

TEXAS EASTERN TRANSMISSION, LP
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023



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 "Company"), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of statements of earnings, of partners' capital and of 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 Company as of December 31, 2023 and 2022, 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 Company 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the consolidated 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 consolidated 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 consolidated 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 consolidated 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 Company'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 Company'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 28, 2024

TEXAS EASTERN TRANSMISSION, LP CONSOLIDATED STATEMENTS OF EARNINGS

Year ended December 31, <i>(millions of United States dollars)</i>	2023	2022
Operating revenues		
Transportation of natural gas	1,945	1,839
Storage of natural gas and other services	109	144
Total operating revenues	2,054	1,983
Operating expenses		
Operating, maintenance and other	783	755
Depreciation and amortization <i>(Note 8)</i>	366	313
Property and other taxes	123	120
Total operating expenses	1,272	1,188
Operating income	782	795
Other income		
Allowance for funds used during construction - equity	26	24
Other income	3	84
Interest expense	(119)	(100)
Total other income/(expenses)	(90)	8
Earnings before income taxes	692	803
Income tax expense	(2)	(1)
Earnings	690	802

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, <i>(millions of United States dollars)</i>	2023	2022
Balance at beginning of period	6,995	7,008
Earnings	690	802
Attributed deferred tax benefit	1	6
Distributions to partners	(208)	(846)
Rate case settlement	25	25
Balance at end of period	7,503	6,995

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, <i>(millions of United States dollars)</i>	2023	2022
Operating activities		
Earnings	690	802
Adjustments to reconcile earnings to net cash provided by operating activities:		
Depreciation and amortization	366	313
Allowance for funds used during construction - equity	(26)	(24)
Deferred income tax expense	2	1
Other	40	8
Changes in operating assets and liabilities	(180)	223
Net cash provided by operating activities	892	1,323
Investing activities		
Capital expenditures	(722)	(690)
Change in advances receivable, net - affiliates	(170)	(733)
Net cash used in investing activities	(892)	(1,423)
Financing activities		
Term note issuances, net of issue costs	—	600
Term note repayment	—	(500)
Net cash provided by financing activities	—	100
Net change in cash	—	—
Cash at beginning of year	—	—
Cash at end of year	—	—
Supplemental Disclosures		
Cash interest paid, net of capitalized interest	118	99
Property, plant and equipment non-cash accruals	110	181

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

TEXAS EASTERN TRANSMISSION, LP CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, <i>(millions of United States dollars)</i>	2023	2022
Assets		
Current assets		
Accounts receivable and other	186	211
Accounts receivable from affiliates	6	8
Gas imbalance receivable	64	181
Inventory	35	45
Fuel tracker <i>(Note 4)</i>	12	69
	303	514
Advances receivable, net - affiliates	110	148
Goodwill	136	136
Right-of-use assets	387	392
Property, plant and equipment, net <i>(Note 8)</i>	10,298	9,935
Regulatory assets <i>(Note 4)</i>	256	290
Other	66	43
Total assets	11,556	11,458
Liabilities and partners' capital		
Current liabilities		
Accounts payable and other	178	464
Accounts payable to affiliates	90	87
Property and other taxes accrued	90	73
Interest payable	37	37
Collateral liabilities	23	23
Gas imbalance payable	64	181
Lease liabilities	15	15
	497	880
Long-term debt <i>(Note 9)</i>	2,538	2,538
Deferred state income tax	10	9
Lease liabilities	366	372
Regulatory and other liabilities	642	664
	4,053	4,463
Commitments and contingencies <i>(Note 12)</i>		
Partners' capital	7,503	6,995
Total liabilities and partners' capital	11,556	11,458

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS OVERVIEW

The terms "we," "our," "us", and "Texas Eastern" 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.

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

These consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (US GAAP) and reflect the results of our operations, our financial position and cash flows. Amounts are stated in United States (US) dollars unless otherwise noted.

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.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions are 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, 2023 is probable over the periods described in *Note 4 - Regulatory Matters*.

Allowance for funds used during construction (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 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 \$29 million in 2023 (an equity component of \$26 million and an interest expense component of \$3 million) and \$27 million in 2022 (an equity component of \$24 million and an interest expense component of \$3 million).

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.

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 Consolidated 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 Consolidated Statements of Partners' Capital since we are a pass-through entity.

CASH

We held no cash as at December 31, 2023 and 2022 as cash balances are managed centrally by Enbridge and amounts are 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 an allowance for current expected credit loss of \$10 million as at December 31, 2023 and 2022.

INVENTORY

Inventory consists of materials and supplies. 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 Statements of Financial Position include balances as a result of differences in gas volumes received and delivered for customers. Since we do not own natural gas and settlement of certain imbalances is in-kind, changes in our balances do not have an effect on our Consolidated Statements of Earnings or our Consolidated Statements of Cash Flows. Natural gas volumes owed to or by us are valued at natural gas market index prices as at the balance sheet 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 its 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, 2023, we performed a qualitative goodwill impairment assessment for our reporting unit and did not identify impairment indicators. Also, we did not identify any indicators of goodwill impairment during the remainder of 2023. As a result, we did not perform a quantitative impairment test.

