TEXAS EASTERN TRANSMISSION, LP

CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

September 30, 2022

TEXAS EASTERN TRANSMISSION, LP
CONSOLIDATED STATEMENTS OF EARNINGS

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	**2022**	2021
(unaudited; millions of United States dollars)				
Operating revenues				
Transportation of natural gas	**476**	389	**1,351**	1,180
Storage of natural gas and other services	**34**	39	**108**	105
Total operating revenues	**510**	428	**1,459**	1,285
Operating expenses				
Operating, maintenance and other	**172**	169	**550**	487
Depreciation	**78**	74	**233**	217
Property and other taxes	**37**	23	**97**	66
Total operating expenses	**287**	266	**880**	770
Operating income	**223**	162	**579**	515
Other income/(expense)				
Allowance for equity funds used during construction	**8**	12	**18**	26
Other	**—**	8	**(1)**	23
Interest expense	**(30)**	(20)	**(77)**	(62)
Total other expenses	**(22)**	—	**(60)**	(13)
Earnings before income taxes	**201**	162	**519**	502
Income tax expense	**—**	(1)	**—**	(1)
Earnings	**201**	161	**519**	501

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,	
	2022	2021
(unaudited; millions of United States dollars)		
Balance at beginning of period	**7,008**	6,262
Earnings	**519**	501
Attributed deferred tax benefit	**4**	7
Contributions from partners	**—**	69
Distributions to partners	**(612)**	—
Rate case settlement	**19**	20
Balance at end of period	**6,938**	6,859

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

TEXAS EASTERN TRANSMISSION, LP
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,	
	2022	2021
(unaudited; millions of United States dollars)		
Operating activities		
Earnings	**519**	501
Adjustments to reconcile earnings to net cash provided by operating activities:		
Depreciation	**233**	217
Allowance for equity funds used during construction	**(18)**	(26)
Other	**7**	2
Changes in operating assets and liabilities	**158**	(120)
Net cash provided by operating activities	**899**	574
Investing activities		
Capital expenditures	**(470)**	(703)
Change in advances receivable, net — affiliates	**(429)**	(271)
Net cash used in investing activities	**(899)**	(974)
Financing activities		
Proceeds from the issuance of long-term debt, net of issue costs	**—**	400
Net cash used in financing activities	**—**	400
Net change in cash	**—**	—
Cash at beginning of year	**—**	—
Cash at end of year	**—**	—

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

TEXAS EASTERN TRANSMISSION, LP
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30, 2022	December 31, 2021
(unaudited; millions of United States dollars)		
Assets		
Current assets		
Accounts receivable and other	**238**	164
Gas imbalance receivable	**213**	107
Inventory	**45**	43
Fuel tracker	**81**	88
	577	402
Advances receivable, net - affiliates	**78**	261
Goodwill	**136**	136
Right-of-use assets	**394**	399
Property, plant and equipment, net	**9,782**	9,445
Regulatory assets	**295**	283
Other	**48**	41
Total assets	**11,310**	10,967
Liabilities and partners' capital		
Current liabilities		
Accounts payable and other	**563**	204
Property and other taxes accrued	**69**	72
Interest payable	**25**	37
Collateral liabilities	**22**	28
Gas imbalance payable	**213**	107
Lease liabilities	**15**	15
Current portion of long-term debt	**500**	500
	1,407	963
Long-term debt	**1,938**	1,937
Deferred state income tax	**9**	9
Lease liabilities	**375**	381
Regulatory and other liabilities	**643**	669
	4,372	3,959
Partners’ capital	**6,938**	7,008
Total liabilities and partners' capital	**11,310**	10,967

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 of Texas Eastern Transmission, LP ("we", "our", "us" and "Texas Eastern") have been prepared in accordance with generally accepted accounting principles in the United States of America (US GAAP) for interim consolidated information. 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 annual financial statements and notes for the year ended December 31, 2021. In the opinion of management, the 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, 2021. 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, 2021. Amounts are stated in United States (US) dollars unless otherwise noted.

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, 2022 and 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
(millions of US dollars)			
Balance as at September 30, 2022	**221**	**42**	**26**
Balance as at December 31, 2021	165	35	23

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 $11.4 billion, of which $406 million is expected to be recognized during the remaining three months ending December 31, 2022.

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 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 orders on its 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.

Beginning April 1, 2020, we started amortizing the EDIT regulated liability over the remaining average useful life of the assets, as agreed to in a previous rate case settlement.

On July 30, 2021, we filed with the FERC 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. On August 31, 2021, the Commission issued an order (August 2021 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 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 (October 2021 Order) to accept and suspend, subject to refund and the outcome of a hearing, certain proposed tariff records to be effective upon motion on April 1, 2022.

On January 20, 2022, the Commission issued an order (January 2022 Order) to set aside the August 2021 Order and accept and suspend Texas Eastern's proposed rates. Pursuant to the January 2022 Order, we filed Motion and Compliance rate filings to become effective February 1, 2022 with the FERC on January 31, 2022 and February 16, 2022. FERC Letter Orders were received on February 28, 2022 and March 1, 2022, respectively, to accept the tariff records effective February 1, 2022, thereby combining both rate case filings before the Commission.

Pursuant to the October 2021 Order, we filed Motion and Compliance rate filings to become effective April 1, 2022 with the FERC on March 31, 2022. The FERC issued a Letter Order on May 5, 2022 to accept the tariff records effective April 1, 2022.

We reached a settlement in principle on July 7, 2022, and we filed a Stipulation and Agreement memorializing the specific terms and conditions resolving all issues in the combined rate proceedings on September 8, 2022. The Settlement Judge certified the offer of settlement as uncontested on October 20, 2022 and the Chief Judge terminated hearing procedures on October 24, 2022. Texas Eastern is awaiting further action from the Commission.

4. 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 at September 30, 2022 or December 31, 2021 related to litigation.

5. SUBSEQUENT EVENTS

We have evaluated significant events and transactions that occurred from October 1, 2022 through November 29, 2022, the date the financial statements were issued, and have identified no subsequent events for disclosure.