

Enbridge Bakken Pipeline Abandonment Trust

Financial Statements

December 31, 2023 and 2022

(in thousands of Canadian dollars)



Independent auditor's report

To the Sponsor and Trustee of Enbridge Bakken Pipeline Abandonment Trust

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the net assets of Enbridge Bakken Pipeline Abandonment Trust (the Trust) as at December 31, 2023 and 2022, and the results of its operations and changes in net assets for the years then ended in accordance with accounting principles generally accepted in the United States of America (US GAAP).

What we have audited

The Trust's financial statements comprise:

- the statements of net assets as at December 31, 2023 and 2022;
- the statements of operations and changes in net assets for the years then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with US GAAP, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

Auditor's responsibilities for the audit of the 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- 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 Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
April 23, 2024

Enbridge Bakken Pipeline Abandonment Trust

Statements of Net Assets

For the years ended December 31, 2023 and December 31, 2022

(in thousands of Canadian dollars)

	2023	2022
	\$	\$
Assets		
Cash and cash equivalents (Note 5)	207	133
Contributions receivable	-	201
Interest receivable	13	14
Deferred income tax asset (Note 8)	53	117
Investments (Note 5)	5,622	4,840
	5,895	5,305
Liabilities		
Payables and accrued liabilities (Note 6)	10	9
Income taxes payable (Note 8)	34	30
	44	39
Net Assets	5,851	5,266

On Behalf of the Trust

/s/ Tiffany Schuchardt

Trustee

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

Enbridge Bakken Pipeline Abandonment Trust

Statements of Operations and Changes in Net Assets

For the years ended December 31, 2023 and December 31, 2022

(in thousands of Canadian dollars)

	2023	2022
	\$	\$
Investment income		
Interest income	159	134
Change in fair value of investments		
Realized gain / (loss)	(326)	(238)
Unrealized gain / (loss)	559	(1,133)
	392	(1,237)
Administration expenses		
Trustee and investment management	4	3
Audit and accounting	9	2
	13	5
Earnings / (loss) before income taxes	379	(1,242)
Income tax expense / (recovery) (Note 8)	98	(101)
Earnings / (loss) resulting from operations	281	(1,141)
Contributions	304	1,175
Changes in net assets during the year	585	34
Net assets - Beginning of year	5,266	5,232
Net assets - End of year	5,851	5,266

Enbridge Bakken Pipeline Abandonment Trust

Notes to the Financial Statements

For years ended December 31, 2023 and December 31, 2022

(in thousands of Canadian dollars)

1 Description of the Trust

Enbridge Bakken Pipeline Abandonment Trust (the Trust) is a Qualifying Environmental Trust established by Enbridge Bakken Pipeline L.P. (Bakken) (the Sponsor), also known as the Beneficiary, as per the Income Tax Act (Canada), to collect from shippers and set aside funds and invest such funds to cover estimated future pipeline abandonment costs. This is a requirement for all Canada Energy Regulator (CER) regulated Canadian pipelines. The Trust is set up in accordance with CER's regulatory order MH-001-2013 Reasons for Decision dated May 29, 2014. The Trust is governed by its Trust Indenture (Trust Agreement) dated January 20, 2015 and it commenced operations on January 1, 2015 with no specific term to continue until terminated with the approval of the CER.

The Trust assets are managed by investment managers in accordance with the Trust's Statement of Investment Policies and Procedures (SIPP).

The Bank of Nova Scotia Trust Company has been appointed the Administrator for the Trust and took custody of the Trust's assets in January 2020.

2 Summary of significant accounting policies

Basis of presentation

These financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP). The Trust is considered to be an investment company under US GAAP and follows the accounting and reporting guidance applicable to investment companies in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 946, Financial Services – Investment Companies (ASC 946).

Investment transactions and related investment income

Investment transactions are accounted for on a trade date basis. Realized gains and losses and movements in unrealized gains and losses are recognized in the statement of operations and changes in net assets and determined on an average cost basis.

Interest income is recorded on the accrual basis.

Realized gains or losses on sale of investments

The realized gains or losses on sale of investments is the difference between the net proceeds received and the average cost of the investment sold.

