



October 11, 2018

Ms. Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

North Baja Pipeline, LLC
700 Louisiana Street, Suite 700
Houston, TX 77002

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Re: North Baja Pipeline, LLC
Form No. 501-G Filing
Docket No. RP19-____-000

Dear Ms. Bose:

Pursuant to section 206.402 of the regulations of the Federal Energy Regulatory Commission (“FERC” or “Commission”), 18 C.F.R. § 206.402 (2018), and the Final Rule issued by the Commission in Docket No. RM18-11-000 on July 18, 2018,¹ North Baja Pipeline, LLC (“North Baja”) hereby submits its Form No. 501-G one-time informational report (“Form No. 501-G”).

North Baja’s Form No. 501-G indicates a cost of service reduction of 5.1 percent. However, North Baja notes that its adjusted Form No. 501-G (“Adjusted 501-G”), which contains certain adjustments necessary and appropriate to provide a more accurate picture of North Baja’s costs and revenues than the Form No. 501-G, yields a greater rate reduction of 10.8 percent, which provides a larger benefit to North Baja’s ratepayers. Accordingly, North Baja proposes to implement this higher 10.8 rate reduction through a limited section 4 rate filing.

Pursuant to section 154.404 of the Commission’s regulations, 18 C.F.R. § 206.402 (2018), and to Option 1 identified in the Final Rule,² North Baja is contemporaneously submitting a limited Natural Gas Act (“NGA”) section 4³ rate reduction filing to implement the indicated cost of service reduction.

Form No. 501-G Addendum

In the Final Rule, the Commission stated that pipelines may make adjustments to individual line items of Form No. 501-G in additional work sheets, and may fully explain and support the adjustments in an Addendum.⁴ In the Adjusted 501-G included herewith, North Baja has made

¹ *Interstate and Intrastate Natural Gas Pipelines; Rate Changes Relating to Federal Income Tax Rate*, Order No. 849, 83 Fed. Reg. 36,672 (Jul. 30, 2018) (“Final Rule”).

² *Id.* at P 198.

³ 15 U.S.C § 717c.

⁴ *See* Final Rule at P 60, 105-06, 181.

certain adjustments to its Form No. 501-G that it believes are necessary and appropriate to provide the Commission with a more accurate picture of North Baja's current costs and revenues than is reflected in the data incorporated in Form No. 501-G.

Specifically, North Baja has adjusted its capital structure to reflect that it is in the process of adding debt to its existing capitalization and acquiring a credit rating. North Baja also has adjusted its overall revenues to reflect that approximately 80 percent of North Baja's revenues reflected in the 2017 FERC Form 2 are under negotiated rate contracts. Finally, North Baja has reduced its cost of service by 10.8 percent, reflecting the cost of service reduction indicated by the Adjusted 501-G. As noted above, this reduction is greater than the 5.1 percent rate reduction reflected in the unadjusted Form No. 501-G. These adjustments, which are described and supported more fully in the Adjusted 501-G, yield an ROE of 12.7 percent.

Election of Option

In the Final Rule, the Commission identified four options for each interstate natural gas pipeline in connection with the filing of Form No. 501-G:

- A limited NGA section 4 rate reduction filing pursuant to 18 C.F.R. § 154.404 (2018) (“Option 1”);
- a commitment to file a general section 4 rate case or pre-packaged uncontested settlement in the near future (“Option 2”);
- an explanation why no rate change is needed (“Option 3”); and
- no action other than filing a report (“Option 4”).

North Baja has elected Option 1 and, contemporaneously with its filing of this letter, North Baja is filing a limited NGA section 4 rate filing to implement a reduction in its reservation rates for firm service, and its one-part rates that reflect fixed costs, by 10.8 percent.

Correspondence

The names, titles, mailing addresses, and telephone numbers of those persons to whom correspondence and communications concerning this filing should be addressed are as follows:

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Reservation of Rights

This submission is made solely to comply with the Commission's regulation and Final Rule, and in particular the Form No. 501-G is submitted using 2017 Form No. 2 data as required by the Commission, on the form required by the Commission. By submitting Form No. 501-G, North Baja does not represent or concede that the form provides an accurate representation of North Baja's current costs and revenues.

By submitting this Form No. 501-G and Adjusted 501-G, North Baja does not waive any rights with respect to further actions North Baja or TransCanada Corporation may take in the future with respect to proceedings in, or arising out of, FERC Docket No. RM18-11-000. North Baja reserves the right to propose, in any appropriate filing, alternative service structures, cost allocations or methods for designing rates, as well as an alternative return on equity, overall rate of return and methods for establishing just and reasonable rates, as well as to make any other proposals it deems appropriate. The instant filing should not be construed as a proposal by North Baja, or as stating either North Baja's position with regard to the appropriate values used in setting rates or the positions North Baja may take in evidence and arguments when responding to participants' positions later in this proceeding or in any other proceeding.

Pursuant to Section 385.2005 and Section 385.2011(c)(5), the undersigned has read this filing and knows its contents, and the contents are true as stated, to the best of his knowledge and belief. The undersigned possesses full power and authority to sign such filing.