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.

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 its expected undiscounted cash flows, we will calculate fair value based on the discounted cash flows and write the asset down to the extent that the carrying value exceeds the fair value.

ASSET RETIREMENT OBLIGATIONS

Asset Retirement Obligations (ARO) associated with the retirement of long-lived assets are recognized and measured at fair value in the period in which they can be reasonably determined. The fair value approximates the cost a third party would charge in performing 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 ARO 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.

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.

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

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 a liability has been incurred, and the amount of the 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.

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.

3. CHANGES IN ACCOUNTING POLICIES

CHANGES IN ACCOUNTING POLICIES

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

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 Consolidated Statements of Partners' Capital, since we are a pass-through entity.

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 Texas Eastern, 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 allowance policy. The AC18-220 proceeding is currently pending before the FERC and as such, we continue to reflect ADIT and EDIT on the books.

On June 1, 2019, Texas Eastern started amortizing the EDIT regulatory liability over the remaining average useful life of the assets, as agreed to in the rate case settlement approved by the Commission in Docket No. RP19-343 (2019 Settlement).

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, Texas Eastern 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. Texas Eastern continues to operate under the rates approved by the FERC in the November 2022 Order.

On November 27, 2023, SEP, a subsidiary of Enbridge Inc., filed with the FERC in Docket No. AC18-220-000 a request on behalf of certain of SEP's pipeline and affiliates, including Texas Eastern, for a Motion for Action on its September 10, 2018 request for approval of accounting entries in this proceeding.

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,	2023	2022	Recovery/Refund Period Ends
<i>(millions of United States dollars)</i>			
Current regulatory assets			
Under-recovery of fuel costs ¹	12	69	2024
FERC annual charge adjustment	4	4	2024
Total current regulatory assets²	16	73	
Long-term regulatory assets			
Deferred income taxes ³	106	105	Life of associated asset
Vacation accrual	5	4	Various
Asset retirement obligations ⁴	63	51	Various
Negative salvage ⁵	82	130	Various
Total long-term regulatory assets²	256	290	
Current regulatory liabilities			
Over-recovery of fuel costs	2	5	2024
Total current regulatory liabilities⁶	2	5	
Long-term regulatory liabilities			
Environmental clean-up costs	1	2	2027
US income taxes ⁷	554	580	2072
Deferred depreciation	14	15	Life of associated liability
Total long-term regulatory liabilities⁶	569	597	

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 Accounts receivable and other, 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. REVENUES

REVENUE FROM CONTRACTS WITH CUSTOMERS

Major Services

All operating revenues for the year ended December 31, 2023 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
<i>(millions of United States dollars)</i>			
Balance as at December 31, 2023	194	51	25
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 to be Recognized from Unfulfilled Performance Obligations

Total revenue from performance obligations expected to be fulfilled in future periods is \$11.9 billion, of which \$1.9 billion is expected to be recognized during the year ended December 31, 2024.

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.

SIGNIFICANT 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

Related party transactions are conducted in the normal course of business and, unless otherwise noted, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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.

Our transactions with related parties are as follows:

Year ended December 31, (millions of United States dollars)	2023	2022
Transportation of natural gas ¹	56	56
Storage of natural gas and other services ²	1	18
Operating, maintenance and other expenses ³	351	291

¹ During the years ended December 31, 2023 and 2022, we recognized Transportation of natural gas revenue from NEXUS Gas Transmission, LLC of \$51 million.

² During the years ended December 31, 2023 and 2022, we recognized Storage of natural gas and other services revenue from DCP Midstream, LLC of nil and \$17 million, respectively.

³ During the years ended December 31, 2023 and 2022, Operating, maintenance and other expenses includes lease expenses from Pomelo Connector, LLC of \$24 million.

Amounts due from/to related parties are as follows:

December 31, (millions of United States dollars)	2023	2022
Gas imbalance receivable	16	60
Other current assets ¹	4	3
Gas imbalance payable	25	76

¹ Other current assets are included in Accounts receivable and other.

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 \$3 million and \$1 million for the year ended December 31, 2023 and 2022, respectively.

In 2023, \$208 million of non-cash distributions were made to our partners, which reduced the outstanding Advances receivable, net - affiliates that are due to us. In 2022, \$846 million of non-cash distributions were made to our partners, which reduced the outstanding Advances receivable, 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 25 years as at December 31, 2023, some of which include options to extend leases for up to 15 years.

For the years ended December 31, 2023 and 2022, we incurred operating lease expenses of \$34 million and \$32 million, respectively. Operating lease expenses are reported under Operating, maintenance and other expenses on the Consolidated Statements of Earnings. For the years ended December 31, 2023 and 2022, we incurred operating lease payments to settle lease liabilities of \$36 million and \$34 million, respectively. Operating lease payments are reported under operating activities in the Consolidated Statements of Cash Flows.

