



December 6, 2018

Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

Attention: Ms. Kimberly D. Bose, Secretary

Re: FERC Form No. 501-G;  
Sierrita Gas Pipeline LLC;  
Docket No. RP19-

Commissioners:

Pursuant to the requirements recently adopted by the Federal Energy Regulatory Commission ("Commission" or "FERC") in Order No. 849 ("Final Rule"),<sup>1</sup> and which will be codified, in part, at 18 C.F.R. § 260.402, Sierrita Gas Pipeline LLC ("Sierrita")<sup>2</sup> hereby submits its FERC Form No. 501-G ("Form 501-G") filing and has elected Option 3 as part of that filing to demonstrate that an adjustment to its rates is not warranted at this time based on its individual facts and circumstances.

Sierrita reiterates and incorporates by reference the comments filed by the Kinder Morgan Entities to the Commission's Notice of Proposed Rulemaking<sup>3</sup> and in the Kinder Morgan Entities' Request for Rehearing.<sup>4</sup> Nevertheless, Sierrita must comply with the Final Rule which is subject to further Commission or potential court review. In doing so, Sierrita stresses that the resulting outputs of the form are misleading, have little resemblance to a litigated or settled outcome, and are not indicative of Sierrita's actual

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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 (July 30, 2018); FERC Stats. & Regs., Regs. Preambles ¶ 31,404 (2018) ("Final Rule").

<sup>2</sup> Sierrita is a limited liability company whose members are: Kinder Morgan Operating L.P. "A", a subsidiary of Kinder Morgan, Inc., MGI Enterprises US LLC, a subsidiary of Petróleos Mexicanos ("Pemex"), and MIT Pipeline Investment Americas, Inc., a subsidiary of Mitsui & Co., LTD ("Mitsui"). The owners of the members are organized as C-corporations and Sierrita's earnings are taxed at the owner level. For purposes of providing the information for Case 3 as part of determining and deriving a capital structure in the form, the SEC Form 6-K and Annual Securities Report for the fiscal year ended March 31, 2018 are used as the source of information for Pemex and Mitsui, respectively and a weighted capital structure is calculated for Pemex, Mitsui and Kinder Morgan, Inc. Additionally, Pemex does not have a Ticker symbol. Form 501-G, however, selects Case 4 to derive the capital structure used in its calculations.

<sup>3</sup> *Interstate and Intrastate Natural Gas Pipelines; Rate Changes Relating to Federal Income Tax Rate*, Notice of Proposed Rulemaking, 83 Fed Reg. 12,888 (Mar. 26, 2018); FERC Stats. & Regs., Proposed Regs. ¶ 32,725 (2018).

<sup>4</sup> It is inconsistent with the Natural Gas Act to force pipelines to submit the Form 501-G in its current form, structured to result in an indicated cost of service reduction.

rate of return, actual cost of service, or rates that would result from a rate case initiated under sections 4 or 5 of the Natural Gas Act.<sup>5</sup>

In the Final Rule, the Commission recognizes that its statutory obligation to ensure that a pipeline's rates are just and reasonable is based on individual facts and circumstances of the pipeline. Based on its facts and circumstances, Sierrita has elected Option 3 as part of its Form 501-G filing to demonstrate that an adjustment to its rates is not warranted at this time based on its individual circumstances. Sierrita currently has only one firm transportation customer who subscribes to all the capacity on its system under a firm transportation agreement with a negotiated rate and a term through October 31, 2039.<sup>6</sup> This fixed negotiated rate is below the maximum tariff rates. The fixed negotiated rate agreement is binding on Sierrita and its customer, and therefore any potential adjustment in Sierrita's rates would not result in an adjustment to the contract rate.<sup>7</sup> Accordingly, no adjustment to Sierrita's rates is warranted at this time.

### **Procedural Requirements**

Sierrita is submitting concurrently its completed, unadjusted Form 501-G in native format with formulas intact.<sup>8</sup> Sierrita has attached as Appendix A hereto a PDF version of that form.

