requested by HQUS can be provided. Furthermore, it is the responsibility of the relevant RTO, ISO, and/or BAA operator to schedule the delivery of the export consistent with established operational reliability criteria.

During each step of the process whereby HQUS will request and obtain transmission service for power exports, the owners and/or operators of the relevant transmission facilities will evaluate the impact of the service request on the relevant domestic transmission system(s) and

schedule the power to be exported only if such power transfers can be undertaken in full compliance with all applicable operating and reliability standards. DOE has previously determined that existing industry procedures for obtaining transmission service over the interconnected bulk power system provide adequate assurances that a particular export will not cause an operational or reliability problem. Thus, DOE conditions all export authorizations to ensure that any power exports pursuant to such authorization would not cause operating parameters on regional transmission systems to fall outside of established industry criteria or cause or exacerbate a transmission operating problem on the U.S. bulk power supply system. *See, e.g.*, *Iberdrola Renewables Inc.*, Order No. EA-360 (Sept. 2009), Paras. D, E, and J.

In determining the operational and reliability impacts of transmitting a proposed power export through a border system and across the border, DOE relies on the engineering and technical studies that were performed in support of electricity export authorizations issued to that border system. HQUS submits that reliance upon these historical studies in this docket continues to provide a sound basis upon which to grant the requested export authorization and that DOE need not perform additional impact assessments here, provided the maximum rate of transmission for all exports through a border system does not exceed the authorized limit of the system. For exports over international transmission facilities listed in Exhibit C that are not jurisdictional under FPA section 202(2) and for which operational reliability studies have been not been performed in support of export authorization requests, HQUS requests that DOE rely upon the alternative technical studies DOE has relied upon in prior cases to determine the allowable transfer limits. *See, e.g.*, 2005 Order at 4-5.

DOE has routinely found that as a consequence of changes in utility industry structure and operation, including the formation of RTOs and ISOs, the energy transfer limits identified in prior export authorization studies for certain border utilities may no longer correspond to the limits used in actual system operation and DOE's approach to the evaluation of operational reliability. DOE has stated that it will initiate studies of this matter in the future and make any corresponding adjustments to these transfer limits that would be applied simultaneously to all energy marketers with export authorization. HQUS requests that the authorization requested herein be automatically updated to reflect any new transfer limits adopted by DOE as a result of these planned studies.

Finally, HQUS submits that because any power exports it schedules in accordance with the terms of the requested authorization would take place over existing international transmission lines pursuant to authority identical to that previously granted in the 2010 Order, the authorization requested herein should not require the preparation of either an environmental impact statement or an environmental assessment pursuant to the National Environmental Policy Act of 1969. Specifically, HQUS submits that this Application qualifies for DOE's categorical exclusion for exports of electric energy under the National Environmental Policy Act of 1969, 42 U.S.C. § 4332(2).[2]

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[2] DOE's regulations set forth this categorical exclusion, as follows: "Export of electric energy as provided by Section 202(e) of the Federal Power Act over existing transmission lines or using transmission system changes that are themselves categorically excluded." 10 C.F.R. Part 1021, App. B to Subpart D, § B4.2.

V. PROPOSED PROCEDURES

HQUS proposes to export electricity through the existing transmission facilities at the border between Canada and the United States as described and identified in Exhibit C and will comply with the applicable requirements of the FERC, NERC and the export limitations associated with each facility. DOE relies on the technical reliability studies submitted in conjunction with an application for a DOE-issued Presidential permit to construct a new international transmission line. As DOE has previously reviewed technical reliability studies submitted with the Presidential Permit applications for the border transmission facilities included in Exhibit C, HQUS submits that no additional impact assessments are required here, given that HQUS commits that the maximum rate of transmission over border facilities for transactions scheduled under the requested authorization will not exceed the authorized limit of the relevant facilities.

HQUS notes that the responsibility for data collection and reporting under DOE orders authorizing electricity exports to a foreign country is now vested with the U.S. Energy Information Administration ("EIA"). HQUS will submit Form EIA-111, "Quarterly Electricity Imports and Exports Report" in accordance with the reporting requirements established by EIA.

HQUS seeks a continuance of its blanket authorization for exports for a minimum period of five years beginning on August 21, 2015, which may be extended upon further application to the DOE.

VI. INFORMATION PURSUANT TO REQUIRED EXHIBITS

The following information is provided pursuant to the required exhibits as set forth in DOE regulations (10 C.F.R. § 205.303):

Exhibit A: There are no specific agreements at this time under which electricity is to be transmitted for export. Therefore no Exhibit A is attached.

Exhibit B: Legal opinion of HQUS' counsel is attached.

Exhibit C: List of border transmission facilities to be used for exports undertaken pursuant to the requested authorization is attached.