Respectfully submitted,



John A. Roscher
Director, Rates & Tariffs

Enclosures

North Baja Pipeline, LLC

FERC Form No. 501-G

**FERC Form No. 501-G
One-time Report on Rate Effect of the Tax Cuts and Jobs Act**

Cost of Service

Pipeline Company Name **North Baja**

Line No.	(A) Description	(B) Form 2 Reference	(C) Calendar Year 2017 Actuals	(D) Net Amort. of Excess/ Deficient ADIT	(E) With Adjusted Tax Allowance
3	CID	C000517			
4	Is the Pipeline a separate income taxpaying entity? Does it conduct business, realize net income or loss, pay income taxes and distribute profits to shareholders?		No		
Cost of Service - Non Fuel					
Operating, Maintenance and Administrative & General					
5	Total Production & Gathering	P. 317; L. 30, C. (b)	\$ -		\$ -
6	Total Products Extraction	P. 318; L. 58, C. (b)	-		-
7	Total Natural Gas Storage	P. 322; L. 177, C. (b)	-		-
8	(Less) UG Compressor Station Fuel & Power	P. 320; L. 106, C. (b)	-		-
9	(Less) Other Compressor Station Fuel & Power	P. 321; LL. 131 & 132, C. (b)	-		-
10	(Less) LNG Compressor Station Fuel & Power	P. 322; LL. 157 & 158, C. (b)	-		-
11	Net Storage Costs	L. 7 minus LL. 8-10	-		-
12	Total Transmission	P. 323; L. 201, C. (b)	4,389,826		4,389,826
13	(Less) Gas for Compressor Station Fuel	P. 323; L. 184, C. (b)	2,295,616		2,295,616
14	(Less) Other Fuel & Power for Compressor Stns. (if included in true-up or tracking mechanism)	P. 323; L. 185, C. (b)	-		-
15	Net Transmission Costs	L. 12 minus LL. 13-14	2,094,210		2,094,210
16	Administrative & General	P. 325; L. 270, C. (b)	3,212,352		3,212,352
17	Total Operating, Maintenance and Admin. & Gen.	Sum of LL. 4, 5, 10, 14, 15	\$ 5,306,562		\$ 5,306,562
18	Depreciation, Depletion, and Amortization	Form 2 - P. 337; L. 12, C. (h)	6,819,227		6,819,227
19	Amort. of Plant Acq. Adj. If 'yes' to P. 2; L. 5 of Form 501-G then 0, else P. 114; L. 9, C. (c)	Form 2A - P. 114; LL. 6-8, C. (c)	-		-
Credits to Cost of Service					
20	Regulatory Debits (if incl. in a § 4 rate filing)	P. 114; L. 12, C. (c)	-		-
21	(Less) Regulatory Credits (if incl. in a § 4 rate filing)	P. 114; L. 13, C. (c)	-		-
22	Other Taxes	P. 114; L. 14, C. (c)	2,940,844		2,940,844
Return					
23	Long Term Debt	P. 2; L. 27 of Form 501-G	2,577,878		3,041,606
24	Preferred Stock (or equivalent)	P. 2; L. 28 of Form 501-G	-		-
25	Common Equity	P. 2; L. 29 of Form 501-G	3,490,567		4,118,475
26	Total Return		6,068,444		7,160,081
Allowance for Income Taxes					
27	Federal Income Tax Rate	P. 5; L. 3 of Form 501-G	35.00%		0.00%
28	Weighted Average State Income Tax Rate	P. 5; L. 4 of Form 501-G	7.00%		0.00%
29	Composite Income Tax Rate	P. 5; LL. 3-6 of Form 501-G	39.55%		0.00%
30	Income Tax Allowance on Equity Return	[(L. 24+L. 25)*(L. 29)/(1-L. 29)]	2,283,737		-
31	(Less) Net Amort. of Excess(+) and/or Deficient(-) ADIT (Year 1 amortization)		-	466,769	-
32	Total Income Tax Allowance	L. 30 minus L. 31	2,283,737		-
33	Total Cost of Service - Non Fuel	Sum of LL. 17-20, 22, 26, 32 less L. 21	\$ 23,418,815		\$ 22,226,714
34	Indicated Cost of Service Reduction	1 minus [L. 33, C. (E) divided by L. 33, C. (C)]			5.1%

**FERC Form No. 501-G
One-time Report on Rate Effect of the Tax Cuts and Jobs Act**

**Rate Base
North Baja**

Line No.	(A) Description	(B) Form 2 Reference	(C) Calendar Year 2017 Actuals	(D) Excess/ Deficient ADIT Adjustment	(E) With Adjusted Tax Allowance
Rate Base					
1	Gas Plant in Service	P. 110; L. 2, C. (c)	\$ 201,047,336		\$ 201,047,336
2	Accumulated Depreciation	P. 110; L. 5, C. (c)	76,369,596		76,369,596
3	Acquisition Adjustment	P. 200; L. 12, C. (b)	-		-
4	(Less) Amort. of Plant Acquisition Adjustment	P. 200; L. 32, C. (b)	-		-
5	No Has the pipeline received permission to include Acq. Adjustment(s) in Rate Base? If no, provide amounts as a reduction to Rate Base.				
6	FERC Order Cite				
7	Net Acquisition Adjustment	If L. 5 is yes, then zero; else L. 3 minus L. 4	-		-
8	Net Plant	L. 1 minus L. 2 minus L. 7	124,677,740		124,677,740
Gas Stored Underground					
9	Base Gas - Account No. 117.1	P. 220; L. 5, C. (b)	-		-
10	System Balancing - Account No. 117.2	P. 220; L. 5, C. (c)	-		-
Working Capital					
11	Prepayments	P. 111; L. 54, C. (c)	5,242		5,242
12	Materials and Supplies	P. 111; L. 45, C. (c)	763,947		763,947
ADIT and Regulatory Assets and Liabilities					
13	Accumulated Deferred Income Taxes (IT)	P. 235; L. 3, C. (k)(see footnote)	4,160,010		-
14	(Less) Accum. Deferred IT - Other Property	P. 275; L. 3, C. (k)(see footnote)	14,872,378		-
15	(Less) Accum. Deferred IT - Other	P. 277; L. 3, C. (k)(see footnote)	56,476		-
16	Other Regulatory Assets	P. 232; L. 40, C. (g)	212,902	212,902	-
17	(Less) Other Regulatory Liabilities	P. 278; L. 45, C. (g)	8,569,880	8,569,880	-
18	Rate Base	Sum of LL. 8 - 13 minus LL. 14-15 plus L. 16 minus L. 17	\$ 106,321,107		\$ 125,446,929

The Commission will apply Opinion No. 414, et al. in reviewing data submitted on page 4. Opinion No. 414, et al. requires that the pipeline's, or the parent's debt if using the parent's capital, must be issued in its name, be publicly traded, and be rated by a rating agency. The pipeline or parent must have a proper capital structure, which for purposes of FERC Form No. 501-G must have an equity ratio less than 65%.

Opinion No. 414, 80 FERC ¶ 61,157 (1997); reh'g denied, Opinion No. 414-A, 84 FERC ¶ 61,084 (1998).

Employing the data provided on Page 4 for capital structure and the component costs of Long Term Debt and Preferred Stock, the Pipeline's cost of capital for purposes of FERC Form No. 501-G will be based upon Case 3 - Parent's Capital Structure and costs for Long Term Debt and Preferred Stock.