### **Communications**

The names, titles, and mailing addresses of the persons to whom communications concerning this filing are to be addressed and to whom service is to be made are as follows:<sup>9</sup>

William D. Wible  
Vice President, Regulatory  
Sierrita Gas Pipeline LLC  
Post Office Box 1087  
Colorado Springs, CO 80944  
Telephone: (719) 520-3778  
william\_wible@kindermorgan.com

Mosby G. Perrow  
Vice President  
and Deputy General Counsel  
for Operator of Sierrita Gas Pipeline LLC  
1001 Louisiana, Suite 1000  
Houston, TX 77002  
Telephone: (713) 420-6547  
mosby\_perrow@kindermorgan.com

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<sup>5</sup> Sierrita's submission of the Form 501-G without adjustment through the submission of an Addendum or otherwise is in no way an indication that Sierrita concurs with or supports the use of any inputs reflected on its Form 501-G for ratemaking purposes.

<sup>6</sup> See "Non-Conforming Agreement Filing," Docket No. RP18-231-000 (Dec. 1, 2017).

<sup>7</sup> See Final Rule at PP 246-47.

<sup>8</sup> Line no. 31 of page 1 of Sierrita's Form 501-G reflects the amortization of the excess accumulated deferred income taxes (ADIT) associated with Sierrita's regulatory liability Account No. 254 to reflect the 21% reduced federal income tax rate. Consistent with Commission and IRS normalization requirements and the Form 501-G, Sierrita intends to employ the Reverse South Georgia method to amortize its excess ADIT balance over the estimated weighted average remaining life of its assets as of December 31, 2017.

<sup>9</sup> Sierrita respectfully requests waiver of the restriction in 18 C.F.R. § 385.203(b)(3) (2018) to allow more than two individuals representing Sierrita to be included on the official service list for this proceeding.

David R. Cain  
Assistant General Counsel  
for Operator of Sierrita Gas Pipeline LLC  
Post Office Box 1087  
Colorado Springs, CO 80944  
Telephone: (719) 520-4534  
david\_cain@kindermorgan.com

**Conclusion**

Based on Sierrita's individual facts and circumstances as just described, an adjustment to Sierrita's rates is not warranted at this time. This submission is being made solely to comply with the Final Rule. Nothing in this filing should be construed as being supported or proposed by Sierrita as the appropriate amount or level of costs, or the methodology for functionalizing, classifying or allocating costs, or designing or establishing rates. This filing is without prejudice to any filings made on behalf of Sierrita or the Kinder Morgan Entities in this proceeding, Docket No. RM18-11-000 and Docket No. RP18-415-000, including their Request for Rehearing, as well as any petitions for rehearing, stay, or judicial review of any orders that may be issued in the referenced proceedings or this proceeding.

Respectfully submitted,

**SIERRITA GAS PIPELINE LLC**

By \_\_\_\_\_ /s/\_\_\_\_\_  
William D. Wible  
Vice President, Regulatory

## Appendix A

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

**Cost of Service**

Pipeline  
Company  
Name

Sierrita Gas Pipeline LLC

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	C004558			
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?		Yes		
<b>Cost of Service - Non Fuel</b>					
<b>Operating, Maintenance and Administrative &amp; General</b>					
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)	150,168		150,168
13	(Less) Gas for Compressor Station Fuel	P. 323; L. 184, C. (b)	-		-
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	150,168		150,168
16	Administrative & General	P. 325; L. 270, C. (b)	1,157,584		1,157,584
17	Total Operating, Maintenance and Admin. & Gen.	Sum of LL. 4, 5, 10, 14, 15	\$ 1,307,752		\$ 1,307,752
18	<b>Depreciation, Depletion, and Amortization</b>	Form 2 - P. 337; L. 12, C. (h)	6,957,487		6,957,487
19	Amort. of Plant Acq. Adj.	Form 2A - P. 114; LL. 6-8, C. (c) If 'yes' to P. 2; L. 5 of Form 501-G then 0, else P. 114; L. 9, C. (c)	-		-
<b>Credits to Cost of Service</b>					
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	<b>Other Taxes</b>	P. 114; L. 14, C. (c)	6,560,394		6,560,394
<b>Return</b>					
23	Long Term Debt	P. 2; L. 27 of Form 501-G	2,929,924		2,937,852
24	Preferred Stock (or equivalent)	P. 2; L. 28 of Form 501-G	-		-
25	Common Equity	P. 2; L. 29 of Form 501-G	8,194,930		8,217,103
26	Total Return		11,124,854		11,154,954
<b>Allowance for Income Taxes</b>					
27	Federal Income Tax Rate	P. 5; L. 3 of Form 501-G	35.00%		21.00%
28	Weighted Average State Income Tax Rate	P. 5; L. 4 of Form 501-G	0.00%		0.00%
29	Composite Income Tax Rate	P. 5; LL. 3-6 of Form 501-G	35.00%		21.00%
30	Income Tax Allowance on Equity Return	[(L. 24+L. 25)*(L. 29/(1-L. 29))]	4,412,655		2,184,293
31	(Less) Net Amort. of Excess(+) and/or Deficient(-) ADIT (Year 1 amortization)		-	368,717	368,717
32	Total Income Tax Allowance	L. 30 minus L. 31	4,412,655		1,815,576
33	<b>Total Cost of Service - Non Fuel</b>	Sum of LL. 17-20, 22, 26, 32 less L. 21	\$ 30,363,142		\$ 27,796,164
34	<b>Indicated Cost of Service Reduction</b>	1 minus [L. 33, C. (E) divided by L. 33, C. (C)]			8.5%

