TEXAS EASTERN TRANSMISSION, LP

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021

Report of Independent Auditors

To the Management Committee and Management of Texas Eastern Transmission, LP:

Opinion

We have audited the accompanying consolidated financial statements of Texas Eastern Transmission, LP and its subsidiaries (the "Partnership"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of earnings, partners' capital, and cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Partnership and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PricewaterhouseCoopers LLP

Houston, TX
March 18, 2022

TEXAS EASTERN TRANSMISSION, LP
CONSOLIDATED STATEMENTS OF EARNINGS

Year ended December 31,	**2021**	2020
(millions of US dollars)		
Operating revenues		
Transportation of natural gas	**1,578**	1,613
Storage of natural gas and other services	**146**	136
Total operating revenues	**1,724**	1,749
Operating expenses		
Operating, maintenance and other	**668**	637
Depreciation	**291**	249
Property and other taxes	**96**	120
Total operating expenses	**1,055**	1,006
Operating income	**669**	743
Other income/(expenses)		
Excess Accumulated Deferred Income Tax *(Note 4)*	**—**	(113)
Allowance for funds used during construction — equity	**31**	20
Other income	**30**	20
Interest expense	**(86)**	(86)
Earnings before income taxes	**644**	584
Income tax expense	**(1)**	(1)
Earnings	**643**	583

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

TEXAS EASTERN TRANSMISSION, LP
CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL

Year ended December 31,	**2021**	2020
(millions of US dollars)		
Balance at beginning of period	**6,262**	5,946
Earnings	**643**	583
Attributed deferred tax benefit	**8**	5
Contributions from partners	**69**	—
Distributions to partners	**—**	(313)
Rate case settlement	**26**	41
Balance at end of period	**7,008**	6,262

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

TEXAS EASTERN TRANSMISSION, LP
CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31,	**2021**	2020
(millions of US dollars)		
Operating activities		
Earnings	**643**	583
Adjustments to reconcile earnings to net cash provided by operating activities:		
Depreciation	**291**	249
Allowance for funds used during construction — equity	**(31)**	(20)
Reversal of rate case deferral	**—**	(26)
Excess Accumulated Deferred Income Tax *(Note 4)*	**—**	113
Income tax expense	**1**	1
Other	**1**	33
Other changes in operating assets and liabilities	**(101)**	(135)
Net cash provided by operating activities	**804**	798
Investing activities		
Capital expenditures	**(1,032)**	(714)
Change in advances receivable, net — affiliates	**(192)**	(148)
Net cash used in investing activities	**(1,224)**	(862)
Financing activities		
Proceeds from the issuance of long-term debt, net of issue costs	**400**	300
Long-term debt repayments	**—**	(300)
Refund of collateral assets	**40**	—
Change in advances payable, net — affiliates	**(20)**	64
Net cash used in financing activities	**420**	64
Net change in cash and cash equivalents	**—**	—
Cash and cash equivalents at beginning of year	**—**	—
Cash and cash equivalents at end of year	**—**	—
Supplemental Disclosures		
Cash interest paid, net of capitalized interest	**81**	83
Property, plant and equipment non-cash accruals	**80**	118

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

TEXAS EASTERN TRANSMISSION, LP
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Year ended December 31,	**2021**	2020
(millions of US dollars)		
Assets		
Current assets		
Accounts receivable	**154**	148
Gas imbalance receivable	**107**	52
Inventory	**43**	37
Cash collateral held by affiliates	**—**	40
Fuel tracker	**88**	46
Other	**10**	15
	402	338
Advances receivable, net — affiliates	**261**	—
Goodwill	**136**	136
Right-of-use assets	**399**	410
Property, plant and equipment, net	**9,445**	8,695
Regulatory assets	**283**	269
Other	**41**	35
Total assets	**10,967**	9,883
Liabilities and partners' capital		
Current liabilities		
Accounts payable and other	**204**	209
Property and other taxes accrued	**72**	82
Interest payable	**37**	34
Collateral liabilities	**28**	27
Gas imbalance payable	**107**	52
Lease liabilities	**15**	14
Current portion of long-term debt *(Note 9)*	**500**	—
	963	418
Long-term debt *(Note 9)*	**1,937**	2,036
Advances payable, net — affiliates	**—**	64
Deferred state income tax	**9**	8
Lease liabilities	**381**	393
Regulatory and other liabilities	**669**	702
	3,959	3,621
Commitments and contingencies *(Note 12)*		
Partners’ capital	**7,008**	6,262
Total liabilities and partners' capital	**10,967**	9,883

