TEXAS EASTERN TRANSMISSION, LP

CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

March 31, 2023

TEXAS EASTERN TRANSMISSION, LP
CONSOLIDATED STATEMENTS OF EARNINGS

	Three months ended March 31,	
	2023	2022
(unaudited; millions of United States dollars)		
Operating revenues		
Transportation of natural gas	**518**	423
Storage of natural gas and other services	**24**	40
Total operating revenues	**542**	463
Operating expenses		
Operating, maintenance and other	**183**	186
Depreciation and amortization	**90**	77
Property and other taxes	**31**	32
Total operating expenses	**304**	295
Operating income	**238**	168
Other income		
Allowance for funds used during construction - equity	**6**	4
Other	**—**	1
Interest expense	**(31)**	(24)
Total other expenses	**(25)**	(19)
Earnings	**213**	149

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

TEXAS EASTERN TRANSMISSION, LP
CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL

	Three months ended March 31,	
	2023	2022
(unaudited; millions of United States dollars)		
Balance at beginning of period	**6,995**	7,008
Earnings	**213**	149
Attributed deferred tax (expense)/benefit	**(4)**	1
Distributions to partners	**—**	(366)
Rate case settlement	**7**	6
Balance at end of period	**7,211**	6,798

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

TEXAS EASTERN TRANSMISSION, LP
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31,	
	2023	2022
(unaudited; millions of United States dollars)		
Operating activities		
Earnings	**213**	149
Adjustments to reconcile earnings to net cash provided by operating activities:		
Depreciation and amortization	**90**	77
Allowance for funds used during construction - equity	**(6)**	(4)
Other	**3**	—
Changes in operating assets and liabilities	**58**	56
Net cash provided by operating activities	**358**	278
Investing activities		
Capital expenditures	**(198)**	(85)
Change in advances receivable, net — affiliates	**(160)**	(193)
Net cash used in investing activities	**(358)**	(278)
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

	March 31, 2023	December 31, 2022
(unaudited; millions of United States dollars)		
Assets		
Current assets		
Accounts receivable and other	**191**	211
Accounts receivable from affiliates	**8**	8
Gas imbalance receivable	**67**	181
Inventory	**45**	45
Fuel tracker	**66**	69
	377	514
Advances receivable, net - affiliates	**308**	148
Goodwill	**136**	136
Right-of-use assets	**388**	392
Property, plant and equipment, net	**9,960**	9,935
Regulatory assets	**277**	290
Other	**46**	43
Total assets	**11,492**	11,458
Liabilities and partners' capital		
Current liabilities		
Accounts payable and other	**447**	464
Accounts payable to affiliates	**68**	87
Property and other taxes accrued	**56**	73
Interest payable	**30**	37
Collateral liabilities	**23**	23
Gas imbalance payable	**67**	181
Lease liabilities	**15**	15
	706	880
Long-term debt	**2,538**	2,538
Deferred state income tax	**10**	9
Lease liabilities	**369**	372
Regulatory and other liabilities	**658**	664
	4,281	4,463
Partners' capital	**7,211**	6,995
Total liabilities and partners' capital	**11,492**	11,458

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, 2022. In the opinion of management, the interim consolidated financial statements contain all normal recurring adjustments necessary to present fairly our financial position, results of operations and cash flows for the interim periods reported. These interim consolidated financial statements follow the same significant accounting policies as those included in our audited consolidated financial statements for the year ended December 31, 2022. Amounts are stated in United States (US) dollars unless otherwise noted.

2. REVENUE

REVENUE FROM CONTRACTS WITH CUSTOMERS
Major Services
All operating revenues for the periods ended March 31, 2023 and 2022 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 March 31, 2023	**199**	**45**	**26**
Balance as at December 31, 2022	214	43	26

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 $11.9 billion, of which $1.4 billion is expected to be recognized during the remaining nine months ending December 31, 2023.

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.

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

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

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

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

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

3. REGULATORY MATTERS

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

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

On September 10, 2018, Spectra Energy Partners, LP (SEP) filed with the the Federal Energy Regulatory Commission (FERC) a request on behalf of certain of SEP's pipeline affiliates, including us, to adjust Accumulated Deferred Income Taxes (ADIT) and the Excess Accumulated Deferred Income Tax (EDIT) recorded in the respective official books in accordance with the Commission's March, 15, 2018 and July 18, 2018 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.

On June 1, 2019, we started amortizing the EDIT regulated liability over the remaining average useful life of the assets, as agreed to in the rate case settlement approved by the Commission (2019 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 (NGA) reflecting an overall increase in the cost of service underlying jurisdictional recourse rates. The filing reflected the cost allocation and rate design methodologies required by the 2019 Settlement. 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 submitted a general NGA section 4 rate case containing revised tariff rates consistent with the August 2021 Order. On October 29, 2021, the Commission accepted and suspended certain tariff records subject to refund and the outcome of hearing procedures (October 2021 Order) and accepted certain rate decreases, effective November 1, 2021, subject to hearing procedures.

On January 20, 2022, the Commission ruled to set aside the August 2021 Order and accepted and suspended Texas Eastern's proposed rates. Pursuant to the January 2022 Order, we submitted Motion and Compliance rate filings, to become effective February 1, 2022, with the FERC on January 31, 2022, and February 16, 2022. In the January 2022 Order, the Commission left to the discretion of the Chief Administrative Law Judge whether to consolidate the proceedings. On February 14, 2022, the Chief Administrative Law Judge ruled to consolidate.

Pursuant to the October 2021 Order, we submitted Motion and Compliance rate filings to become effective April 1, 2022 with the FERC on March 31, 2022. 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. On November 30, 2022, we received approval from the FERC of our uncontested rate case settlement (November 2022 Order), in which the Commission directed Texas Eastern to file actual tariff records consistent with the Settlement.

Pursuant to the November 2022 Order and the Stipulation and Agreement, we filed actual tariff records effective on the Settlement Effective Date of January 1, 2023. We also filed actual tariff records effective February 1, 2023 and March 1, 2023.

On April 3, 2023, Texas Eastern received approval from the FERC of the Compliance Filing in which the Commission accepted the tariff records. On the Settlement Effective Date, the settlement rates, which reflect an overall increase in the recourse rates in effect prior to the rate case, will become effective without further refund exposure, and revenues prospectively will reflect these higher recourse rates. A refund of amounts reflecting the difference between the filed motion rates effective February 1, 2022, and the settlement rates for the period February 1, 2022 through February 28, 2023, was issued during the month of April 2023 in accordance with the terms of the settlement.

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

LITIGATION

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

Legal costs related to the defense of loss contingencies are expensed as incurred. We had no material reserves for legal matters recorded as at March 31, 2023 or December 31, 2022, related to litigation.

5. SUBSEQUENT EVENTS

We have evaluated significant events and transactions that occurred from April 1, 2023 through May 30, 2023, the date the interim Consolidated Financial Statements were issued, and have identified no subsequent events for disclosure.