

TEXAS EASTERN TRANSMISSION, LP

CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

June 30, 2021

TEXAS EASTERN TRANSMISSION, LP CONSOLIDATED STATEMENTS OF EARNINGS

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
<i>(unaudited; millions of US dollars)</i>				
Operating revenues				
Transportation of natural gas	390	387	791	844
Storage of natural gas and other services	33	29	66	73
Total operating revenues	423	416	857	917
Operating expenses				
Operating, maintenance and other	161	129	318	301
Depreciation and amortization	72	68	143	108
Property and other taxes	24	32	43	59
Total operating expenses	257	229	504	468
Operating income	166	187	353	449
Other income/(expenses)				
Excess Accumulated Deferred Income Tax	—	—	—	(113)
Allowance for funds used during construction - equity	9	4	14	7
Other income	8	3	15	13
Interest expense	(21)	(16)	(42)	(44)
Earnings before income taxes	162	178	340	312
Income tax expense	—	(1)	—	(1)
Earnings	162	177	340	311

See accompanying notes to the interim consolidated financial statements.

TEXAS EASTERN TRANSMISSION, LP
CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL

	Six months ended June 30,	
	2021	2020
<i>(unaudited; millions of US dollars)</i>		
Balance at beginning of period	6,262	5,946
Earnings	340	311
Attributed deferred income tax benefit	4	3
Rate case settlement	12	21
Balance at end of period	6,618	6,281

See accompanying notes to the interim consolidated financial statements.

TEXAS EASTERN TRANSMISSION, LP CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,	
	2021	2020
<i>(unaudited; millions of US dollars)</i>		
Operating activities		
Earnings	340	311
Adjustments to reconcile earnings to net cash provided by operating activities:		
Depreciation and amortization	143	108
Allowance for funds used during construction - equity	(14)	(7)
Reversal of rate case deferral	—	(26)
Excess Accumulated Deferred Income Tax	—	113
Other	19	1
Other changes in operating assets and liabilities	(26)	(118)
Net cash provided by operating activities	462	382
Investing activities		
Capital expenditures	(433)	(266)
Change in advances receivable, net — affiliates	—	(116)
Net cash used in investing activities	(433)	(382)
Financing activities		
Change in advances payable, net — affiliates	(29)	—
Net cash used in financing activities	(29)	—
Net change in cash and cash equivalents	—	—
Cash and cash equivalents at beginning of period	—	—
Cash and cash equivalents at end of period	—	—

See accompanying notes to the interim consolidated financial statements.

TEXAS EASTERN TRANSMISSION, LP
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2021	December 31, 2020
<i>(unaudited; millions of US dollars)</i>		
Assets		
Current assets		
Accounts receivables	264	148
Gas imbalance receivable	84	52
Inventory	39	37
Cash collateral held by affiliates	40	40
Fuel tracker	64	46
Other	5	15
	496	338
Goodwill	136	136
Right-of-use assets	402	410
Property, plant and equipment, net	9,077	8,695
Regulatory assets	265	269
Other	32	35
Total assets	10,408	9,883
Liabilities and partners' capital		
Current liabilities		
Accounts payable	250	183
Property and other taxes accrued	50	82
Interest payable	34	34
Collateral liabilities	25	27
Gas imbalance payable	84	52
Lease liabilities	14	14
Other	177	26
	634	418
Long-term debt	2,036	2,036
Advances payable, net - affiliates	35	64
Deferred state income tax	8	8
Lease liabilities	385	393
Regulatory and other liabilities	692	702
	3,790	3,621
Contingencies <i>(Note 4)</i>		
Partners' capital	6,618	6,262
Total liabilities and partners' capital	10,408	9,883

See accompanying notes to the interim consolidated financial statements.

Texas Eastern Transmission, LP
Notes to the Interim Consolidated Financial Statements
(Unaudited)

1. General

The terms "we," "our" and "us" as used in this report refer collectively to Texas Eastern Transmission, LP and its subsidiaries unless the context suggests otherwise. These terms are used for convenience only and are not intended as a precise description of any separate legal entity within Texas Eastern Transmission, LP.

Nature of Operations

Texas Eastern Transmission, LP, a Delaware limited partnership, is an indirect, 100%-owned subsidiary of Enbridge Inc. (Enbridge). We are mostly engaged in the interstate transmission and storage of natural gas. Our interstate natural gas transmission and storage operations are subject to the rules and regulations of the Federal Energy Regulatory Commission (FERC).

Basis of Presentation

The accompanying unaudited interim consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States (US GAAP) and reflect our consolidated results of operations, financial position and cash flows. They do not include all of the information and notes required by US GAAP for annual consolidated financial statements and should therefore be read in conjunction with our audited consolidated financial statements and notes for the year ended December 31, 2020. In the opinion of management, the interim consolidated financial statements contain all normal recurring adjustments necessary to present fairly our financial position, results of operations and cash flows for the interim periods reported. These interim consolidated financial statements follow the same significant accounting policies as those included in our audited consolidated financial statements for the year ended December 31, 2020. Amounts are presented in United States dollars unless otherwise stated.