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

Texas Eastern Transmission, LP
Notes to Consolidated Financial Statements

1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

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). Spectra Energy Transmission Resources, LLC, and Spectra Energy Transmission Services, LLC hold 99% and 1% interests, respectively, in the Partnership. We are mostly engaged in the interstate transmission and storage of natural gas. Our system extends from supply and demand centers in the Gulf Coast region of Texas and Louisiana to supply and demand centers in Ohio, Pennsylvania, New Jersey and New York. Our interstate natural gas transmission and storage operations are subject to the rules and regulations of the Federal Energy Regulatory Commission (FERC).

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying 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. Amounts are presented in United States dollars unless otherwise stated.

Basis of Presentation and Use of Estimates
The preparation of Consolidated Financial Statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities in the financial statements. Significant estimates and assumptions used in the preparation of the financial statements include, but are not limited to: carrying values of regulatory assets and liabilities (*Note 4*); unbilled revenues; expected credit losses; depreciation rates and carrying value of property, plant and equipment (*Note 8*); measurement of goodwill; fair value of asset retirement obligations (ARO) (*Note 10*); and commitments and contingencies (*Note 12*). Actual results could differ from these estimates.

Certain comparative figures in our Consolidated Financial Statements have been reclassified to conform to the current year's presentation.

Principles of Consolidation
The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated upon consolidation.

Regulation
Our business is subject to regulation by various authorities, including but not limited to the FERC, which exercises statutory authority over matters such as construction, rates and ratemaking and agreements with customers. To recognize the economic effects of the actions of the regulator, the timing of recognition of certain revenues and expenses in our operations may differ from that otherwise expected under US GAAP for non rate-regulated entities.

Regulatory assets represent amounts that are expected to be recovered from customers in future periods through rates. Regulatory liabilities represent amounts that are expected to be refunded to customers in future periods through rates. Regulatory assets are assessed for impairment if we identify an event indicative of possible impairment. The recognition of regulatory assets and liabilities is based on the actions, or expected future actions, of the regulator. To the extent that the regulator's actions differ from our expectations, the timing and amount of recovery or settlement of regulatory balances could differ significantly from those recorded. In the absence of rate regulation, we would generally not recognize regulatory assets or liabilities and the earnings impact would be recorded in the period the expenses are incurred or revenues are earned. A regulatory asset or liability is recognized in respect of deferred income taxes when it is expected the amounts will be recovered or settled through future regulator-approved rates. We believe that the recovery of our regulatory assets as at December 31, 2021 is probable over the periods described in *Note 4 - Regulatory Matters.*

Revenue Recognition
For rate-regulated businesses, revenues are recognized in a manner that is consistent with the underlying agreements as approved by the regulator. Transportation revenues earned from firm contracted capacity arrangements are recognized ratably over the contract period. Transportation revenues from interruptible or volumetric-based arrangements are recognized when services are performed.

Revenues from storage of natural gas are recognized when the service is provided, the amount of revenue can be reliably measured and collectibility is reasonably assured.

Revenues related to services provided but not yet billed are estimated each month. These estimates are generally based on contract data, regulatory information and preliminary throughput and allocation measurements. Final bills for the current month are billed and collected in the following month. Differences between actual and estimated revenues are immaterial.