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

**Rate Base  
Sierrita Gas Pipeline LLC**

Line No.	(A) Description	(B) Form 2 Reference	(C) Calendar Year 2017 Actuals	(D) Excess/ Deficient ADIT Adjustment	(E) With Adjusted Tax Allowance
<b>Rate Base</b>					
1	Gas Plant in Service	P. 110; L. 2, C. (c)	\$ 174,247,364		\$ 174,247,364
2	Accumulated Depreciation	P. 110; L. 5, C. (c)	21,743,634		21,743,634
3	Acquisition Adjustment	P. 200; L. 12, C. (b)	-		-
4	(Less) Amort. of Plant Acquisition Adjustment	P. 200; L. 32, C. (b)	-		-
5	<b>No</b> 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	152,503,730		152,503,730
<b>Gas Stored Underground</b>					
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)	-		-
<b>Working Capital</b>					
11	Prepayments	P. 111; L. 54, C. (c)	198,580		198,580
12	Materials and Supplies	P. 111; L. 45, C. (c)	-		-
<b>ADIT and Regulatory Assets and Liabilities</b>					
13	Accumulated Deferred Income Taxes (IT)	P. 235; L. 3, C. (k)(see footnote)	6,993,269		6,993,269
14	(Less) Accum. Deferred IT - Other Property	P. 275; L. 3, C. (k)(see footnote)	16,309,038		16,309,038
15	(Less) Accum. Deferred IT - Other	P. 277; L. 3, C. (k)(see footnote)	-		-
16	Other Regulatory Assets	P. 232; L. 40, C. (g)	956,523	-	956,523
17	(Less) Other Regulatory Liabilities	P. 278; L. 45, C. (g)	8,067,520	-	7,698,803
18	<b>Rate Base</b>	Sum of LL. 8 - 13 minus LL. 14-15 plus L. 16 minus L. 17	<b>\$ 136,275,544</b>		<b>\$ 136,644,261</b>

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 4 - FERC Hypothetical Capital Structure and Cost of new Corporate Debt.

Summary of Page 4 Capital Structure and Capital Component Costs	Case 1	Case 2	Case 3	Case 4
	Balance Sheet & Income Statement	Page 218a	Parent's SEC Form 10K	Hypothetical
19) 1) Is the debt issued in the entity's name and traded?	No	No	No	
20) 2) Is the debt rated by a rating agency?	No	No	No	
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.	<b>Not using Case 1 per Opinion No. 414 et al</b>	<b>Not using Case 2 per Opinion No. 414 et al</b>	<b>Not using Case 3 per Opinion No. 414 et al</b>	<b>Using Case 4</b>

		<u>Capitalization Ratio</u>	<u>Component Cost</u>	<u>Wtd. Cost of Capital</u>	
23	Long Term Debt	P. 4 of Form 501-G	43.00%	5.00%	2.15%
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	<u>57.00%</u>	<u>10.55%</u>	<u>6.01%</u>
26	Total Return	Sum of LL. 23 - 25	100.00%		<u>8.16%</u>
27	Return - Long Term Debt	L. 18 times L. 23, C. (E)	\$ 2,929,924	\$	2,937,852
28	Return - Preferred Stock (or equivalent)	L. 18 times L. 24, C. (E)	-		-
29	Return - Common Equity	L. 18 times L. 25, C. (E)	8,194,930		8,217,103
30	Total Return	Sum of LL. 27 - 29	<u>\$ 11,124,854</u>	<u>\$</u>	<u>11,154,954</u>

