



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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Director, Rates & Tariffs

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Re: North Baja Pipeline, LLC  
Limited Section 4 Income Tax Rate Reduction Filing  
Docket No. RP19-\_\_\_\_-000

Dear Ms. Bose:

Pursuant to Section 4 of the Natural Gas Act, 15 U.S.C. § 717c, Section 154.404 of the regulations of the Federal Energy Regulatory Commission (“FERC” or “Commission”), 18 C.F.R. § 154.404 (2018), and the Final Rule issued by the Commission in Docket No. RM18-11-000 on July 18, 2018,<sup>1</sup> North Baja Pipeline, LLC (“North Baja”) submits for filing the tariff sections included as Appendix A-1. This tariff filing is being submitted to reduce North Baja’s tariff rates to reflect the percentage cost-of-service reduction indicated in North Baja’s one-time informational report, its adjusted Form No. 501-G (“Adjusted 501-G”), that is being filed contemporaneously herewith. North Baja respectfully requests that the Commission accept the tariff sections included as Appendix A-1 to become effective December 1, 2018.

### **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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<sup>1</sup> *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”).

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\* Persons designated for official service pursuant to Rule 2010.

### **Statement of Nature, Reasons and Basis for Proposed Changes**

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. Option 1 is to file a limited NGA section 4 rate filing to implement a rate reduction as indicated on the pipeline's Form No. 501-G.<sup>2</sup> As North Baja stated in the transmittal letter to its Form No. 501-G, it has elected Option 1.

The tariff sheets included as Appendix A-1 hereto reflect reduced rates based upon the 10.8 percent cost-of-service reduction indicated by North Baja's Adjusted 501-G. Specifically, as required by section 154.404(c) of the Commission's regulations,<sup>3</sup> North Baja has reduced its reservation rates for firm service, and its one-part rates that reflect fixed costs, by 10.8 percent.<sup>4</sup> The calculations upon which the 10.8 percent reduction is based are shown in North Baja's Adjusted 501-G. 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. North Baja further notes that North Baja was 100 percent MLP-owned in 2017, and therefore this limited section 4 filing eliminates North Baja's income tax allowance and associated accumulated deferred income taxes from its rates and general ledger, consistent with Commission policy.<sup>5</sup>

### **Motion to Place Tariff Sections into Effect**

North Baja respectfully requests that the proposed tariff sections included as Appendix A-1 be accepted without addition, modification or deletion and become effective on December 1, 2018. Apart from the foregoing, North Baja reserves its right under Section 154.7(a) to file a motion to place the proposed revised tariff sections into effect at the end of any suspension period ordered by the Commission.

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<sup>2</sup> *Id.* at P 198.

<sup>3</sup> 18 C.F.R. § 154.404(c). See also Final Rule at P 202.

<sup>4</sup> The rate schedules affected by this reduction are: FTS-1, ITS-1, LAT-1, and PAL-1.

<sup>5</sup> See *Inquiry Regarding the Commission's Policy for Recovery of Income Tax Costs*, Revised Policy Statement on Treatment of Income Taxes, 162 FERC ¶ 61,227 (2018), *order on reh'g*, 164 FERC ¶ 61,030 (2018).

**Other Filings Which May Affect this Proceeding**

There are no other filings before the Commission that may significantly affect the changes proposed herein.

**Materials Enclosed**

In accordance with Section 154.7(a)(1) of the Commission’s regulations, North Baja is submitting the following XML filing package, which includes:

- 1) This transmittal letter;
- 2) The clean tariff sections (Appendix A-1); and
- 3) A marked version of the tariff sections (Appendix A-2).

**Certificate of Service**

As required by Section 154.7(b) and 154.208 of the Commission’s regulations, copies of this filing are being served on all of North Baja’s existing customers and upon interested state regulatory agencies. A copy of this letter, together with attachments, is available during regular business hours for public inspection at North Baja’s principal place of business.

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.

Any questions regarding this filing may be directed to David Brown at (832) 320-5512.