Allowance for Funds Used During Construction (AFUDC)
AFUDC, which represents the estimated debt and equity costs of capital funds necessary to finance the construction and expansion of certain new regulated facilities, consists of two components, an equity component and an interest expense component. The equity component is a non-cash item. After construction is completed, we are permitted to recover these costs through inclusion in the rate base and in the depreciation provision. AFUDC is capitalized as a component of Property, plant and equipment, net in the Consolidated Statements of Financial Position, with offsetting credits to the Consolidated Statements of Earnings through Other income/(expenses) for the equity component and Interest expense for the interest expense component. The total amount of AFUDC included in the Consolidated Statements of Earnings was $36 million in 2021 (an equity component of $31 million and an interest expense component of $5 million) and $24 million in 2020 (an equity component of $20 million and an interest expense component of $4 million).

Income Taxes
We are not subject to federal income taxes. Our taxable income or loss is included as part of the taxable income for each of the partners. We remain subject to state income tax.

In accordance with our settlement agreements, in the Statements of Financial Position we have recognized a regulatory asset representing amounts that we are permitted to recover for the effect of income tax expenses incurred in connection with income recognized for the equity component of AFUDC and a regulatory liability related to the US tax reform legislation that we are required to refund to our customers. These regulatory balances are recognized as Attributed deferred tax benefit in the Statements of Changes in Partners' Equity since we are a pass-through entity.

Cash and Cash Equivalents
Cash and cash equivalents include short-term investments with a term to maturity of three months or less when purchased.

We had no cash or cash equivalents as of December 31, 2021 or 2020 because all cash is managed collectively by Enbridge on a centralized basis and is advanced between its affiliates as needed.

Receivables and Current Expected Credit Losses
Accounts receivable are measured at cost. For accounts receivable, a loss allowance matrix is utilized to measure lifetime expected credit losses. The matrix contemplates historical credit losses by age of receivables, adjusted for any forward-looking information and management expectations.

We had a current expected credit loss of $15 million as at December 31, 2021 and $11 million as at December 31, 2020.

Inventory
Inventory consists of natural gas held in storage for operations, materials and supplies. Natural gas, materials and supplies are recorded at the lower of cost as determined on a weighted average basis, or market value.

Natural Gas Imbalances
The Consolidated Statement of Financial position include in-kind balances as a result of differences in gas volumes received and delivered for customers. Since settlement of imbalances is in-kind, changes in their balances do not have an effect on our Consolidated Statements of Operations or our Consolidated Statements of Cash Flows. Gas imbalances receivable and Gas imbalances payable each include $107 million as of December 31, 2021 and $52 million as of December 31, 2020 respectively, related to all gas imbalances. Natural gas volumes owed to or by us are valued at natural gas market index prices as at the Consolidated Statement of Financial Position dates.

Goodwill
Goodwill represents the excess of the purchase price over the fair value of net identifiable assets on acquisition of a business. The carrying value of goodwill, which is not amortized, is assessed for impairment annually, or more frequently if events or changes in circumstances arise that suggest the carrying value of goodwill may be impaired. We perform our annual review of the goodwill balance on April 1.

We have the option to first assess qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test. When performing a qualitative assessment, we determine the drivers of fair value and evaluate whether those drivers have been positively or negatively affected by relevant events and circumstances since the last fair value assessment. Our evaluation includes, but is not limited to, assessment of macroeconomic trends, regulatory environments, capital accessibility, operating income trends, and industry conditions. Based on our assessment of the qualitative factors, if we determine it is more likely than not that the fair value is less than it's carrying amount, a quantitative goodwill impairment test is performed.

The quantitative goodwill impairment test involves determining the fair value of our reporting unit and comparing it to the carrying value. If the carrying value, including allocated goodwill, exceeds its fair value, goodwill impairment is measured at the amount by which carrying value exceeds its fair value. This amount should not exceed the carrying amount of goodwill. Fair value of our reporting unit is estimated using a combination of discounted cash flow model and earnings multiples techniques. The determination of fair value using the discounted cash flow model technique requires the use of estimates and assumptions related to discount rates, projected operating income, terminal value growth rates, capital expenditures and working capital levels. The cash flow projections include significant judgments and assumptions relating to revenue growth rates and expected future capital expenditure. The determination of fair value using the earnings multiples technique requires assumptions to be made in relation to maintainable earnings and earnings multipliers for reporting unit.

