

**TEXAS EASTERN TRANSMISSION, LP**

**CONSOLIDATED FINANCIAL STATEMENTS**  
*(unaudited)*

**September 30, 2021**

## TEXAS EASTERN TRANSMISSION, LP CONSOLIDATED STATEMENTS OF EARNINGS

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
<i>(unaudited; millions of US dollars)</i>				
Operating revenues				
Transportation of natural gas	389	387	1,180	1,231
Storage of natural gas and other services	39	30	105	103
Total operating revenues	428	417	1,285	1,334
Operating expenses				
Operating, maintenance and other	169	129	487	430
Depreciation and amortization	74	71	217	179
Property and other taxes	23	32	66	91
Total operating expenses	266	232	770	700
Operating income	162	185	515	634
Other income/(expenses)				
Excess Accumulated Deferred Income Tax	—	—	—	(113)
Allowance for funds used during construction — equity	12	6	26	13
Other income	8	6	23	19
Interest expense	(20)	(22)	(62)	(66)
Total other expenses	—	(10)	(13)	(147)
Earnings before income taxes	162	175	502	487
Income tax expense	(1)	—	(1)	(1)
Earnings	161	175	501	486

*The accompanying notes are an integral part of these interim consolidated financial statements.*

**TEXAS EASTERN TRANSMISSION, LP**  
**CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL**

	Nine months ended September 30,	
	2021	2020
<i>(unaudited; millions of US dollars)</i>		
Balance at beginning of period	6,262	5,946
Earnings	501	486
Attributed deferred tax benefit	7	4
Contributions from partners	69	—
Distributions to partners	—	(313)
Rate case settlement	20	34
Balance at end of period	<b>6,859</b>	6,157

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## TEXAS EASTERN TRANSMISSION, LP CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,	
	2021	2020
<i>(unaudited; millions of US dollars)</i>		
<b>Operating activities</b>		
Earnings	501	486
Adjustments to reconcile earnings to net cash provided by operating activities:		
Depreciation and amortization	217	179
Allowance for funds used during construction — equity	(26)	(13)
Reversal of rate case deferral	—	(26)
Excess Accumulated Deferred Income Tax	—	113
Other	2	1
Other changes in operating assets and liabilities	(120)	(137)
<b>Net cash provided by operating activities</b>	<b>574</b>	<b>603</b>
<b>Investing activities</b>		
Capital expenditures	(703)	(480)
Change in advances receivable, net — affiliates	(271)	(123)
<b>Net cash used in investing activities</b>	<b>(974)</b>	<b>(603)</b>
<b>Financing activities</b>		
Proceeds from the issuance of long-term debt, net of issue costs	400	—
<b>Net cash used in financing activities</b>	<b>400</b>	<b>—</b>
Net change in cash and cash equivalents	—	—
Cash and cash equivalents at beginning of period	—	—
Cash and cash equivalents at end of period	—	—

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## TEXAS EASTERN TRANSMISSION, LP CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30, 2021	December 31, 2020
<i>(unaudited; millions of US dollars)</i>		
<b>Assets</b>		
Current assets		
Accounts receivable	142	148
Gas imbalance receivable	163	52
Inventory	41	37
Cash collateral held by affiliates	—	40
Fuel tracker	82	46
Other	18	15
	446	338
Advances receivable, net — affiliates	360	—
Goodwill	136	136
Right-of-use assets	400	410
Property, plant and equipment, net	9,292	8,695
Regulatory assets	279	269
Other	34	35
<b>Total assets</b>	<b>10,947</b>	<b>9,883</b>
<b>Liabilities and partners' capital</b>		
Current liabilities		
Accounts payable	232	183
Accounts payable — affiliates	28	44
Property and other taxes accrued	58	82
Interest payable	25	34
Collateral liabilities	25	27
Gas imbalance payable	162	52
Lease liabilities	14	14
Other	34	26
	578	462
Long-term debt	2,437	2,036
Advances payable, net — affiliates	—	20
Deferred state income tax	9	8
Lease liabilities	383	393
Regulatory and other liabilities	681	702
	4,088	3,621
Partners' capital	6,859	6,262
<b>Total liabilities and partners' capital</b>	<b>10,947</b>	<b>9,883</b>

*The accompanying notes are an integral part of these interim consolidated financial statements.*

## NOTES TO THE FINANCIAL STATEMENTS

### 1. BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (US GAAP) and reflect our consolidated results of operations, financial position and cash flows. These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated annual financial statements and notes for the year ended December 31, 2020, and reflect normal recurring adjustments that are, in our opinion, necessary to fairly present our consolidated results of operations, financial position and cash flows. 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 (US) dollars unless otherwise stated.

Certain comparative figures in our interim financial statements have been reclassified to conform to the current period's presentation.

### 2. REVENUE

#### REVENUE FROM CONTRACTS WITH CUSTOMERS

##### Major Services

All operating revenues for the periods ended September 30, 2021 and 2020 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 September 30, 2021	155	33	23
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 from Unfulfilled Performance Obligations

Total revenue from performance obligations expected to be fulfilled in future periods is \$11.5 billion, of which \$401 million is expected to be recognized during the remaining three 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.

### **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. Since we are a pass-through entity, the corresponding deferred tax liability is recognized as an Attributed deferred tax benefit in the Statements of Partners' Capital.

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 Tax (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 September 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. A FERC Letter Order was received on October 29, 2021 to accept and suspend, subject to refund and the outcome of a hearing, certain proposed tariff records to be effective upon motion April 1, 2022.

## **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, at times, we are subject to environmental remediation obligations at our various operating sites. 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 natural gas business.

### **LITIGATION AND LEGAL PROCEEDINGS**

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 at either September 30, 2021 or December 31, 2020.

## **5. SUBSEQUENT EVENTS**

We have evaluated significant events and transactions that occurred from October 1, 2021 through November 29, 2021, the date the interim Consolidated Financial Statements were issued, and have identified no subsequent events for disclosure.