Exhibit D: Applicant's principal office is within the United States. Therefore, no domestic agent is required and no Exhibit D is attached.

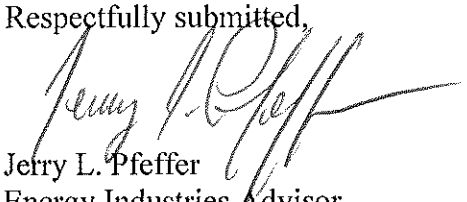
Exhibit E: Neither HQUS' corporate relationship with Hydro-Québec nor any existing contracts relate to the control or fixing of rates for the purchase, sale or transmission of electric energy. Therefore, no Exhibit E is attached.

Exhibit F: Not applicable.

VII. CONCLUSION

WHEREFORE, HQUS respectfully requests that DOE grant this Application for continued blanket authorization to export power from the United State to Canada with such authorization to become effective as of August 21, 2015, the date of expiration of HQUS' existing authorization and on substantially the same terms and conditions recently granted by DOE to other electric power marketers.

Respectfully submitted,



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June 10, 2015

VERIFICATION

I, Steve Demers, Chief Operating Officer of H.Q. Energy Services (U.S.) Inc., being authorized to execute this verification and having knowledge of the matters set forth in the above Application of H.Q. Energy Services (U.S.) Inc. for Renewal of Authority to Transmit Electric Energy to Canada, hereby verify that the contents thereof are true and correct to the best of my knowledge and belief.

Solemnly declared before me, Melissa Daniel, a Commissioner of Oaths of the province of Québec, for the province of Québec and outside the province of Québec, Canada, this 8th day of June 2015

Commissaire à l'assermentation
208 216
MÉLISSA DANIEL
Pour le Québec

Commissioner of Oaths Signature
Registration number 208 216
My commission expires: July 14, 2017

EXHIBIT B
LEGAL OPINION OF COUNSEL

Hydro Québec

June 8, 2015

Hélène Cossette
Avocate

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U.S. Department of Energy
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Re: Application of H.Q. Energy Services (U.S.) Inc. for authority to transmit electric energy to Canada (the "Application")

Pursuant to Section 205.303(b) of the regulations of the Department of Energy, I hereby provide a legal opinion regarding the corporate powers of H.Q. Energy Services (U.S.) Inc. ("HQUS") to export electricity to Canada. I have examined the Certificate of Incorporation and by-laws of HQUS and, based on my review of those documents, it is my opinion that the proposed exportation of electricity is within the corporate powers of HQUS, subject to Section 202(e) of the Federal Power Act, 16 U.S.C.§ 824a(e), and the rules and regulations issued thereunder, and that HQUS has taken all necessary action to authorize and direct its officers and agents to take all necessary steps to comply with all pertinent Federal and State laws in connection with the actions to be undertaken pursuant to the Application.

Respectfully submitted,

Hélène Cossette

Hélène Cossette, lawyer

EXHIBIT C
LISTING OF BORDER FACILITIES

TRANSMISSION FACILITIES AT THE U.S.-CANADIAN BORDER[1]

Present Owner	Location	Voltage,	Presidential Permit No.[2]
Bangor Hydro-Electric Company	Baileyville, ME	345-kV	PP-89
Basin Electric Power Cooperative	Tioga, ND	230-kV	PP-64
Bonneville Power Administration	Blaine, WA	2-500-kV	PP-10
	Nelway, WA	230-kV	PP-36
	Nelway, WA	230-kV	PP-46
Eastern Maine Elec. 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

[1] Information for this Exhibit C was compiled from recent DOE Electricity Export Authorization Orders and DOE publications. *See, e.g. Chubu TT Energy Management Inc.*, OE Docket No. EA-404 issued on April 21, 2015 and *Brookfield Energy Marketing*, EA-258-D, issued on April 25, 2014. HQUS commits to observe the limits associated with the final listing of international transmission facilities at the U.S.-Canada border authorized by DOE for use by third-party transmitters.

[2] Reference is to the currently applicable Presidential Permit No. for the relevant facilities as that permit may have been amended by DOE.

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
	Devil's Hole, NY	230-kV	PP-30
Niagara Mohawk Power Corp.	Devil's Hole NY	230-kV	PP-190
Northern States Power Corp.	Red River, ND	230-kV	PP-45
	Roseau, MN	500-kV	PP-63
	Rugby, ND	230-kV	PP-231
Sea Breeze Converter LP	Port Angeles, WA	+/-450kV	PP-299*
Vermont Electric Power Co.	Derby Line	120-kV	PP-66
Vermont Electric Trans. Co.	Norton, VT	+/-450-kV	PP-76
	Milbury, MA	345-kV	PP-76
	Medway, MA	345-kV	PP-76

* Transmission facilities that have been authorized but not constructed or placed into full operation.