On April 1, 2021, we performed a quantitative goodwill impairment assessment for our reporting unit with no resulting impairment charge. No indicators of goodwill impairment were identified during the remainder of 2021.

Property, Plant and Equipment
Property, plant and equipment is recorded at historical cost. Expenditures for construction, expansion, major renewals and betterments are capitalized. Maintenance and repair costs are expensed as incurred. Expenditures for project development are capitalized if they are expected to have future benefit. AFUDC is included in the cost of property, plant and equipment and is depreciated over future periods as part of the total cost of the related asset. AFUDC includes both an interest component and, if approved by the FERC, a cost of equity component.

Depreciation is generally provided on a straight-line basis over the estimated useful lives of the assets commencing when the asset is placed in service. For pipeline, utilities, and similar entities, the pool method of accounting for property, plant and equipment is followed whereby similar assets are grouped and depreciated as a pool. When group assets are retired or otherwise disposed of, gains and losses are generally not reflected in earnings but are booked as an adjustment to accumulated depreciation.

Leases
We recognize an arrangement as a lease when a customer has the right to obtain substantially all of the economic benefits from the use of an asset, as well as the right to direct the use of the asset. We recognize right-of-use (ROU) assets and the related lease liabilities on the Consolidated Statements of Financial Position for operating lease arrangements with a term of 12 months or longer. We do not separate non-lease components from the associated lease components of our lessee contracts and account for both components as a single lease component. ROU assets are assessed for impairment using the same approach as is applied for other long-lived assets.

Lease liabilities and ROU assets require the use of judgment and estimates, which are applied in determining the term of a lease, appropriate discount rates, whether an arrangement contains a lease, whether there are any indicators of impairment for ROU assets and whether any ROU assets should be grouped with other long-lived assets for impairment testing.

Impairment
We review the carrying values of our long-lived assets as events or changes in circumstances warrant. If it is determined that the carrying value of an asset exceeds the undiscounted cash flows expected from the asset, we calculate fair value based on the discounted cash flows and write the assets down to the extent that the carrying value exceeds the fair value.

Asset Retirement Obligations
ARO associated with the retirement of long-lived assets are measured at fair value and recognized as Regulatory and other liabilities in the period in which they can be reasonably determined. The fair value approximates the cost a third party would charge to perform the tasks necessary to retire such assets and is recognized at the present value of expected future cash flows. ARO are added to the carrying value of the associated asset and depreciated over the asset’s useful life. The corresponding liability is accreted over time through charges to earnings and is reduced by actual costs of decommissioning and reclamation. Our estimates of retirement costs could change as a result of changes in cost estimates and regulatory requirements.

Our AROs relate mostly to the retirement of offshore pipelines and certain onshore assets. These assets include onshore pipeline, and storage facilities, whose retirement dates will depend mostly on the various natural gas supply sources that connect to our system and the ongoing demand for natural gas usage in the markets we serve. We expect these supply sources and market demands to continue for the foreseeable future.

Transaction Costs
Transaction costs are incremental costs directly related to the acquisition of a financial asset or the issuance of a financial liability. We incur transaction costs primarily from the issuance of debt and account for these costs as a deduction from Long-term debt in the Consolidated Statements of Financial Position. These costs are amortized using the effective interest rate method over the term of the related debt instrument and are recorded in Interest expense.