**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**  
**Sierrita Gas Pipeline LLC**

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
<b>Operating Revenue</b>					Indicated Cost of Service Reduction of 8.5%
1	Total Operating Revenues	P. 301; L. 21, C. (h)	\$ 34,737,221	\$ 34,737,221	
2	(Less) Sales for Resale (Acct. Nos. 480-484)	P. 301; L. 4, C. (h)	190,450	190,450	
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		-	-	
6	<b>Total Adjusted Revenue</b>	L. 1 minus sum of LL. 2-5	<b>\$ 34,546,771</b>	<b>\$ 34,546,771</b>	<b>\$ 31,626,098</b>
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?			
<b>Calculation of Return On Equity - Pre Tax Cut and Pro Forma Post Tax Cut</b>					
9	Total Operating, Maintenance and Admin. & Gen.	P. 1; L. 17 of 501-G	\$ 1,307,752	\$ 1,307,752	\$ 1,307,752
10	Depreciation, Depletion, and Amortization	P. 1; L. 18 of 501-G	6,957,487	6,957,487	6,957,487
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	6,560,394	6,560,394	6,560,394
15	Non-Fuel Operating Cost Excl. Interest and Taxes	Sum of LL. 9-12 minus L. 13 plus L. 14	14,825,633	14,825,633	14,825,633
16	<b>Operating Income</b>	L. 6 minus L. 15	<b>\$ 19,721,138</b>	<b>\$ 19,721,138</b>	<b>\$ 16,800,465</b>
17	Interest Expense	P. 1; L. 23, C. (C) of 501-G	2,929,924	2,937,852	2,937,852
18	Income Before Income Taxes	L. 16 minus L. 17	\$ 16,791,214	\$ 16,783,286	\$ 13,862,614
<b>Allowance for Income Taxes</b>					
19	Composite Income Tax Rate	P. 1; L. 29 of 501-G	35.00%	21.00%	21.00%
20	Income Taxes	L. 18 times L. 19	\$ 5,876,925	\$ 3,524,490	\$ 2,911,149
21	(Less) Net Amort. of Excess(+) and/or Deficient(-) ADIT	P. 1; L. 31 of 501-G	-	368,717	368,717
22	Total Income Tax Allowance	L. 20 minus L. 21	5,876,925	3,155,774	2,542,432
23	<b>Net Income</b>	L. 18 minus L. 22	<b>\$ 10,914,289</b>	<b>\$ 13,627,513</b>	<b>\$ 11,320,181</b>
24	(Less) Preferred Dividends	P. 1; L. 24, C. (C) of 501-G	-	-	-
25	<b>Rate Base</b>	P. 2; L. 18 of 501-G	<b>\$ 136,275,544</b>	<b>\$ 136,644,261</b>	<b>\$ 136,644,261</b>
26	<b>Total Estimated ROE (excluding fuel)</b>	[L. 23 - L. 24] / [L. 25 * P. 2; L. 25 C. (C) of 501-G]	<b>14.1%</b>	<b>17.5%</b>	<b>14.5%</b>

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

**Capital Structure and Component Costs  
Sierrita Gas Pipeline LLC**

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.**

<b>Cost of Debt and Preferred Stock</b>						
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)	\$ 157,820,508			

<b>Cost of Capital</b>						
6	Long-Term Debt	L. 3	\$ -	0.00%	0.00%	0.00%
7	Preferred Stock (or equivalent)	L. 5	\$ -	0.00%	0.00%	0.00%
8	Common Equity	L. 6 minus L. 5	\$ 157,820,508	100.00%	10.55%	10.55%
9	Totals		\$ 157,820,508	100.00%		10.55%

10  No Enter 'Yes' or 'No' - Is all of the debt listed on L. 3 above issued in the pipeline's name and publicly traded?  
 11  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)		
12	Long-Term Debt	L. 3	\$ -	0.00%	0.00%	0.00%
13	Preferred Stock (or equivalent)	L. 4	\$ -	0.00%	0.00%	0.00%
14	Common Equity	L. 5	\$ 163,324,448	100.00%	10.55%	10.55%
15	Totals		\$ 163,324,448	100.00%		10.55%

16  Yes Are the Values on P. 218a from the books and records of Sierrita Gas Pipeline LLC?  
 17 If no, provide the name and stock symbol of the company for the source of the Page 218a amounts.