2. Revenues from Contracts with Customers

Major Services

All operating revenues for the six months ended June 30, 2021 were earned from contracts with customers for the transportation of natural gas, storage of natural gas and other services.

Contract Balances

	Receivables	Contract assets	Contract liabilities
<i>(millions of US dollars)</i>			
Balance as at June 30, 2021	153	32	22
Balance as at December 31, 2020	153	33	22

Contract receivables represent the amount of receivables derived from contracts with customers.

Contract assets represent the amount of revenue which has been recognized in advance of payments received for performance obligations we have fulfilled (or partially fulfilled) and prior to the point in time at which our right to the payment is unconditional. Amounts included in contract assets are transferred to accounts receivable when our right to the consideration becomes unconditional.

Contract liabilities represent payments received for performance obligations which have not been fulfilled.

Revenue to be Recognized from Unfulfilled Performance Obligations

Total revenue from performance obligations expected to be fulfilled in future periods is \$11.5 billion, of which \$802 million is expected to be recognized during the remaining six months ending December 31, 2021.

Excluded from these amounts are variable considerations, effects of escalation on certain contracts pursuant to the practical expedient provision of ASC 606, and interruptible contracts not enforceable until volumes are nominated by customers for transportation. Additionally, revenue from contracts with customers which have an original expected duration of one year or less are excluded from the amounts above.

Judgments Made in Recognizing Revenue

Long-Term Transportation Agreements

For long-term transportation agreements, significant judgments pertain to the period over which revenue is recognized. Transportation revenue earned from firm contracted capacity arrangements is recognized ratably over the contract period. Transportation revenue from interruptible or volumetric-based arrangements is recognized when services are performed.

Estimates of Variable Consideration

Revenue from arrangements subject to variable consideration is recognized only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Uncertainties associated with variable consideration relate principally to differences between estimated and actual volumes and prices. These uncertainties are resolved each month when actual volumes are sold or transported and actual tolls and prices are determined.

Performance Obligations Satisfied Over Time

For arrangements involving transportation where the transportation services or commodities are simultaneously received and consumed by the shipper or customer, we recognize revenue over time using an output method based on volumes of commodities delivered or transported. The measurement of the volumes transported or delivered corresponds directly to the benefits received by the shippers or customers during that period.

Determination of Transaction Prices

Prices for gas processing, storage and transportation services are determined based on the capital cost of the facilities, pipelines and associated infrastructure required to provide such services plus a rate of return on capital invested that is determined either through negotiations with customers or through regulatory processes for those operations that are subject to rate regulation.

Payment Terms

Payments are received monthly from customers under long-term transportation and storage contracts.

3. Regulatory Matters

We record assets and liabilities that result from the regulated ratemaking process that may not be recorded under US GAAP for non-regulated entities.

We are subject to cost-based regulation and consequently record a regulatory tax asset in connection with the tax gross up of allowance for funds used during construction - equity. The corresponding deferred tax liability is recognized as an Attributed Deferred Tax Benefit in the Statements of Partners' Capital since we are pass-through entity.

On September 10, 2018, Spectra Energy Partners, LP (SEP) filed with the FERC a request on behalf of certain of SEP's pipeline affiliates, including us, to adjust Accumulated Deferred Income Taxes (ADIT) and the Excess Accumulated Deferred Income Tax (EDIT) recorded in the respective official books in accordance with the Commission's March, 15, 2018 and July 18, 2018 revised income tax policy. We are still awaiting a response from the Commission and as such have continued to reflect ADIT and EDIT on the books.

On February 25, 2020, we received approval from the FERC of our uncontested rate case settlement and we continue to operate under these rates. Beginning on April 1, 2020, we started amortizing the EDIT regulated liability over the remaining average useful life of the assets, as agreed to in the rate case settlement.

On July 30, 2021, we filed a general Natural Gas Act Section 4 rate case reflecting changes in our cost of service-based recourse rates and in other rate related tariff provisions applicable to our customers under our various services.

4. Contingencies

Environmental

We are subject to various US federal, state and local laws relating to the protection of the environment. These laws and regulations can change from time to time, imposing new obligations on us.

Environmental risk is inherent to natural gas pipeline operations, and we are at times subject to environmental remediation obligations at various sites where we operate. We manage this environmental risk through appropriate environmental policies, programs and practices to minimize any impact our operations may have on the environment. To the extent that we are unable to recover payment for environmental liabilities from insurance or other potentially responsible parties, we will be responsible for payment of costs arising from environmental incidents associated with the operating activities of our business.

Litigation

We are involved in various legal and regulatory actions and proceedings which arise in the normal course of business, including interventions in regulatory proceedings and challenges to regulatory approvals and permits. While the final outcome of such actions and proceedings cannot be predicted with certainty, management believes that the resolution of such actions and proceedings will not have a material impact on our interim Consolidated Financial Position or Statements of Earnings.

Legal costs related to the defense of loss contingencies are expensed as incurred. We had no material reserves for legal matters recorded as of June 30, 2021 and December 31, 2020.

5. Subsequent Events

We have evaluated significant events and transactions that occurred through August 25, 2021, the date the interim Consolidated Financial Statements were issued, and have identified no subsequent events for disclosure.