Commitments, Contingencies and Environmental Liabilities
We expense or capitalize, as appropriate, expenditures for ongoing compliance with environmental regulations that relate to past or current operations. We expense costs incurred for remediation of existing environmental contamination caused by past operations that do not benefit future periods by preventing or eliminating future contamination. We record liabilities for environmental matters when assessments indicate that remediation efforts are probable and the costs can be reasonably estimated. Estimates of environmental liabilities are based on currently available facts, existing technology and presently enacted laws and regulations taking into consideration the likely effects of inflation and other factors. These amounts also consider prior experience in remediating contaminated sites, other companies clean-up experience and data released by government organizations. Our estimates are subject to revision in future periods based on actual costs or new information and are included in Regulatory and other liabilities in the Consolidated Statements of Financial Position at their undiscounted amounts. There is always a potential of incurring additional costs in connection with environmental liabilities due to variations in any or all of the categories described above, including modified or revised requirements from regulatory agencies, in addition to fines and penalties, as well as expenditures associated with litigation and settlement of claims. We evaluate recoveries from insurance coverage separately from the liability and, when recovery is probable, we record and report an asset separately from the associated liability in the Consolidated Statements of Financial Position.

Liabilities for other commitments and contingencies are recognized when, after fully analyzing available information, we determine it is either probable that an asset has been impaired, or that a liability has been incurred, and the amount of impairment or loss can be reasonably estimated. When a range of probable loss can be estimated, we recognize the most likely amount, or if no amount is more likely than another, the minimum of the range of probable loss is accrued. We expense legal costs associated with loss contingencies as such costs are incurred.

3. CHANGES IN ACCOUNTING POLICES

CHANGES IN ACCOUNTING POLICIES
There were no changes in accounting policies during the year ended December 31, 2021.

ADOPTION OF NEW ACCOUNTING STANDARDS
The following new Accounting Standards Updates (ASUs) were adopted during 2021 and the effects of such adoptions, if any, are presented in the accompanying Consolidated Financial Statements:

Accounting for Contract Assets and Liabilities from Contracts with Customers in a Business Combination
Effective November 1, 2021, we adopted Accounting Standards Update (ASU) 2021-08 on a retrospective basis beginning January 1, 2021. The new standard was issued in October 2021 to amend business combination accounting specific to contract assets and contract liabilities resulting from contracts with customers, requiring measurement in accordance with Accounting Standards Codification (ASC) 606. The ASU is also applicable to contract assets and contract liabilities from other contracts to which ASC 606 applies, such as contract liabilities from the sale of nonfinancial assets within the scope of ASC 610-20. The adoption of this ASU did not have a material impact on our Consolidated Financial Statements.

FUTURE ACCOUNTING POLICY CHANGES
Disclosures About Government Assistance
ASU 2021-10 was issued in November 2021 to increase the transparency of government assistance to business entities. The ASU adds new disclosure requirements for transactions with government that are accounted for using a grant or contribution accounting model by analogy. The required disclosures include information about the nature of transactions, accounting policy applied, impacted financial statement line items and significant terms and conditions. ASU 2021-10 is effective January 1, 2022 and can be applied either prospectively or retrospectively with early adoption permitted. The adoption of ASU 2021-10 is not expected to have a material impact on our Consolidated Financial Statements.

4. REGULATORY MATTERS

Regulatory Assets and Liabilities
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 AFUDC 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.

We filed with the Federal Energy Regulatory Commission (Commission) on November 30, 2018, for changes to its transportation and storage service rates pursuant to Section 4 of the Natural Gas Act reflecting an overall increase in the cost of service underlying jurisdictional recourse rates. Following extensive negotiations, we reached a settlement with our shippers and filed a Stipulation and Agreement with the Commission on October 28, 2019.

On September 10, 2018, Spectra Energy Partners, LP (SEP) filed with the FERC in Docket No.AC18-220-000 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 in Docket No. AC18-220-000 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 with customers. We recognized revenues from the settled rates retroactive to June 1, 2019 and put the settled rates into effect on April 1, 2020. Refunds of $173 million reflecting the difference between the filed rates moved into effect on June 1, 2019, and the settlement rates, were paid in accordance with the terms of the settlement. In addition, other expense of $113 million was recognized resulting from the settlement that reestablished the EDIT regulated liability that was previously eliminated in December 2018.

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.