Summary of Page 4 Capital Structure and Capital Component Costs	Case 1 Balance Sheet & Income Statement	Case 2 Page 218a	Case 3 Parent's SEC Form 10K	Case 4 Hypothetical
19) 1) Is the debt issued in the entity's name and traded?	No	No	Yes	
20) 2) Is the debt rated by a rating agency?	No	No	Yes	
21) 3) Is the equity ratio less than 65%?	No	No	Yes	
22) Each of the three above questions must be answered yes as the basis for using the capital structure and individual capital component cost.	Not using Case 1 per Opinion No. 414 et al	Not using Case 2 per Opinion No. 414 et al	All are 'Yes', using Case 3	Using Case 3

	Return based upon Pipeline's Parent's Capital Structure and Cost of Capital.	Capitalization Ratio	Component Cost	Wtd. Cost of Capital
23	Long Term Debt	P. 4 of Form 501-G	68.88%	2.42%
24	Preferred Stock (or equivalent)	P. 4 of Form 501-G	0.00%	0.00%
25	Common Equity	P. 4 of Form 501-G	31.12%	3.28%
26	Total Return	Sum of LL. 23 - 25	100.00%	5.71%
27	Return - Long Term Debt	L. 18 times L. 23, C. (E)	\$ 2,577,878	\$ 3,041,606
28	Return - Preferred Stock (or equivalent)	L. 18 times L. 24, C. (E)	-	-
29	Return - Common Equity	L. 18 times L. 25, C. (E)	3,490,567	4,118,475
30	Total Return	Sum of LL. 27 - 29	\$ 6,068,444	\$ 7,160,081

FERC Form No. 501-G
One-time Report on Rate Effect of the Tax Cuts and Jobs Act

Return on Equity
Pre Tax Cut and Pro Forma Post Tax Cut

North Baja

Line No.	(A) Description	(B) Form 2 Reference	(C) Calendar Year 2017 Actuals	(D) With Adjusted Tax Allowance	(E) Rate Moratorium Option 12% ROE Test
Operating Revenue					Indicated Cost of Service Reduction of 5.1%
1	Total Operating Revenues	P. 301; L. 21, C. (h)	\$ 40,159,670	\$ 40,159,670	
2	(Less) Sales for Resale (Acct. Nos. 480-484)	P. 301; L. 4, C. (h)	-	-	
3	(Less) Commercial & Industrial Sales	P. 301; L. 2, C. (h)	-	-	
4	(Less) Gas Sales & Other Adj. from Acct. No. 495	P. 308; L. 10, C. (b)	-	-	
5	(Less) Fuel Related Revenues Incl. in Total Revenues	per Pipeline	1,362,916	1,362,916	
6	Total Adjusted Revenue	L. 1 minus sum of LL. 2-5	\$ 38,796,754	\$ 38,796,754	\$ 36,821,862
7	<input type="checkbox"/> No	Enter 'Yes' or 'No' - Does the Pipeline track or true-up fuel retention?			
8	<input type="checkbox"/> Yes	Enter 'Yes' or 'No' - Does the Pipeline have stated fuel rates?			
Calculation of Return On Equity - Pre Tax Cut and Pro Forma Post Tax Cut					
9	Total Operating, Maintenance and Admin. & Gen.	P. 1; L. 17 of 501-G	\$ 5,306,562	\$ 5,306,562	\$ 5,306,562
10	Depreciation, Depletion, and Amortization	P. 1; L. 18 of 501-G	6,819,227	6,819,227	6,819,227
11	Amort. of Plant Acq. Adj.	P. 1; L. 19 of 501-G	-	-	-
12	Regulatory Debits (if incl. in a § 4 rate filing)	P. 1; L. 20 of 501-G	-	-	-
13	(Less) Regulatory Credits (if incl. in a § 4 rate filing)	P. 1; L. 21 of 501-G	-	-	-
14	Other Taxes	P. 1; L. 22 of 501-G	2,940,844	2,940,844	2,940,844
15	Non-Fuel Operating Cost Excl. Interest and Taxes	Sum of LL. 9-12 minus L. 13 plus L. 14	15,066,633	15,066,633	15,066,633
16	Operating Income	L. 6 minus L. 15	\$ 23,730,121	\$ 23,730,121	\$ 21,755,229
17	Interest Expense	P. 1; L. 23, C. (C) of 501-G	2,577,878	3,041,606	3,041,606
18	Income Before Income Taxes	L. 16 minus L. 17	\$ 21,152,243	\$ 20,688,515	\$ 18,713,623
Allowance for Income Taxes					
19	Composite Income Tax Rate	P. 1; L. 29 of 501-G	39.55%	0.00%	0.00%
20	Income Taxes	L. 18 times L. 19	\$ 8,365,712	\$ -	\$ -
21	(Less) Net Amort. of Excess(+) and/or Deficient(-) ADIT	P. 1; L. 31 of 501-G	-	-	-
22	Total Income Tax Allowance	L. 20 minus L. 21	8,365,712	-	-
23	Net Income	L. 18 minus L. 22	\$ 12,786,531	\$ 20,688,515	\$ 18,713,623
24	(Less) Preferred Dividends	P. 1; L. 24, C. (C) of 501-G	-	-	-
25	Rate Base	P. 2; L. 18 of 501-G	\$ 106,321,107	\$ 125,446,929	\$ 125,446,929
26	Total Estimated ROE (excluding fuel)	[L. 23 - L. 24] / [L. 25 * P. 2; L. 25 C. (C) of 501-G]	38.6%	53.0%	47.9%

FERC Form No. 501-G
One-time Report on Rate Effect of the Tax Cuts and Jobs Act
Capital Structure and Component Costs
North Baja

Line No.	(A) Description	(B) Form 2 Reference	(C) Capitalization	(D) Capitalization Ratio	(E) Capital Component Cost Rate	(F) Weighted Cost of Capital
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The Commission will use your responses on the following four cases to evaluate your capital structure and capital component costs for Form No. 501-G: Case 1, balance sheet and income statement; Case 2, Page 218a of Form No. 2; Case 3, the parent's financial statements as filed in its SEC Form 10-K; or Case 4, a hypothetical capital structure and capital component costs.

Case 1. Cost of Capital based upon amounts obtained from the Balance Sheet and Income Statement.

