

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

H.Q. ENERGY SERVICES (U.S.) INC.

)

DOCKET NO. EA-182-

**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 August 18, 2015 in Order No. EA-182-D (“2015 Order”). HQUS requests that this authorization be made effective no later than August 21, 2020, the date on which its current authority to export electricity from the United States to Canada expires, to prevent any lapse in authority. See 2015 Order at 16.

I. DESCRIPTION OF APPLICANT

The exact legal name of the Applicant is H.Q. Energy Services (U.S.) Inc., 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 is the vertically integrated utility serving the Province 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. 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 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.

As noted, 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, 2015. *See* 2015 Order at 10-16. 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, at 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 in the United States in relation to 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.

With regards to sufficiency of power supply within the United States, DOE has previously found that power marketers such as HQUS have no native load obligations and any power that HQUS purchases would be surplus to the needs of the entities selling the power to HQUS. 2015 Order at 5. Specifically, DOE concluded in the first export authorization application by a marketing entity that in contrast to traditional utilities, wholesale power marketers did not have any “native load” requirements and thus the original criterion of maintaining sufficient reserve margins was inappropriate and unnecessary when applied to marketing entities such as HQUS. *See Enron Power Mktg., Inc.*, 59 Fed. Reg. 54,900 (Nov. 2, 1994).

HQUS submits that its sales of power pursuant to the requested authorization will foster development of a more efficient and competitive North American energy market. *See, e.g., OE Order No. EA-314*, at 2. Both DOE and FERC have adopted policies to encourage the expansion of wholesale energy markets. Through its open access policies and promotion of competitive energy markets, FERC has sought to remove barriers and to ensure that these markets are functioning efficiently. As a result, market participants throughout the United States have access to traditional bilateral contracts, as well as the organized electricity markets run by regional transmission organizations or independent system operators (RTOs/ISOs) wherein HQUS conducts its business. The electric power that HQUS will export to Canada from these markets, on either a firm or interruptible basis, will not impair the sufficiency of the electric power supply within the United States.

With respect to the effect of proposed export authorizations on the reliability of the bulk power system, DOE focuses on the prevention of cascading outages and other problems that could result from inadequate resources.¹ At the federal level, reliability issues are primarily addressed by the authority granted to FERC through the Energy Policy Act of 2005 (“EPAAct 2005”). The new FPA section 215 adopted under EPAAct 2005, directed FERC to certify an electric reliability organization and develop procedures for establishing, approving, and enforcing mandatory electric reliability standards. 16 U.S.C. § 824o. FERC certified the North American Electric Reliability Council (“NERC”) in 2006 to establish and enforce reliability standards for the bulk-power system

¹ These efforts are separate from State responsibility for resource planning and adequacy for load-serving entities within their jurisdiction.

in the United States.² The NERC Reliability Standards are enforceable throughout the continental United States and most of Canada, including Quebec. Through enforcement by FERC, NERC and six Regional Entities overseen by NERC, all bulk-power system owners, operators, and market participants are held responsible for complying with these reliability standards

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 NERC reliability criteria, standards and guidelines in effect at the time of a proposed export.

In scheduling exports to and 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 to the international border consistent with established operational reliability criteria.

NERC and the Regional Entities—including the Midwest Reliability Organization, the Northeast Power Coordinating Council, and the Western Electricity Coordinating Council—have responsibility for monitoring scheduled flows of power across the United States-Canadian border system. Those border systems are generally subject to the same reliability standards as domestic systems. DOE has found that such oversight by NERC and the Regional Entities sufficient to assure there is no adverse effect on reliability from cross-border power transfers.

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

² Order Certifying NERC as the Electric Reliability Organization and Ordering Compliance Filing, FERC Docket No. RR06-1-000, 116 FERC ¶ 61,062 (July 20, 2006).

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 Centre Lane Trading Ltd.*, OE Order No. EA-365-B, at 7-9 (Apr. 29, 2020).

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.³

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. While the transfer limits noted in Exhibit C reflect its best understanding of the currently applicable limits for these facilities, 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 2015 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).⁴

³ DOE has found that it does not need to perform additional impact assessments of proposed cross-border power sales, provided the maximum rate of transmission for all exports through a border system does not exceed the authorized limit of the system. *See, e.g., AEP Tex. Cent. Co.*, OE Order No. PP-317, at 2-3 (Jan. 22, 2007); *Mont. Alta. Tie Ltd.*, OE Order No. PP-305, at 2-4 (Nov. 17, 2008).

⁴ 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 systems or using transmission system changes that are themselves categorically excluded." 10 C.F.R. Part 1021, App. B to Subpart D, § B4.2. Pursuant to this application, HQUS seeks DOE authorization to deliver electricity over existing transmission lines, which fits squarely within the B4.2 categorical exclusion.

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 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, 2020, 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, 2020, 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,

/s/ Jerry L. Pfeffer

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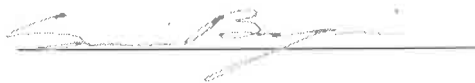
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June 1, 2020

VERIFICATION

I, Simon Bergevin, General Manager 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.



Signed and sworn to before me by this 29 day of May, 2020.



Commissioner of oaths for all judicial
Districts of Québec and outside Québec
Registration number 178226

EXHIBIT B
LEGAL OPINION OF COUNSEL

May 29, 2020

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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, legal counsel

EXHIBIT C
LISTING OF BORDER FACILITIES

TRANSMISSION LINES AT THE U.S. BORDER WITH CANADA
APPROPRIATE FOR OPEN ACCESS TRANSMISSION BY THIRD PARTIES

<u>Current Owner</u>	<u>Location</u>	<u>Voltage</u>	<u>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 Administration	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	
	St. Claire, MI	345-kV	
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-29
	Madawaska, ME	138-kV	
	Aroostook, ME	2-69-kV	
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

* Presidential permit numbers refer to the generic DOE docket number for the relevant permit including any subsequent amendments to the original permit authorizing the facility.

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	± 150 -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