We filed with the Federal Energy Regulatory Commission on July 30, 2021, in Docket No. RP21-1001, for changes to Texas Eastern's transportation and storage service rates pursuant to Section 4 of the Natural Gas Act reflecting an overall increase in the cost of service underlying jurisdictional recourse rates. The filing reflects the cost allocation and rate design methodologies required by the 2019 Settlement. On August 31, 2021, the Commission issued an order rejecting Texas Eastern's proposal for a rate increase and other rate related tariff provisions applicable to its Commission-jurisdictional services. On September 29, 2021, Texas Eastern sought rehearing.

On September 30, 2021, we submitted a general NGA section 4 rate case containing revised tariff rates in Docket No. RP21-1188 consistent with the August 31, 2021 Order. On October 29, 2021, the Commission accepted and suspended certain tariff records subject to refund and the outcome of hearing procedures, and accepted certain rate decreases for Rate Schedules FT-1, effective November 1, 2021, subject to hearing procedures.

On January 20, 2022, the Commission ruled to set aside the August 2021 Order, and accept and suspend Texas Eastern's proposed rates in Docket No. RP21-1001-000. Pursuant to the January 20, 2022 Order, we filed Motion and Compliance rate filings, to become effective February 1, 2022, with the Federal Energy Regulatory Commission on January 31, 2022, and February 16, 2022, in Docket Nos. RP21-1001-003 and RP21-1001-005 respectively. In the January 20, 2022 Order, the Commission left to the discretion of the Chief Administrative Law Judge whether to consolidate the proceedings in Docket Nos. RP21-1001 and RP21-1188. On February 14, 2022, the Chief Administrative Law Judge ruled to consolidate Docket Nos. RP21-1001 and RP21-1188.

The following items are reflected in the Consolidated Statements of Financial Position. All regulatory assets and liabilities are excluded from rate base unless otherwise noted below.

December 31,	**2021**	2020	Recover/Refund Period Ends
(millions of US dollars)			
Current regulatory assets			
Under-recovery of fuel costs[1]	**88**	46	2022
FERC annual charge adjustment	**3**	3	2022
Total current regulatory assets[2]	**91**	49	
Long-term regulatory assets			
Deferred income taxes[3]	**100**	91	Life of associated asset
Vacation accrual	**13**	16	Various
Asset retirement obligations[4]	**47**	27	Various
Negative salvage[5]	**123**	135	Various
Total long-term regulatory assets[2]	**283**	269	
Current regulatory liabilities			
Over-recovery of fuel costs	**1**	7	2022
Total current regulatory liabilities[6]	**1**	7	
Long-term regulatory liabilities			
Environmental clean-up costs	**3**	4	2027
US income taxes[7]	**605**	631	2072
Deferred depreciation	**16**	18	Life of associated liability
Total long-term regulatory liabilities[6]	**624**	653	

1 Includes certain costs which are settled in cash annually through transportation rates in accordance with FERC gas tariffs.

2 Current regulatory assets are included in Fuel tracker and Other current assets, while long-term regulatory assets are included in Regulatory assets.

3 Relates to tax gross-up of the AFUDC equity portion to be recovered over the useful life of the related asset. All amounts are expected to be included in future rate filings.

4 Represents the regulatory offset to our offshore ARO liabilities, including any gains/losses upon settlement of the ARO.

5 The negative salvage balance represents the recovery in future rates of the actual cost of removal of previously retired or decommissioned plant assets, as approved by the FERC.

6 Current regulatory liabilities are included in Accounts payable and other, while long-term regulatory liabilities are included in Regulatory and other liabilities.

7 Relates to the US tax reform legislation dated December 22, 2017. This balance will be refunded to customers in accordance with the respective rate settlements approved by the FERC.

5. REVENUE

Significant Customers
We had no customers account for greater than 10% of revenues during 2021 and 2020.

Major Services
All operating revenues for the year ended December 31, 2021 were earned from contracts with customers for the transportation of natural gas, storage of natural gas and other services.