Cost of Debt and Preferred Stock						
1	Interest	P. 116; LL. 62-68, C. (c)	\$ -	= 0		
2	Long-Term Debt	P. 112; L. 24, C. (c)	\$ -			
3	Preferred Dividends	P. 120a; L. 68, C. (b)	\$ -	= 0		
4	Preferred Stock (or equivalent)	P. 112; L. 3, C. (c)	\$ -			
5	Common Equity	P. 112; L. 15, C. (c)	120,553,792			
6	Cost of Capital					
7	Long-Term Debt	L. 3	\$ -	0.00%	0.00%	0.00%
8	Preferred Stock (or equivalent)	L. 5	\$ -	0.00%	0.00%	0.00%
9	Common Equity	L. 6 minus L. 5	120,553,792	100.00%	10.55%	10.55%
10	Totals		\$ 120,553,792	100.00%		10.55%
11	<input type="checkbox"/> No Enter 'Yes' or 'No' - Is all of the debt listed on L. 3 above issued in the pipeline's name and publicly traded?					
12	<input type="checkbox"/> No Enter 'Yes' or 'No' - Is all the debt listed on L. 3 above rated by a rating agency?					

Case 2. Cost of Capital based upon amounts obtained from Page 218a of the FERC Form No. 2.

	P. 218a	Column (b)	Column (c)	Column (d)	
14	Long-Term Debt	L. 3	\$ -	0.00%	0.00%
15	Preferred Stock (or equivalent)	L. 4	\$ -	0.00%	0.00%
16	Common Equity	L. 5	122,817,711	100.00%	10.55%
17	Totals		\$ 122,817,711	100.00%	10.55%
18	<input type="checkbox"/> Yes Are the Values on P. 218a from the books and records of North Baja?				
19	If no, provide the name and stock symbol of the company for the source of the Page 218a amounts.				
20	Ticker	Company Name			
21	<input type="checkbox"/> No Enter 'Yes' or 'No' - Is all of the debt listed on L. 15 above issued in the pipeline's name, or, that of the entity on L. 21? and publicly traded?				
22	<input type="checkbox"/> No Enter 'Yes' or 'No' - Is all of the debt listed on L. 15 above rated by a rating agency?				

Case 3. Cost of Capital based upon Parent's Capital Structure and costs for Long Term Debt and Preferred Stock.

24	Long-Term Debt	SEC - 10K	\$ 2,364,000,000	68.88%	3.52%	2.42%
25	Preferred Stock (or equivalent)	SEC - 10K	-	0.00%	0.00%	0.00%
26	Common Equity	SEC - 10K	1,068,000,000	31.12%	10.55%	3.28%
27	Totals		\$ 3,432,000,000	100.00%		5.71%
28	Provide the stock symbol(s), the name of the parent company(s), a hyperlink to the parent's SEC Form 10-K, and the associated year:					
29	Ticker(s)	TCP	Company Name(s)	TC PipeLines, LP		
30	Year	2017	10K Hyperlink(s)	TCP latest annual report		
31	<input type="checkbox"/> Yes Enter 'Yes' or 'No' - Is all of the debt listed on L. 24 above publicly traded?					
32	<input type="checkbox"/> Yes Enter 'Yes' or 'No' - Is all of the debt listed on L. 24 above rated by a rating agency?					

Case 4. Cost of Capital based upon FERC Hypothetical Capital Structure and Cost of new Corporate Debt.

33	Long-Term Debt			43.00%	5.00%	2.15%
34	Preferred Stock			0.00%	0.00%	0.00%
35	Common Equity			57.00%	10.55%	6.01%
36	Totals			100.00%		8.16%

FERC Form No. 501-G
One-time Report on Rate Effect of the Tax Cuts and Jobs Act
Current Composite Income Tax Rate
North Baja

Line No.	(A) Description	(B) Form 2 Reference	(C) Weighting	(D) Marginal Tax Rates	(E) Weighted Average Tax Rates
1	Based on the response to Line 4 on Page 1 of Form No. 501-G, North Baja				
2	is a pass through entity for tax purposes. Please fill out lines 6, 10-15, 17-23.				
3	Federal Income Tax Rate (FIT) - Calendar Year 2017:				35.00%
4	State Income Tax Rate (SIT) - Calendar Year 2017:				7.00%
5	Composite Tax Rate - Calendar Year 2017:				39.55%
6	Provide the percentage of federal income tax deductible for state income taxes. = (p)				0.00%
7	Composite Tax Rate equals				
8	[FIT Rate * (1 -SIT Rate) / (1 - SIT Rate * FIT Rate * p)] + [SIT Rate * (1 -FIT Rate * p) / (1 - SIT Rate * FIT Rate * p)]				
<u>Tax Rates for C Corps.</u>					
9	Provide the sum of weighted state tax rate(s)	sum of all rows from P. 263b; C. (q)			0.00%
<u>Tax Rates for Pass Through Entities */</u>					
Federal Income Tax Rates					
10	Subchapter C	per Pipeline's parents' owners	67.3%	35.0%	23.56%
11	Individuals	per Pipeline's parents' owners	28.2%	35.0%	9.87%
12	Mutual Funds	per Pipeline's parents' owners	0.0%	35.0%	0.00%
13	Pensions, IRAs, Keogh Plans	per Pipeline's parents' owners	4.0%	35.0%	1.40%
14	UBTI Entities	per Pipeline's parents' owners	0.0%	35.0%	0.00%
15	Non-Taxpaying Entities	per Pipeline's parents' owners	0.5%	35.0%	<u>0.18%</u>
16	Weighted Average Rate		<u>100.00%</u>		<u>35.00%</u>
State and Local Income Tax Rates					
17	Subchapter C	per Pipeline's parents' owners	67.3%	7.0%	4.71%
18	Individuals	per Pipeline's parents' owners	28.2%	7.0%	1.97%
19	Mutual Funds	per Pipeline's parents' owners	0.0%	7.0%	0.00%
20	Pensions, IRAs, Keogh Plans	per Pipeline's parents' owners	4.0%	7.0%	0.28%
21	UBTI Entities	per Pipeline's parents' owners	0.0%	7.0%	0.00%
22	Non-Taxpaying Entities	per Pipeline's parents' owners	0.5%	7.0%	<u>0.04%</u>
23	Weighted Average Rate		<u>100.00%</u>		<u>7.00%</u>
24	Provide the date when the marginal tax rates were determined.			December 31, 2017	

*/ Income tax rates and weighting must be consistent with the Commission's *Policy Statement on Income Tax Allowances*, 111 FERC ¶ 61,139 (2005), and the Commission's *Order on Initial Decision and on Certain Remanded Cost Issues*, 113 FERC ¶ 61,277 (2005).