Financial instruments measured at fair value

The Trust's cash and cash equivalents, and investments are classified as financial instruments that are measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to settle a liability in a transaction between market participants at the measurement date. Transactions that have not been settled are reflected in the statement of net assets as receivables or payables and accrued liabilities. Changes in fair value are recognized in the Trust's statement of operations and changes in net assets.

Enbridge Bakken Pipeline Abandonment Trust

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(in thousands of Canadian dollars)

Contributions receivable

Contributions receivable are recorded to the extent that either services, on which abandonment charges are applied, have been rendered by the Sponsor or amounts are otherwise due and receivable from the Sponsor pursuant to the Trust Agreement.

Receivables and payables

All of the Trust's receivables and payables and accrued liabilities are measured at cost and approximate their fair value due to the short period to maturity.

Withdrawal payments

Distributions or payments from the Trust to a Beneficiary for the reclamation obligation are restricted to the CER's written approval.

Use of estimates

The preparation of financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Taxation

The liability method of accounting for income tax is followed. Deferred income tax assets and liabilities are recorded based on temporary differences between the tax bases of the assets and liabilities and their carrying value for accounting purposes. Deferred income tax assets and liabilities are measured using the tax rate that is expected to apply when the temporary differences reverse. Any interest and or penalties incurred related to income tax is reflected in income tax. The Trust meets the requirements of a Qualifying Environmental Trust as defined in the Income Tax Act (Canada).

3 Changes in accounting policies

Changes in accounting policy

There were no changes in accounting policies during the year ended December 31, 2023.

Future accounting policy

ASU 2023-06 was issued in October 2023 to improve investment company disclosures by requiring the disclosure of the components of capital on the statement of net assets. ASU 2023-06 is effective for periods ending after December 15, 2025 and should be applied prospectively, with retrospective application being permitted. We are currently assessing the impact of the new standard on our financial statements.

Enbridge Bakken Pipeline Abandonment Trust

Notes to the Financial Statements

For years ended December 31, 2023 and December 31, 2022

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4 Administration expenses

The Administrator is entitled to fees based on a percentage of the Trust's capital value or on a fixed basis depending on the type of service provided. The Administrator is also entitled to reimbursement of all out-of-pocket expenses incurred on behalf of the Trust.

5 Risk management and financial instruments

The Trust's investments are governed by the SIPP, which provides investment policies and a framework for risk management. The Trust assets are invested with a diversified asset mix and are largely held in fixed income securities, which provide liquidity and valuation transparency.

The Trust's net assets are subject to the following risks.

Market price risk

The Trust's net assets are subject to market price risk as a result of movements in the valuation of securities contained in the Trust.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is managed by investing in a long-term diversified asset mix that takes into consideration the economic and capital market outlook and expected volatility of returns. The fixed income securities in the Trust are directly exposed to interest rate risk.

	2023		2022	
	Fair value	Average	Fair value	Average
	\$	effective yield	\$	effective yield
Canadian government bonds (maturing before 10 years)	-	-	313	2.5%
Canadian government bonds (maturing after 10 years)	5,622	2.6%	4,527	2.9%
	5,622		4,840	

Credit risk

Credit risk arises from the possibility that counterparty will be unable to pay its contractual obligations. The SIPP prohibits the Trust from investing in securities other than debt issued by the Government of Canada and a minimum of 95% of the Trust's investments must be held in Government of Canada Bonds. Therefore, the risk of significant credit loss is considered remote.

Liquidity risk

Liquidity risk is the risk the Trust may be unable to meet financial obligations in a timely manner at a reasonable cost. This risk is mitigated through asset mix and maintaining appropriate asset liquidity in anticipation of future obligations.

Enbridge Bakken Pipeline Abandonment Trust

Notes to the Financial Statements

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Fair value of financial instruments

The Trust categorizes its financial instruments measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement.

A fair value hierarchy of inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Trust. Unobservable inputs reflect the Trust's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1

Level 1 includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date. An active market for an asset or liability is considered to be a market where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The Trust's Level 1 instruments consist of cash and cash equivalents.

- Level 2

Level 2 includes assets and liabilities whose valuations are determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Financial instruments in this category are valued using models or other industry standard valuation techniques derived from observable market data. Such valuation techniques include inputs such as quoted forward prices, volatility factors and broker quotes that can be observed or corroborated in the market. The Trust's Level 2 instruments consist of Government of Canada bonds.

