

Texas Eastern Transmission, LP

Condensed Consolidated Financial Statements

(Unaudited)

March 31, 2017

TEXAS EASTERN TRANSMISSION, LP
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In millions)

	Three Months Ended	
	March 31,	
	2017	2016
Operating Revenues		
Transportation of natural gas.....	\$ 310	\$ 308
Storage of natural gas and other services	30	29
Total operating revenues.....	<u>340</u>	<u>337</u>
Operating Expenses		
Operating, maintenance and other	110	98
Depreciation and amortization	35	35
Property and other taxes	25	24
Total operating expenses.....	<u>170</u>	<u>157</u>
Operating Income	170	180
Other Income		
Allowance for funds used during construction - equity	5	3
Other income	1	—
Total other income	<u>6</u>	<u>3</u>
Interest Expense	19	20
Net Income	<u>\$ 157</u>	<u>\$ 163</u>

See Notes to Condensed Consolidated Financial Statements.

TEXAS EASTERN TRANSMISSION, LP
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In millions)

	March 31, 2017	December 2016
ASSETS		
Current Assets		
Receivables, net.....	\$ 114	\$ 129
Gas imbalances receivable	72	83
Inventory.....	33	33
Cash collateral held by affiliate	40	40
Other	10	11
Total current assets.....	269	296
Other Assets		
Advances receivable, net - affiliates.....	121	53
Goodwill	136	136
Other	2	3
Total other assets.....	259	192
Property, Plant and Equipment		
Cost.....	9,254	9,156
Less accumulated depreciation and amortization.....	2,101	2,073
Net property, plant and equipment.....	7,153	7,083
Regulatory Assets and Deferred Debits.....	176	173
Total Assets.....	\$ 7,857	\$ 7,744

See Notes to Condensed Consolidated Financial Statements.

TEXAS EASTERN TRANSMISSION, LP
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In millions)

	March 31, 2017	December 31, 2016
LIABILITIES AND PARTNERS' CAPITAL		
Current Liabilities		
Accounts payable.....	\$ 71	\$ 69
Taxes accrued.....	37	53
Interest accrued.....	18	26
Collateral liabilities.....	25	25
Gas imbalances payable.....	72	83
Fuel tracker liabilities.....	9	23
Current maturities of long term debt.....	400	400
Deposits.....	9	12
Other.....	17	13
Total current liabilities.....	658	704
Long-term Debt.....	1,243	1,243
Deferred Credits and Other Liabilities		
Deferred Income Taxes.....	6	6
Other.....	83	84
Total deferred credits and other liabilities.....	89	90
Commitments and Contingencies		
Partners' Capital.....	5,867	5,707
Total Liabilities and Partners' Capital.....	\$ 7,857	\$ 7,744

See Notes to Condensed Consolidated Financial Statements.

TEXAS EASTERN TRANSMISSION, LP
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In millions)

	Three Months Ended March 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES	\$ 168	\$ 176
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(102)	(96)
Changes in advances receivable, net - affiliates	(68)	—
Other	2	—
Net cash used in investing activities	(168)	(96)
CASH FLOWS FROM FINANCING ACTIVITIES		
Changes in advances payable, net - affiliates	—	(80)
Net cash used in financing activities	—	(80)
Net change in cash and cash equivalents.....	—	—
Cash and cash equivalents at beginning of period	—	—
Cash and cash equivalents at end of period	\$ —	\$ —

See Notes to Condensed Consolidated Financial Statements.

TEXAS EASTERN TRANSMISSION, LP
CONDENSED CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL
(Unaudited)
(In millions)

December 31, 2016	\$ 5,707
Net income	157
Attributed deferred income tax benefit	3
March 31, 2017	<u>\$ 5,867</u>
December 31, 2015	\$ 5,286
Net income	163
Attributed deferred income tax benefit	1
March 31, 2016	<u>\$ 5,450</u>

See Notes to Condensed Consolidated Financial Statements.

Texas Eastern Transmission, LP
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Summary of Operations and Significant Accounting Policies

The terms "we," "our" and "us" as used in this report refer collectively to Texas Eastern Transmission, LP and its subsidiaries unless the context suggests otherwise. These terms are used for convenience only and are not intended as a precise description of any separate legal entity within Texas Eastern Transmission, LP.

Nature of Operations. Texas Eastern Transmission, LP, a Delaware limited partnership, is an indirect, 100%-owned subsidiary of Spectra Energy Partners, LP, which is owned 75% by Spectra Energy Corp. We are mostly engaged in the interstate transmission and storage of natural gas. Our interstate natural gas transmission and storage operations are subject to the rules and regulations of the Federal Energy Regulatory Commission.

Basis of Presentation. The accompanying Condensed Consolidated Financial Statements are prepared in accordance with generally accepted accounting principles (GAAP) in the United States and reflect our consolidated results of operations, financial position and cash flows. These interim financial statements should be read in conjunction with the most recent audited financial statements and reflect all normal recurring adjustments that are, in our opinion, necessary to fairly present our results of operations and financial position. Amounts reported in the Condensed Consolidated Statements of Operations are not necessarily indicative of amounts expected for the respective annual periods.

Consolidation. The Condensed Consolidated Financial Statements reflect the elimination of intercompany transactions and balances.

Use of Estimates. To conform with GAAP in the United States, we make estimates and assumptions that affect the amounts reported in the Condensed Consolidated Financial Statements and Notes to Condensed Consolidated Financial Statements. Although these estimates are based on our best available knowledge at the time, actual results could differ.

Income Taxes. We are not subject to federal income taxes, but rather our taxable income or loss is reported on the income tax returns of our partners. We remain subject to Tennessee income tax.

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 Income Tax Benefit in the Condensed Consolidated Statements of Partners' Capital since we are a pass-through entity.

Inventory. Inventory consists of natural gas held in storage for operations and materials and supplies. Natural gas inventory is carried at historical cost and materials and supplies is recorded at the lower of cost or market value, using the average rate method.

Natural Gas Imbalances. The Condensed Consolidated Balance Sheets include in-kind balances as a result of differences in gas volumes received and delivered for customers. Since settlement of imbalances is in-kind, changes in balances do not have an effect on our Condensed Consolidated Statements of Operations or Condensed Consolidated Statements of Cash Flows. Natural gas volumes owed to or by us are valued at natural gas market index prices as of the balance sheet dates.

2. Commitments and Contingencies

Environmental. We are subject to various federal, state and local laws and regulations regarding air and water quality, hazardous and solid waste disposal and other environmental matters. These laws and regulations can change from time to time, imposing new obligations on us.

Litigation. We are involved in legal, tax and regulatory proceedings in various forums arising in the ordinary course of business, including matters regarding contract and payment claims, some of which may involve substantial monetary amounts. We have insurance coverage for certain of these losses should they be incurred. We believe that the final disposition of these proceedings will not have a material effect on our consolidated results of operations, financial position or cash flows.

3. Subsequent Events

We have evaluated significant events and transactions that occurred from April 1, 2017 through May 24, 2017, the date the Condensed Consolidated Financial Statements were issued.