North Baja Pipeline, LLC
Adjusted FERC Form No. 501-G

Addendum to North Baja Form No. 501-G

North Baja has included with its unadjusted Form No. 501-G an adjusted version of the form, Adjusted 501-G, along with workpapers supporting the adjustments in the Adjusted 501-G.

First, as shown on Workpaper 1, North Baja has adjusted its capital structure to reflect that it is adding debt to its existing capitalization and is in the process of acquiring a credit rating, such that North Baja will meet the Commission's criteria for utilizing its own capital structure. *See, e.g., Transcontinental Gas Pipe Line Corp.*, 84 FERC ¶ 61,084 at 61,414-15 (1998). North Baja's target capitalization upon adding the new debt will be approximately 35.00% debt/65.00% equity, as shown on page 2, line 23, column (c) and line 25, column (c) of the Adjusted 501-G.

Second, as shown on Workpaper 2, North Baja has adjusted its overall revenues to reflect that approximately 80 percent of North Baja's revenues reflected in the 2017 FERC Form No. 2 are under negotiated rate contracts. The calculation of the adjustment is shown on Workpaper 2, and results in a reduction of \$7,814,892 in total revenue. This reduction is reflected in the Total Adjusted Revenue on page 3, line 6, column (d) of the Adjusted 501-G [\$38,796,754 (Column C, Line 6) - \$7,814,892 = \$30,981,862 (Column D, line 6)]. *See also* Workpaper 2, Page 2 of 2.

Finally, North Baja proposes to reduce its cost-of-service by 10.8%, reflecting the cost-of-service reduction indicated by the Adjusted 501-G. *See* page 1, line 34, column (e). North Baja is filing contemporaneously herewith a limited NGA section 4 rate filing to implement reduced rates reflecting this 10.8% reduction. North Baja notes that the Adjusted 501-G yields a greater reduction than the unadjusted Form No. 501-G, and therefore provides a greater benefit to ratepayers, which North Baja proposes to implement via the limited section 4 rate filing.

These adjustments yield an ROE of 12.7 percent, as shown on page 3, line 26, column (e) of the Adjusted 501-G.

**FERC Form No. 501-G Addendum
One-time Report on Rate Effect of the Tax Cuts and Jobs Act**

Cost of Service

Pipeline Company Name **North Baja**

Line No.	(A) Description	(B) Form 2 Reference	(C) Calendar Year 2017 Actuals	(D) Net Amort. of Excess/ Deficient ADIT	(E) With Adjusted Tax Allowance
3	CID	C000517			
4	Is the Pipeline a separate income taxpaying entity? Does it conduct business, realize net income or loss, pay income taxes and distribute profits to shareholders?		No		
Cost of Service - Non Fuel					
Operating, Maintenance and Administrative & General					
5	Total Production & Gathering	P. 317; L. 30, C. (b)	\$ -		\$ -
6	Total Products Extraction	P. 318; L. 58, C. (b)	-		-
7	Total Natural Gas Storage	P. 322; L. 177, C. (b)	-		-
8	(Less) UG Compressor Station Fuel & Power	P. 320; L. 106, C. (b)	-		-
9	(Less) Other Compressor Station Fuel & Power	P. 321; LL. 131 & 132, C. (b)	-		-
10	(Less) LNG Compressor Station Fuel & Power	P. 322; LL. 157 & 158, C. (b)	-		-
11	Net Storage Costs	L. 7 minus LL. 8-10	-		-
12	Total Transmission	P. 323; L. 201, C. (b)	4,389,826		4,389,826
13	(Less) Gas for Compressor Station Fuel	P. 323; L. 184, C. (b)	2,295,616		2,295,616
14	(Less) Other Fuel & Power for Compressor Stns. (if included in true-up or tracking mechanism)	P. 323; L. 185, C. (b)	-		-
15	Net Transmission Costs	L. 12 minus LL. 13-14	2,094,210		2,094,210
16	Administrative & General	P. 325; L. 270, C. (b)	3,212,352		3,212,352
17	Total Operating, Maintenance and Admin. & Gen.	Sum of LL. 4, 5, 10, 14, 15	\$ 5,306,562		\$ 5,306,562
18	Depreciation, Depletion, and Amortization	Form 2 - P. 337; L. 12, C. (h)	6,819,227		6,819,227
19	Amort. of Plant Acq. Adj. If 'yes' to P. 2; L. 5 of Form 501-G then 0, else P. 114; L. 9, C. (c)	Form 2A - P. 114; LL. 6-8, C. (c)	-		-
Credits to Cost of Service					
20	Regulatory Debits (if incl. in a § 4 rate filing)	P. 114; L. 12, C. (c)	-		-
21	(Less) Regulatory Credits (if incl. in a § 4 rate filing)	P. 114; L. 13, C. (c)	-		-
22	Other Taxes	P. 114; L. 14, C. (c)	2,940,844		2,940,844
Return					
23	Long Term Debt	P. 2; L. 27 of Form 501-G	1,861,151		2,195,948
24	Preferred Stock (or equivalent)	P. 2; L. 28 of Form 501-G	-		-
25	Common Equity	P. 2; L. 29 of Form 501-G	7,289,848		8,601,200
26	Total Return		9,150,999		10,797,148
Allowance for Income Taxes					
27	Federal Income Tax Rate	P. 5; L. 3 of Form 501-G	35.00%		0.00%
28	Weighted Average State Income Tax Rate	P. 5; L. 4 of Form 501-G	7.00%		0.00%
29	Composite Income Tax Rate	P. 5; LL. 3-6 of Form 501-G	39.55%		0.00%
30	Income Tax Allowance on Equity Return	[(L. 24+L. 25)*(L. 29)/(1-L. 29)]	4,769,454		-
31	(Less) Net Amort. of Excess(+) and/or Deficient(-) ADIT (Year 1 amortization)		-	466,769	-
32	Total Income Tax Allowance	L. 30 minus L. 31	4,769,454		-
33	Total Cost of Service - Non Fuel	Sum of LL. 17-20, 22, 26, 32 less L. 21	\$ 28,987,086		\$ 25,863,781
34	Indicated Cost of Service Reduction	1 minus [L. 33, C. (E) divided by L. 33, C. (C)]			10.8%