Contract Balances

	Contract Receivables	Contract Assets	Contract Liabilities
(millions of US dollars)			
Balance as at December 31, 2021	**165**	**35**	**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 to be Recognized from Unfulfilled Performance Obligations
Total revenue from performance obligations expected to be fulfilled in future periods is $12.1 billion, of which $1.6 billion is expected to be recognized during the year ended December 31, 2022.

Excluded from these amounts are variable considerations, effects of escalation on certain contracts that have a duration of one year or less pursuant to the practical expedient provision of the standard, and interruptible contracts not enforceable until volumes are nominated by customers for transportation.

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 the 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 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 commodity contracts.

6. RELATED PARTY TRANSACTIONS

In the normal course of business, we provide natural gas transportation, natural gas storage and other services to affiliates of the partners. Enbridge and affiliates of Enbridge, provide management and operating services to us, pursuant to agreements entered into with us. Enbridge and affiliates of Enbridge incur costs on our behalf and are subsequently reimbursed by us.

Consolidated Statements of Earnings

December 31,	**2021**	2020
(millions of US dollars)		
Transportation of natural gas[1]	**53**	53
Storage of natural gas and other services[2]	**41**	20
Operating, maintenance and other expenses[3]	**325**	290
Other income	**27**	24

1 During the years December 31, 2021 and 2020, we recognized Transportation of natural gas revenue from NEXUS Gas Transmission, LLC. of $51 million.

2 During the years December 31, 2021 and 2020, we recognized Storage of natural gas and other services revenue from DCP Midstream, LLC processes of $38 million and $19 million, respectively.

3 During the years December 31, 2021 and 2020, Operating, maintenance and other expenses includes lease expenses from Pomelo Connector, LLC of $24 million.

Consolidated Statements of Financial Position

December 31,	**2021**	2020
(millions of US dollars)		
Receivables — trade	**12**	7
Gas imbalances receivable	**30**	21
Cash collateral held by affiliates	**—**	40
Current assets — other	**7**	5
Advances receivable, net — affiliates	**261**	—
Accounts payable	**59**	7
Gas imbalances payable	**58**	34
Advances payable, net — affiliates	**—**	64
Collateral liabilities	**10**	10

Transactions billed from affiliates for services provided during construction of our assets, included within Property, plant and equipment in the Consolidated Statements of Financial Position, were $15 million and $19 million for the year ended December 31, 2021 and 2020, respectively.

In 2021, our partners made $69 million of non-cash contribution to us, which reduced the outstanding Advances payable, net — affiliates that are due to them. In 2020, $313 million of non-cash distributions were made by our partners, which reduced the outstanding Advances receivables, net - affiliates that are due to us.

7. LEASES

We incur operating lease expenses related primarily to pipeline capacity and real estate rentals. Our operating leases have remaining lease terms of 2 years to 27 years as at December 31, 2021, some of which include options to extend leases for up to 15 years.

For the years ended December 31, 2021 and 2020, we incurred operating lease expenses of $32 million and $33 million. Operating lease expenses are reported under Operating, maintenance and other expenses on the Consolidated Statements of Earnings. For the years ended December 31, 2021 and 2020, we incurred operating lease payments to settle lease liabilities of $33 million and $34 million. Operating lease payments are reported under operating activities in the Consolidated Statements of Cash Flows.

December 31,	**2021**	2020
Weighted average remaining lease term		
Operating leases	**26 years**	26 years
Weighted average discount rate		
Operating leases	**4.78 %**	4.77 %

As at December 31, 2021, we have operating lease commitments as detailed below:

(millions of US dollars)	Operating leases
2022	**33**
2023	**32**
2024	**30**
2025	**29**
2026	**27**
Thereafter	**527**
Total undiscounted lease payments	**678**
Less imputed interest	**(282)**
Total operating lease commitments	**396**