Ticker	Company Name
18 <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?
19 <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.**

20	Long-Term Debt	SEC - 10K	\$ 59,958,845,140	54.13%	4.34%	2.35%
21	Preferred Stock (or equivalent)	SEC - 10K	-	0.00%	0.00%	0.00%
22	Common Equity	SEC - 10K	50,815,550,000	45.87%	10.55%	4.84%
23	Totals		\$ 110,774,395,140	100.00%		7.19%

24 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:

25	Ticker(s)	KMI, MITSY	Company Name(s)	See Transmittal Letter (amounts reflect weighted avg. of KMI/Mexican Petroleum/MITSY debt/equity at 12/31/2017)
26	Year	2017	10K Hyperlink(s)	<a href="http://ir.kindermorgan.com/annual-quarterly-reports">http://ir.kindermorgan.com/annual-quarterly-reports</a> <a href="https://www.sec.gov/cgi-bin/browse-edg">https://www.sec.gov/cgi-bin/browse-edg</a>
27	<input type="checkbox"/> No	Enter 'Yes' or 'No' - Is all of the debt listed on L. 24 above publicly traded?		
28	<input type="checkbox"/> No	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.**

29	Long-Term Debt		43.00%	5.00%	2.15%
30	Preferred Stock		0.00%	0.00%	0.00%
31	Common Equity		57.00%	10.55%	6.01%
32	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**  
**Sierrita Gas Pipeline LLC**

Line No.	(A) Description	(B) Form 2 Reference	(C) Weighting	(D) Marginal Tax Rates	(E) Weighted Average Tax Rates
1	<b>Based on the response to Line 4 on Page 1 of Form No. 501-G, Sierrita Gas Pipeline LLC</b>				
2	<b>is a C Corp subject to the 35% tax rate for 2017. Please fill out lines 6 and 9.</b>				
3	Federal Income Tax Rate (FIT) - Calendar Year 2017:				<b>35.00%</b>
4	State Income Tax Rate (SIT) - Calendar Year 2017:				<b>0.00%</b>
5	Composite Tax Rate - Calendar Year 2017:				<b>35.00%</b>
6	<b>Provide the percentage of federal income tax deductible for state income taxes. = (p)</b>				<b>0.00%</b>
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)]				
<b><u>Tax Rates for C Corps.</u></b>					
9	Provide the sum of weighted state tax rate(s)	sum of all rows from P. 263b.; C. (q)			<b>0.00%</b>
<b><u>Tax Rates for Pass Through Entities */</u></b>					
<b>Federal Income Tax Rates</b>					
10	Subchapter C	per Pipeline's parents' owners	0.0%	0.0%	0.00%
11	Individuals	per Pipeline's parents' owners	0.0%	0.0%	0.00%
12	Mutual Funds	per Pipeline's parents' owners	0.0%	0.0%	0.00%
13	Pensions, IRAs, Keogh Plans	per Pipeline's parents' owners	0.0%	0.0%	0.00%
14	UBTI Entities	per Pipeline's parents' owners	0.0%	0.0%	0.00%
15	Non-Taxpaying Entities	per Pipeline's parents' owners	0.0%	0.0%	0.00%
16	Weighted Average Rate		<u>0.00%</u>		<u>0.00%</u>
<b>State and Local Income Tax Rates</b>					
17	Subchapter C	per Pipeline's parents' owners	0.0%	0.0%	0.00%
18	Individuals	per Pipeline's parents' owners	0.0%	0.0%	0.00%
19	Mutual Funds	per Pipeline's parents' owners	0.0%	0.0%	0.00%
20	Pensions, IRAs, Keogh Plans	per Pipeline's parents' owners	0.0%	0.0%	0.00%
21	UBTI Entities	per Pipeline's parents' owners	0.0%	0.0%	0.00%
22	Non-Taxpaying Entities	per Pipeline's parents' owners	0.0%	0.0%	0.00%
23	Weighted Average Rate		<u>0.00%</u>		<u>0.00%</u>
24	Provide the date when the marginal tax rates were determined.			<b>mm/dd/yyyy</b>	

\*/ 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).