**FERC Form No. 501-G Addendum
One-time Report on Rate Effect of the Tax Cuts and Jobs Act**

**Rate Base
North Baja**

Line No.	(A) Description	(B) Form 2 Reference	(C) Calendar Year 2017 Actuals	(D) Excess/ Deficient ADIT Adjustment	(E) With Adjusted Tax Allowance
Rate Base					
1	Gas Plant in Service	P. 110; L. 2, C. (c)	\$ 201,047,336		\$ 201,047,336
2	Accumulated Depreciation	P. 110; L. 5, C. (c)	76,369,596		76,369,596
3	Acquisition Adjustment	P. 200; L. 12, C. (b)	-		-
4	(Less) Amort. of Plant Acquisition Adjustment	P. 200; L. 32, C. (b)	-		-
5	No Has the pipeline received permission to include Acq. Adjustment(s) in Rate Base? If no, provide amounts as a reduction to Rate Base.				
6	FERC Order Cite				
7	Net Acquisition Adjustment	If L. 5 is yes, then zero; else L. 3 minus L. 4	-		-
8	Net Plant	L. 1 minus L. 2 minus L. 7	124,677,740		124,677,740
Gas Stored Underground					
9	Base Gas - Account No. 117.1	P. 220; L. 5, C. (b)	-		-
10	System Balancing - Account No. 117.2	P. 220; L. 5, C. (c)	-		-
Working Capital					
11	Prepayments	P. 111; L. 54, C. (c)	5,242		5,242
12	Materials and Supplies	P. 111; L. 45, C. (c)	763,947		763,947
ADIT and Regulatory Assets and Liabilities					
13	Accumulated Deferred Income Taxes (IT)	P. 235; L. 3, C. (k)(see footnote)	4,160,010		-
14	(Less) Accum. Deferred IT - Other Property	P. 275; L. 3, C. (k)(see footnote)	14,872,378		-
15	(Less) Accum. Deferred IT - Other	P. 277; L. 3, C. (k)(see footnote)	56,476		-
16	Other Regulatory Assets	P. 232; L. 40, C. (g)	212,902	212,902	-
17	(Less) Other Regulatory Liabilities	P. 278; L. 45, C. (g)	8,569,880	8,569,880	-
18	Rate Base	Sum of LL. 8 - 13 minus LL. 14-15 plus L. 16 minus L. 17	\$ 106,321,107		\$ 125,446,929

The Commission will apply Opinion No. 414, et al. in reviewing data submitted on page 4. Opinion No. 414, et al. requires that the pipeline's, or the parent's debt if using the parent's capital, must be issued in its name, be publicly traded, and be rated by a rating agency. The pipeline or parent must have a proper capital structure, which for purposes of FERC Form No. 501-G must have an equity ratio less than 65%.

Opinion No. 414, 80 FERC ¶ 61,157 (1997); reh'g denied, Opinion No. 414-A, 84 FERC ¶ 61,084 (1998).

Employing the data provided on Page 4 for capital structure and the component costs of Long Term Debt and Preferred Stock, the Pipeline's cost of capital for purposes of FERC Form No. 501-G will be based upon Case 1 - amounts obtained from the Balance Sheet and Income Statement.

Summary of Page 4 Capital Structure and Capital Component Costs	Case 1 Balance Sheet & Income Statement	Case 2 Page 218a	Case 3 Parent's SEC Form 10K	Case 4 Hypothetical
19) 1) Is the debt issued in the entity's name and traded?	Yes	No	Yes	
20) 2) Is the debt rated by a rating agency?	Yes	No	Yes	
21) 3) Is the equity ratio less than 65%?	Yes	No	Yes	
22) Each of the three above questions must be answered yes as the basis for using the capital structure and individual capital component cost.	All are 'Yes', using Case 1	Using Case 1	Using Case 1	Using Case 1

Return based upon Pipeline's Balance Sheet & Income Statement.	Capitalization Ratio	Component Cost	Wtd. Cost of Capital
23 Long Term Debt	P. 4 of Form 501-G 35.01%	5.00%	1.75%
24 Preferred Stock (or equivalent)	P. 4 of Form 501-G 0.00%	0.00%	0.00%
25 Common Equity	P. 4 of Form 501-G 64.99%	10.55%	6.86%
26 Total Return	Sum of LL. 23 - 25 100.00%		8.61%
27 Return - Long Term Debt	L. 18 times L. 23, C. (E) \$	1,861,151	\$ 2,195,948
28 Return - Preferred Stock (or equivalent)	L. 18 times L. 24, C. (E)	-	-
29 Return - Common Equity	L. 18 times L. 25, C. (E)	7,289,848	8,601,200
30 Total Return	Sum of LL. 27 - 29	\$ 9,150,999	\$ 10,797,148