8. PROPERTY, PLANT AND EQUIPMENT

	Weighted Average Depreciation Rate	**2021**	2020
(millions of US dollars)			
Pipeline	2.77 %	**6,648**	6,165
Compressors, meters and other operating equipment	2.15 %	**4,406**	3,868
Land and right-of-way[1]	2.23 %	**341**	341
Processing and storage	3.52 %	**361**	336
Interconnection cost	0.89 %	**81**	81
Other	8.91 %	**22**	58
Under construction	— %	**281**	445
Total property, plant and equipment		**12,140**	11,294
Total accumulated depreciation		**(2,695)**	(2,599)
Property, plant and equipment, net		**9,445**	8,695

1 The measurement of weighted average depreciation rate excludes non-depreciable assets.

All of our property, plant and equipment is regulated with estimated useful lives based on depreciation rates approved by the FERC.

Depreciation expense for the years ended December 31, 2021 and 2020 was $291 million and $249 million, respectively.

9. DEBT

Summary of Debt and Related Terms

	Maturity	**2021**	2020
(millions of US dollars)			
2.80% senior unsecured notes	2022	**500**	500
3.50% senior unsecured notes	2028	**400**	400
2.50% senior unsecured notes	2031	**400**	—
7.00% senior unsecured notes	2032	**450**	450
3.10% senior unsecured notes	2040	**300**	300
4.15% senior unsecured bonds	2048	**400**	400
Unamortized debt discount		**(4)**	(5)
Unamortized debt expenses		**(9)**	(9)
Total debt		**2,437**	2,036
Current maturities		**500**	—
Total long-term debt		**1,937**	2,036

10. ASSET RETIREMENT OBLIGATION

	2021	2020
(millions of US dollars)		
Balance at beginning of year	**31**	38
Accretion expense	**1**	2
Liabilities settled	**(11)**	(9)
Balance at the end of the year[1]	**21**	31

1 Amounts included in Regulatory and other liabilities on the Consolidated Statements of Financial Position.

11. RISK MANAGEMENT

Commodity Price Risk
We are exposed to the impact of market fluctuations in the prices of natural gas liquids (NGL) and natural gas related to certain of our operations. NGL and natural gas price fluctuations will continue to affect processing revenues that are associated with transportation services.

Credit Risk
Our principal customers for natural gas transmission and storage services are local distribution companies, industrial end-users, natural gas producers, marketers, and utilities located throughout the Gulf Coast, Mid-Atlantic and northeastern United States. We have concentrations of receivables from these sectors throughout these regions. These concentrations of customers may affect our overall credit risk in that risk factors can negatively affect the credit quality of the entire sector. Where exposed to credit risk, we analyze the customers' financial condition prior to entering into an agreement, establish credit limits and monitor the appropriateness of those limits on an ongoing basis. We also obtain parental guarantees, cash deposits, or letters of credit from customers to provide credit support, where appropriate, based on our financial analysis of the customer and the regulatory or contractual terms and conditions applicable to each contract.

12. COMMITMENTS AND CONTINGENCIES

General Insurance
We are included in the comprehensive insurance program maintained by Enbridge for its subsidiaries. This program includes insurance coverage in types and amounts and is subject to certain deductibles, terms, exclusions and conditions that are generally consistent with coverage considered customary for our industry, however insurance does not cover all events in all circumstances. In the unlikely event multiple insurable incidents occur which exceed coverage limits within the same insurance period, the total insurance coverage will be allocated among the Enbridge entities on an equitable basis based on an insurance allocation agreement we have entered into with Enbridge and other Enbridge subsidiaries.

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, 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 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 Consolidated Statements of 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 December 31, 2021 or 2020 related to litigation.

Commitments

The following is a summary of operating commitments, right-of-way and capital commitments.

(millions of US dollars)	Commitments
2022	**178**
2023	**27**
2024	**26**
2025	**24**
2026	**22**
Thereafter	**267**
Total commitments	**544**

13. SUBSEQUENT EVENTS

We have evaluated significant events and transactions that occurred through March 18, 2022, the date the Consolidated Financial Statements were issued, and have identified no subsequent events for disclosure.