Respectfully submitted,



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John A. Roscher  
Director, Rates & Tariffs

Enclosures

# Appendix A-1

## *North Baja Pipeline, LLC FERC Gas Tariff, First Revised Volume No. 1*

### Clean Tariff

<u>Tariff Section</u>	<u>Version</u>
4.1 – Statement of Rates, FTS-1, ITS-1, PAL Rates & ACA Surcharge	4.0.0

STATEMENT OF EFFECTIVE RATES AND CHARGES

Rate Schedule	Maximum Rate per Dth	Minimum Rate per Dth
Rate Schedule FTS-1		
1. Capacity Reservation Rate per Month per Dth of MDQ	\$3.56657	\$0.00000
2. Commodity Rate per Dth	\$0.00066	\$0.00066
3. Fuel	0.8500%	0.0000%
Maximum FTS-1 Volumetric Capacity Release Rate /1	\$0.11791	
FTS-1 Lateral Rate Schedule:		
LAT-1		
1. Capacity Reservation Rate per Month per Dth of MDQ	\$2.67386	\$0.00000
2. Commodity Rate per Dth	\$0.00000	\$0.00000
3. Fuel	0.0000%	0.0000%
Maximum LAT-1 Volumetric Capacity Release Rate /1	\$0.08791	
Rate Schedule ITS-1		
1. Commodity Rate per Dth	\$0.11791	\$0.00000
2. Fuel	0.8500%	0.0000%
ITS-1 Lateral Rate Schedule:		
LAT-1		
1. Commodity Rate per Dth	\$0.08791	\$0.00000
2. Fuel	0.0000%	0.0000%
Rate Schedule PAL-1		
1. Account Balance Charge	\$0.11791	\$0.00000
ACA Surcharge /2		
1. Commodity Rate per Dth	/3	/3

Notes:

/1 The Maximum Rate does not apply to capacity release transactions of one (1) year or less.

- /2 In accordance with Section 6.37 of the General Terms and Conditions of Service of this FERC Gas Tariff, all Transportation that involves the physical movement of gas shall pay an ACA unit adjustment as set forth in effective Section 4.1. This adjustment shall be in addition to the Base Tariff Rate(s) specified above.
- /3 The currently effective ACA unit charge as published on the Commission's website ([www.ferc.gov](http://www.ferc.gov)) is incorporated herein by reference.

# Appendix A-2

## *North Baja Pipeline, LLC FERC Gas Tariff, First Revised Volume No. 1*

### Marked Tariff

#### Tariff Section

#### Version

4.1 – Statement of Rates, FTS-1, ITS-1, PAL Rates & ACA Surcharge

4.0.0

STATEMENT OF EFFECTIVE RATES AND CHARGES

Rate Schedule	Maximum Rate per Dth	Minimum Rate per Dth
Rate Schedule FTS-1		
1. Capacity Reservation Rate per Month per Dth of MDQ	<del>\$3.99840</del> <u>3.56657</u>	\$0.00000
2. Commodity Rate per Dth	\$0.00066	\$0.00066
3. Fuel	0.8500%	0.0000%
Maximum FTS-1 Volumetric Capacity Release Rate /1	<del>\$0.13211</del> <u>0.11791</u>	
FTS-1 Lateral Rate Schedule:		
LAT-1		
1. Capacity Reservation Rate per Month per Dth of MDQ	<del>\$2.99760</del> <u>2.67386</u>	\$0.00000
2. Commodity Rate per Dth	\$0.00000	\$0.00000
3. Fuel	0.0000%	0.0000%
Maximum LAT-1 Volumetric Capacity Release Rate /1	<del>\$0.09855</del> <u>0.08791</u>	
Rate Schedule ITS-1		
1. Commodity Rate per Dth	<del>\$0.13211</del> <u>0.11791</u>	\$0.00000
2. Fuel	0.8500%	0.0000%
ITS-1 Lateral Rate Schedule:		
LAT-1		
1. Commodity Rate per Dth	<del>\$0.09855</del> <u>0.08791</u>	\$0.00000
2. Fuel	0.0000%	0.0000%
Rate Schedule PAL-1		
1. Account Balance Charge	<del>\$0.13211</del> <u>0.11791</u>	\$0.00000
ACA Surcharge /2		
1. Commodity Rate per Dth	/3	/3

Notes:

/1 The Maximum Rate does not apply to capacity release transactions of one (1) year or less.

- /2 In accordance with Section 6.37 of the General Terms and Conditions of Service of this FERC Gas Tariff, all Transportation that involves the physical movement of gas shall pay an ACA unit adjustment as set forth in effective Section 4.1. This adjustment shall be in addition to the Base Tariff Rate(s) specified above.
- /3 The currently effective ACA unit charge as published on the Commission's website ([www.ferc.gov](http://www.ferc.gov)) is incorporated herein by reference.