**FERC Form No. 501-G Addendum
One-time Report on Rate Effect of the Tax Cuts and Jobs Act**

**Return on Equity
Pre Tax Cut and Pro Forma Post Tax Cut
North Baja**

Line No.	(A) Description	(B) Form 2 Reference	(C) Calendar Year 2017 Actuals	(D) With Adjusted Tax Allowance	(E) Rate Moratorium Option 12% ROE Test
Operating Revenue					Indicated Cost of Service Reduction of 10.8%
1	Total Operating Revenues	P. 301; L. 21, C. (h)	\$ 40,159,670	\$ -	
2	(Less) Sales for Resale (Acct. Nos. 480-484)	P. 301; L. 4, C. (h)	-	-	
3	(Less) Commercial & Industrial Sales	P. 301; L. 2, C. (h)	-	-	
4	(Less) Gas Sales & Other Adj. from Acct. No. 495	P. 308; L. 10, C. (b)	-	-	
5	(Less) Fuel Related Revenues Incl. in Total Revenues	per Pipeline	1,362,916	-	
6	Total Adjusted Revenue	L. 1 minus sum of LL. 2-5	\$ 38,796,754	\$ 30,981,862	\$ 27,643,624
7	<input type="checkbox"/> No	Enter 'Yes' or 'No' - Does the Pipeline track or true-up fuel retention?			
8	<input type="checkbox"/> Yes	Enter 'Yes' or 'No' - Does the Pipeline have stated fuel rates?			
Calculation of Return On Equity - Pre Tax Cut and Pro Forma Post Tax Cut					
9	Total Operating, Maintenance and Admin. & Gen.	P. 1; L. 17 of 501-G	\$ 5,306,562	\$ 5,306,562	\$ 5,306,562
10	Depreciation, Depletion, and Amortization	P. 1; L. 18 of 501-G	6,819,227	6,819,227	6,819,227
11	Amort. of Plant Acq. Adj.	P. 1; L. 19 of 501-G	-	-	-
12	Regulatory Debits (if incl. in a § 4 rate filing)	P. 1; L. 20 of 501-G	-	-	-
13	(Less) Regulatory Credits (if incl. in a § 4 rate filing)	P. 1; L. 21 of 501-G	-	-	-
14	Other Taxes	P. 1; L. 22 of 501-G	2,940,844	2,940,844	2,940,844
15	Non-Fuel Operating Cost Excl. Interest and Taxes	Sum of LL. 9-12 minus L. 13 plus L. 14	15,066,633	15,066,633	15,066,633
16	Operating Income	L. 6 minus L. 15	\$ 23,730,121	\$ 15,915,229	\$ 12,576,991
17	Interest Expense	P. 1; L. 23, C. (C) of 501-G	1,861,151	2,195,948	2,195,948
18	Income Before Income Taxes	L. 16 minus L. 17	\$ 21,868,970	\$ 13,719,281	\$ 10,381,042
Allowance for Income Taxes					
19	Composite Income Tax Rate	P. 1; L. 29 of 501-G	39.55%	0.00%	0.00%
20	Income Taxes	L. 18 times L. 19	\$ 8,649,178	\$ -	\$ -
21	(Less) Net Amort. of Excess(+) and/or Deficient(-) ADIT	P. 1; L. 31 of 501-G	-	-	-
22	Total Income Tax Allowance	L. 20 minus L. 21	8,649,178	-	-
23	Net Income	L. 18 minus L. 22	\$ 13,219,792	\$ 13,719,281	\$ 10,381,042
24	(Less) Preferred Dividends	P. 1; L. 24, C. (C) of 501-G	-	-	-
25	Rate Base	P. 2; L. 18 of 501-G	\$ 106,321,107	\$ 125,446,929	\$ 125,446,929
26	Total Estimated ROE (excluding fuel)	[L. 23 - L. 24] / [L. 25 * P. 2; L. 25 C. (C) of 501-G]	19.1%	16.8%	12.7%

**FERC Form No. 501-G Addendum
One-time Report on Rate Effect of the Tax Cuts and Jobs Act**

**Capital Structure and Component Costs
North Baja**

Line No.	(A) Description	(B) Form 2 Reference	(C) Capitalization	(D) Capitalization Ratio	(E) Capital Component Cost Rate	(F) Weighted Cost of Capital
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The Commission will use your responses on the following four cases to evaluate your capital structure and capital component costs for Form No. 501-G: Case 1, balance sheet and income statement; Case 2, Page 218a of Form No. 2; Case 3, the parent's financial statements as filed in its SEC Form 10-K; or Case 4, a hypothetical capital structure and capital component costs.

Case 1. Cost of Capital based upon amounts obtained from the Balance Sheet and Income Statement.

Cost of Debt and Preferred Stock						
1	Interest	P. 116; LL. 62-68, C. (c)	\$ -	= 0		
2	Long-Term Debt	P. 112; L. 24, C. (c)	\$ -			
3	Preferred Dividends	P. 120a; L. 68, C. (b)	\$ -	= 0		
4	Preferred Stock (or equivalent)	P. 112; L. 3, C. (c)	\$ -			
5	Common Equity	P. 112; L. 15, C. (c)	120,553,792			
6	Cost of Capital					
7	Long-Term Debt	L. 3	\$ 42,205,883	35.01%	5.00%	1.75%
8	Preferred Stock (or equivalent)	L. 5	\$ -	0.00%	0.00%	0.00%
9	Common Equity	L. 6 minus L. 5	\$ 78,347,909	64.99%	10.55%	6.86%
10	Totals		\$ 120,553,792	100.00%		8.61%
11	<input checked="" type="checkbox"/> Yes Enter 'Yes' or 'No' - Is all of the debt listed on L. 3 above issued in the pipeline's name and publicly traded?					
12	<input checked="" type="checkbox"/> Yes Enter 'Yes' or 'No' - Is all the debt listed on L. 3 above rated by a rating agency?					

Case 2. Cost of Capital based upon amounts obtained from Page 218a of the FERC Form No. 2.

	P. 218a	Column (b)	Column (c)	Column (d)	
14	Long-Term Debt	L. 3	\$ -	0.00%	0.00%
15	Preferred Stock (or equivalent)	L. 4	\$ -	0.00%	0.00%
16	Common Equity	L. 5	122,817,711	100.00%	10.55%
17	Totals		\$ 122,817,711	100.00%	10.55%
18	<input checked="" type="checkbox"/> Yes Are the Values on P. 218a from the books and records of North Baja?				
19	If no, provide the name and stock symbol of the company for the source of the Page 218a amounts.				
20	Ticker	Company Name			
21	<input checked="" type="checkbox"/> No Enter 'Yes' or 'No' - Is all of the debt listed on L. 15 above issued in the pipeline's name, or, that of the entity on L. 21? and publicly traded?				
22	<input checked="" type="checkbox"/> No Enter 'Yes' or 'No' - Is all of the debt listed on L. 15 above rated by a rating agency?				

Case 3. Cost of Capital based upon Parent's Capital Structure and costs for Long Term Debt and Preferred Stock.

24	Long-Term Debt	SEC - 10K	\$ 2,364,000,000	68.88%	3.52%	2.42%
25	Preferred Stock (or equivalent)	SEC - 10K	\$ -	0.00%	0.00%	0.00%
26	Common Equity	SEC - 10K	1,068,000,000	31.12%	10.55%	3.28%
27	Totals		\$ 3,432,000,000	100.00%		5.71%
28	Provide the stock symbol(s), the name of the parent company(s), a hyperlink to the parent's SEC Form 10-K, and the associated year:					
29	Ticker(s)	TCP	Company Name(s)	TC PipeLines, LP		
30	Year	2017	10K Hyperlink(s)	TCP latest annual report		
31	<input checked="" type="checkbox"/> Yes Enter 'Yes' or 'No' - Is all of the debt listed on L. 24 above publicly traded?					
32	<input checked="" type="checkbox"/> Yes Enter 'Yes' or 'No' - Is all of the debt listed on L. 24 above rated by a rating agency?					