- Level 3

Level 3 includes assets and liabilities valued based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value. Generally, Level 3 valuations are longer dated transactions, occur in less active markets, occur at locations where pricing information is not available or have no binding broker quote to support Level 2 classification. The Trust does not have any instruments valued using Level 3 inputs.

The Trust uses the most observable inputs available to estimate the fair value of its financial instruments. When possible, the estimated fair value is based on quoted market prices and, if not available, estimates from third party brokers. The following table summarizes the Trust's financial instruments at fair value.

Enbridge Bakken Pipeline Abandonment Trust

Notes to the Financial Statements

For years ended December 31, 2023 and December 31, 2022

(in thousands of Canadian dollars)

	2023		2022	
	Cost	Fair value	Cost	Fair value
	\$	\$	\$	\$
Level 1				
Cash	115	115	52	52
Treasury Bill Due 30-March-2023	-	-	81	81
Treasury Bill Due 18-January-2024	91	92	-	-
	206	207	133	133
Level 2				
Canadian government bonds				
GOC UNSECURED DUE 12/01/2032 2.50%	-	-	318	313
GOC SER XG49 DUE 06/01/2033 5.75%	-	-	544	458
GOC SER XW98 DUE 06/01/2037 5.00%	301	268	293	244
GOC SER YQ12 DUE 06/01/2041 4.00%	511	458	494	408
GOC SER ZS68 DUE 12/01/2045 3.50%	499	446	481	392
GOC SER D358 DUE 12/01/2048 2.75%	539	485	512	415
GOC SER H722 DUE 12/01/2051 2.00%	1,836	1,648	1,763	1,411
GOC UNSECURED DUE 12/01/2053 1.75%	1,369	1,320	1,086	931
GOC UNSECURED DUE 12/01/2055 2.75%	653	678	-	-
GOC BONDS C939 DUE 12/01/2064 2.75%	376	319	371	268
Total investment in securities	6,084	5,622	5,862	4,840
Total cash and fixed income investments	6,290	5,829	5,995	4,973

6 Payables and accrued liabilities

	2023	2022
	\$	\$
Audit and accounting fees payable	8	8
Trustee and investment management fees payable	2	1
	10	9

7 Financial highlights

	2023	2022
	%	%
Total return to average net assets	5.1	(21.7)
Ratio of expenses to average net assets	0.2	0.1
Ratio of investment income to average net assets	7.1	(23.6)

Enbridge Bakken Pipeline Abandonment Trust

Notes to the Financial Statements

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(in thousands of Canadian dollars)

8 Income taxes

Income tax rate reconciliation	2023	2022
	\$	\$
Earnings / (loss) before income taxes	379	(1,242)
Canadian federal statutory income tax rate	15.0%	15.0%
Expected federal tax at statutory rate	57	(186)
Increase (decrease) resulting from:		
Provincial income tax	30	(100)
Non-taxable items	11	185
Income tax expense / (recovery)	98	(101)
Effective income tax rate	25.9%	(8.1%)

Components of pre-tax earnings resulting from operations and income taxes

For 2023 and 2022, the Trust's earnings resulting from operations before income taxes are exclusively from Canadian operations. The Trust is subject to taxation in Canada only.

	2023	2022
	\$	\$
Current income tax	34	30
Deferred income tax	64	(131)
Income tax expense / (recovery) on earnings resulting from operations	98	(101)

Components of deferred income tax

Deferred tax assets and liabilities are recognized for the future tax consequences of differences between carrying amounts of assets and liabilities and their respective tax bases. Major components of deferred income tax assets and liabilities are as follows:

	2023	2022
	\$	\$
Deferred income tax (liabilities) / assets		
Investments	53	117
Total deferred income tax (liabilities) / assets	53	117

Unrecognized tax benefits

The Trust has no unrecognized tax benefits related to uncertain tax positions as at December 31, 2023 and 2022 and no accrued interest or penalties thereon.

9 Capital disclosures

The Trust defines capital as all investments including cash and cash equivalents. The Trust's objective is to accumulate assets in a consistent and rational manner over the useful life of the pipeline so that funds are available to meet the pipeline's future pipeline abandonment obligations. The trustee is responsible for ensuring that the assets of the Trust are managed in accordance with the SIPP.