

Texas Eastern Transmission, LP

Condensed Consolidated Financial Statements

(Unaudited)

September 30, 2016

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Operating Revenues				
Transportation of natural gas	\$ 310	\$ 288	\$ 922	\$ 854
Storage of natural gas and other services	28	32	86	\$ 97
Total operating revenues.....	<u>338</u>	<u>320</u>	<u>1,008</u>	<u>951</u>
Operating Expenses				
Operating, maintenance and other	142	100	347	285
Depreciation and amortization.....	35	32	104	94
Property and other taxes	18	15	67	38
Total operating expenses.....	<u>195</u>	<u>147</u>	<u>518</u>	<u>417</u>
Operating Income	143	173	490	534
Other Income	5	11	11	22
Interest Expense	19	18	60	57
Earnings Before Income Taxes	129	166	441	499
Income Tax	1	1	1	1
Net Income	<u>\$ 128</u>	<u>\$ 165</u>	<u>\$ 440</u>	<u>\$ 498</u>

See Notes to Condensed Consolidated Financial Statements.

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

	September 30, 2016	December 31, 2015
ASSETS		
Current Assets		
Receivables	\$ 119	\$ 116
Gas imbalances receivable	50	38
Inventory	33	32
Cash collateral held by affiliate	40	40
Fuel tracker	—	25
Other	14	14
Total current assets	<u>256</u>	<u>265</u>
Other Assets		
Advances receivable, net - affiliates	13	—
Goodwill	136	136
Other	4	2
Total other assets	<u>153</u>	<u>138</u>
Property, Plant and Equipment		
Cost	9,060	8,765
Less accumulated depreciation and amortization	2,064	1,978
Net property, plant and equipment	<u>6,996</u>	<u>6,787</u>
Regulatory Assets and Deferred Debits	<u>166</u>	<u>149</u>
Total Assets	<u>\$ 7,571</u>	<u>\$ 7,339</u>

See Notes to Condensed Consolidated Financial Statements.

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

	September 30, 2016	December 31, 2015
LIABILITIES AND PARTNERS' CAPITAL		
Current Liabilities		
Accounts payable.....	\$ 97	\$ 86
Taxes accrued.....	52	34
Interest accrued.....	18	26
Collateral liabilities.....	23	30
Gas imbalances payable.....	49	38
Fuel tracker liabilities.....	3	—
Current maturities of long term debt.....	400	—
Deposits.....	13	11
Other.....	13	13
Total current liabilities.....	668	238
Advances Payable, Net - Affiliates.....	—	80
Long-term Debt.....	1,243	1,641
Deferred Credits and Other Liabilities.....	94	94
Commitments and Contingencies		
Partners' Capital.....	5,566	5,286
Total Liabilities and Partners' Capital.....	\$ 7,571	\$ 7,339

See Notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended September 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES	\$ 572	\$ 569
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(315)	(545)
Changes in advances receivable, net - affiliates	(177)	(60)
Other	—	1
Net cash used in investing activities	(492)	(604)
CASH FLOWS FROM FINANCING ACTIVITIES		
Changes in advances payable, net - affiliates	(80)	35
Net cash provided by (used in) financing activities	(80)	35
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, 2015	\$ 5,286
Net income.....	440
Attributed deferred income tax benefit.....	4
Distributions to partners.....	(164)
September 30, 2016	<u>\$ 5,566</u>
December 31, 2014	\$ 4,628
Net income.....	498
Attributed deferred income tax benefit.....	11
Contributions from partners.....	31
Distributions to partners.....	(60)
September 30, 2015	<u>\$ 5,108</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 76% 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 October 1, 2016 through November 16, 2016, the date the Condensed Consolidated Financial Statements were issued.