December 31,	2023	2022
<i>(millions of US dollars, except lease term and discount rate)</i>		
Operating leases		
Operating lease right-of-use assets, net ¹	387	392
Operating lease liabilities - current ²	15	15
Operating lease liabilities - long-term ³	366	372
Total operating lease liabilities	381	387
Weighted average remaining lease term		
Operating leases	23 years	25 years
Weighted average discount rate		
Operating leases	4.82 %	4.78 %

1 Amounts due from related parties are \$361 million and \$368 million as at December 31, 2023 and 2022, respectively.

2 Amounts due to related parties are \$8 million as at December 31, 2023 and 2022.

3 Amounts due to related parties are \$347 million and \$356 million as at December 31, 2023 and 2022, respectively.

As at December 31, 2023, we have operating lease commitments as detailed below:

	Operating leases
<i>(millions of United States dollars)</i>	
2024	36
2025	34
2026	33
2027	30
2028	28
Thereafter	476
Total undiscounted lease payments	637
Less imputed interest	(255)
Total operating lease commitments	382

8. PROPERTY, PLANT AND EQUIPMENT

December 31,	Weighted Average Depreciation Rate	2023	2022
<i>(millions of United States dollars)</i>			
Pipeline	3.1 %	7,471	7,142
Compressors, meters and other operating equipment	2.5 %	4,831	4,551
Land and right-of-way ¹	2.5 %	344	342
Storage	3.4 %	389	362
Interconnection costs and other	2.9 %	115	104
Under construction	— %	382	382
Total property, plant and equipment		13,532	12,883
Total accumulated depreciation and amortization		(3,234)	(2,948)
Property, plant and equipment, net		10,298	9,935

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 and amortization expense for the years ended December 31, 2023 and 2022 was \$366 million and \$313 million, respectively.

9. DEBT

December 31, <i>(millions of United States dollars)</i>	Maturity	2023	2022
3.50% senior unsecured notes	2028	400	400
2.50% senior unsecured notes	2031	400	400
7.00% senior unsecured notes	2032	450	450
6.20% senior unsecured notes	2032	600	600
3.10% senior unsecured notes	2040	300	300
4.15% senior unsecured notes	2048	400	400
Unamortized debt discount		(4)	(4)
Unamortized debt issuance costs		(8)	(8)
Total debt		2,538	2,538
Current maturities		—	—
Total long-term debt		2,538	2,538

DEBT COVENANTS

As at December 31, 2023, we were in compliance with all debt covenants.

10. ASSET RETIREMENT OBLIGATIONS

December 31, <i>(millions of United States dollars)</i>	2023	2022
Obligations at beginning of year	54	21
Liabilities settled	(2)	(7)
Change in estimate and other	8	40
Obligations at end of year	60	54
Presented as follows:		
Accounts payable and other	8	11
Regulatory and other liabilities	52	43
	60	54

11. RISK MANAGEMENT

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

COMMITMENTS

As at December 31, 2023, we have commitments as detailed below:

	Total	Less than 1 year	2 years	3 years	4 years	5 years	Thereafter
<i>(millions of United States dollars)</i>							
Purchase of services, pipe and other materials, including transportation ¹	476	178	25	27	25	24	197
Right-of-way commitments	40	1	1	1	1	1	35
Total	516	179	26	28	26	25	232

¹ Includes capital and operating commitments. Consists primarily of gas transportation and storage contracts, firm capacity payments and product purchase obligations.

GENERAL INSURANCE

We are included in the comprehensive insurance program maintained by Enbridge for its subsidiaries to mitigate a certain portion of our risks. However, not all potential risks arising from our operations are insurable, or are insured as a result of availability, high premiums and for various other reasons. Enbridge self-insures a significant portion of certain risks through its wholly-owned captive insurance subsidiaries, which require certain assumptions and management judgments regarding the frequency and severity of claims, claim development and settlement practices and the selection of estimated loss among estimates derived using different methods. Enbridge's insurance coverage is also subject to terms and conditions, exclusions and large deductibles or self-insured retentions which may reduce or eliminate coverage in certain circumstances.

Enbridge's insurance policies are generally renewed on an annual basis and, depending on factors such as market conditions, the premiums, terms, policy limits and/or deductibles can vary substantially. We can give no assurance that we will be able to maintain adequate insurance in the future at rates or on other terms we consider commercially reasonable. In such case, we may decide to self-insure additional risks.

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 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 air emissions limitations and 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, or from recovery through cost of service rate increases, we will be responsible for payment of costs arising from environmental obligations or 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 December 31, 2023 or 2022, related to litigation.

13. SUBSEQUENT EVENTS

We have evaluated significant events and transactions that occurred from January 1, 2024 through March 28, 2024, the date financial statements were issued, and have identified no subsequent events for disclosure.