Case 4. Cost of Capital based upon FERC Hypothetical Capital Structure and Cost of new Corporate Debt.

33	Long-Term Debt			43.00%	5.00%	2.15%
34	Preferred Stock			0.00%	0.00%	0.00%
35	Common Equity			57.00%	10.55%	6.01%
36	Totals			100.00%		8.16%

FERC Form No. 501-G Addendum
One-time Report on Rate Effect of the Tax Cuts and Jobs Act
Current Composite Income Tax Rate
North Baja

Line No.	(A) Description	(B) Form 2 Reference	(C) Weighting	(D) Marginal Tax Rates	(E) Weighted Average Tax Rates
1	Based on the response to Line 4 on Page 1 of Form No. 501-G, North Baja				
2	is a pass through entity for tax purposes. Please fill out lines 6, 10-15, 17-23.				
3	Federal Income Tax Rate (FIT) - Calendar Year 2017:				35.00%
4	State Income Tax Rate (SIT) - Calendar Year 2017:				7.00%
5	Composite Tax Rate - Calendar Year 2017:				39.55%
6	Provide the percentage of federal income tax deductible for state income taxes. = (p)				0.00%
7	Composite Tax Rate equals				
8	[FIT Rate * (1 -SIT Rate) / (1 - SIT Rate * FIT Rate * p)] + [SIT Rate * (1 -FIT Rate * p) / (1 - SIT Rate * FIT Rate * p)]				
<u>Tax Rates for C Corps.</u>					
9	Provide the sum of weighted state tax rate(s)	sum of all rows from P. 263b; C. (q)			0.00%
<u>Tax Rates for Pass Through Entities */</u>					
Federal Income Tax Rates					
10	Subchapter C	per Pipeline's parents' owners	67.3%	35.0%	23.56%
11	Individuals	per Pipeline's parents' owners	28.2%	35.0%	9.87%
12	Mutual Funds	per Pipeline's parents' owners	0.0%	35.0%	0.00%
13	Pensions, IRAs, Keogh Plans	per Pipeline's parents' owners	4.0%	35.0%	1.40%
14	UBTI Entities	per Pipeline's parents' owners	0.0%	35.0%	0.00%
15	Non-Taxpaying Entities	per Pipeline's parents' owners	0.5%	35.0%	0.18%
16	Weighted Average Rate		<u>100.00%</u>		<u>35.00%</u>
State and Local Income Tax Rates					
17	Subchapter C	per Pipeline's parents' owners	67.3%	7.0%	4.71%
18	Individuals	per Pipeline's parents' owners	28.2%	7.0%	1.97%
19	Mutual Funds	per Pipeline's parents' owners	0.0%	7.0%	0.00%
20	Pensions, IRAs, Keogh Plans	per Pipeline's parents' owners	4.0%	7.0%	0.28%
21	UBTI Entities	per Pipeline's parents' owners	0.0%	7.0%	0.00%
22	Non-Taxpaying Entities	per Pipeline's parents' owners	0.5%	7.0%	0.04%
23	Weighted Average Rate		<u>100.00%</u>		<u>7.00%</u>
24	Provide the date when the marginal tax rates were determined.			December 31, 2017	

*/ Income tax rates and weighting must be consistent with the Commission's *Policy Statement on Income Tax Allowances*, 111 FERC ¶ 61,139 (2005), and the Commission's *Order on Initial Decision and on Certain Remanded Cost Issues*, 113 FERC ¶ 61,277 (2005).

North Baja Pipeline, LLC
Adjusted FERC Form No. 501-G
Workpapers

Addendum Workpaper 1
Capital Structure

Pg. 1 of 1

Line No.	(A)	(B)	(C)	(D)	(E)
Unadjusted Capital Structure					
1	Long-Term Debt	\$ -	0.00%	0.00%	0.00%
2	Preferred Stock (or equivalent)	\$ -	0.00%	0.00%	0.00%
3	Common Equity	<u>\$ 120,553,792</u>	<u>100.00%</u>	10.55%	<u>10.55%</u>
4	Totals	<u>\$ 120,553,792</u>	<u>100.00%</u>		<u>10.55%</u>
Adjusted Capital Structure					
5	Long-Term Debt	\$ 42,205,883	35.01%	5.00%	1.75%
6	Preferred Stock (or equivalent)	\$ -	0.00%	0.00%	0.00%
7	Common Equity	<u>\$ 78,347,909</u>	<u>64.99%</u>	10.55%	<u>6.86%</u>
8	Totals	<u>\$ 120,553,792</u>	<u>100.00%</u>		<u>8.61%</u>

Addendum Workpaper 2
Negotiated Revenue Adjustment

Line No.	(A)	(B)	(C)	(D)
		<i>Source</i>	<i>Formula</i>	
1	Negotiated Revenues ¹	Form 2		\$ 30,907,513
2	Total Adjusted Revenues ²	501G		<u>\$ 38,796,754</u>
3	Negotiated Revenue Percentage	Calculated	Line 1 / Line 2	<u>79.67%</u>
4	Total Cost of Service - Non Fuel ³	501G		<u>\$ 28,987,086</u>
5	Revenues Above Cost of Service	Calculated	Line 2 - Line 4	<u>\$ 9,809,668</u>
6	Negotiated Portion ⁴	Calculated	Line 3 X Line 5	<u><u>\$ 7,814,892</u></u>

1 From the Total line on P. 313 of North Baja's 2017 FERC Form 2

2 Page 3, L. 6, C. (C)

3 Page 1, L. 33, C. (C)

4 Amount removed from P. 3, L. 6, C. (D) of 501G Addendum

Addendum Workpaper 2
Negotiated Revenue Adjustment

Pg. 2 of 2

Line No.	(A)	(B)
1	Total Operating Revenues	\$ 40,159,670
2	(Less) Sales for Resale (Acct. Nos. 480-484)	\$ -
3	(Less) Commercial & Industrial Sales	\$ -
4	(Less) Gas Sales & Other Adj. from Acct. No. 495	\$ -
5	(Less) Fuel Related Revenues Incl. in Total Revenues	\$ 1,362,916
6	Total Adjusted Revenue	<u>\$ 38,796,754</u>
6(i)	Negotiated Portion Adjustment	<u>\$ (7,814,892)</u>
6(ii)	Total Adjusted Revenue for Addendum	<u><u>\$ 30,981,862</u></u>