

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

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

FE DOCKET NO. 01-28-NG

**ORDER GRANTING LONG-TERM AUTHORIZATION
TO IMPORT NATURAL GAS FROM CANADA**

DOE/FE ORDER NO. 1694

JUNE 25, 2001

I. DESCRIPTION OF REQUEST

On June 5, 2001, H.Q. Energy Services (U.S.) Inc. (HQUS) filed an application with the Office of Fossil Energy of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA)^{1/} and DOE Delegation Order Nos. 0204-111 and 0204-127, requesting authorization to import from Canada up to 48,500 thousand cubic feet of natural gas per day for a period of fifteen years beginning on the date of first import delivery. HQUS, a marketer of natural gas and electricity, is a Delaware corporation with its principal place of business in Coraopolis, Pennsylvania.

Pursuant to the terms of a natural gas sales agreement (Agreement) with Marketing d'Énergie HQ Inc.(MEHQ), dated July 15, 1999, HQUS will purchase natural gas from MEHQ at the interconnection point between St. Stephen in New Brunswick, Canada and Calais, Maine for delivery to Bucksport Energy, LLC via the Maritime and Northeast Pipeline where it will be used to fuel a 185 MW natural gas-fired cogeneration facility near Bucksport, Maine. The initial term of the Agreement is five years, which commenced as of December 15, 2000. The Agreement may be renewed by either party for up to two subsequent five-year terms upon written notice to the other party one year prior to the expiration of the then-current five-year term. The commodity rate to be paid by HQUS in the initial five-year term is based on a base rate and components reflecting natural gas price indices for Canada, New England and NYMEX Henry Hub prices, plus MEHQ's transportation costs on Maritimes Northeast Pipeline from Goldboro, Nova Scotia to the U.S. border.

^{1/} 15 U.S.C. § 717b.

II. FINDING

The application filed by HQUS has been evaluated to determine if the proposed import arrangement meets the public interest requirements of section 3 of the NGA, as amended by section 201 of the Energy Policy Act of 1992 (Pub. L. 102-486). Under section 3(c), the importation of natural gas from a nation with which there is in effect a free trade agreement requiring national treatment for trade in natural gas is deemed to be consistent with the public interest and must be granted without modification or delay. The authorization sought by HQUS to import natural gas from Canada, a nation with which a free trade agreement is in effect, meets the section 3(c) criterion and, therefore, is consistent with the public interest.

ORDER

Pursuant to section 3 of the Natural Gas Act, it is ordered that:

A. H.Q. Energy Services (U.S.) Inc. (HQUS) is authorized to import from Canada up to 48,500 thousand cubic feet (Mcf) per day of natural gas for a beginning on the date of first import delivery and extending through December 14, 2005, pursuant to the terms of a natural gas sales agreement (Agreement) dated July 15, 1999, between HQUS and Marketing d'Energie HQ Inc.(MEHQ). This natural gas may be imported from Canada at the interconnection point between St. Stephen in New Brunswick, Canada and Calais, Maine.

B. This authorization will automatically renew for two additional five year terms providing that HQUS files a copy of the renewed Agreement with this Office at the time of issuance.

C. Within two weeks after deliveries begin, HQUS shall provide written notification to the Office of Natural Gas & Petroleum Import & Export Activities of the date that the first import of natural gas authorized in Ordering Paragraph A above occurred.

D. With respect to the natural gas imports authorized by this Order, HQUS shall file with the Office of Natural Gas & Petroleum Import & Export Activities, within 30 days following each calendar quarter, a report indicating by month the volumes and prices of natural gas imported pursuant to this Order. If no imports have been made, a report of "no activity" for that calendar quarter must be filed. If imports have occurred, HQUS must report total monthly volumes in Mcf and the average purchase price of gas in U.S. dollars per MMBtu delivered at the international border, and paid to MEHQ. The monthly price information shall itemize separately the monthly demand and commodity charges, fuel charges, and, if applicable, reservation fees. HQUS shall provide, to the extent possible, a breakdown of the import volumes showing the amount sold to its customer.

E. The first quarterly report required by Ordering Paragraph D of this Order is due not later than July 30, 2001, and should cover the period from the date of this Order until the end of the second calendar quarter, June 30, 2001.

F. The notification and reports required by Ordering Paragraphs C and D of this Order shall be filed with the Office of Natural Gas & Petroleum Import & Export Activities, Fossil Energy, Room 3E-042, FE-34, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C., 20585.

Issued in Washington, D.C., on June 25, 2001

Clifford P. Tomaszewski
Manager, Natural Gas Regulations
Office of Natural Gas & Petroleum
Import & Export Activities
Office of Fossil Energy