TEXAS EASTERN TRANSMISSION, LP

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

pwc

Report of Independent Auditors

To the Management Committee and Management of Texas Eastern Transmission, LP:

We have audited the accompanying consolidated financial statements of Texas Eastern Transmission, LP and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of earnings, partners' capital and cash flows for the years then ended.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Partnership's preparation and fair presentation of the consolidated financial statements 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 Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Texas Eastern Transmission, LP and its subsidiaries as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

March 22, 2021

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TEXAS EASTERN TRANSMISSION, LP
CONSOLIDATED STATEMENTS OF EARNINGS

Year ended December 31,	**2020**	2019
(millions of US dollars)		
Operating revenues		
Transportation of natural gas	**1,613**	1,527
Storage of natural gas and other services	**136**	122
Total operating revenues	**1,749**	1,649
Operating expenses		
Operating, maintenance and other	**637**	671
Depreciation and amortization	**249**	154
Property and other taxes	**120**	110
Total operating expenses	**1,006**	935
Operating income	**743**	714
Other income/(expenses)		
Excess Accumulated Deferred Income Tax *(Note 3)*	**(113)**	—
Allowance for funds used during construction - equity	**20**	14
Other income	**20**	13
Interest expense	**(86)**	(87)
Earnings before income taxes	**584**	654
Income tax expense	**(1)**	(1)
Earnings	**583**	653

See accompanying notes to the consolidated financial statements.

TEXAS EASTERN TRANSMISSION, LP
CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL

Year ended December 31,	**2020**	2019
(millions of US dollars)		
Balance at beginning of period	**5,946**	5,576
Earnings	**583**	653
Attributed deferred income tax benefit	**5**	3
Distributions to partners	**(313)**	(286)
Rate case settlement	**41**	—
Balance at end of period	**6,262**	5,946

See accompanying notes to the consolidated financial statements.

TEXAS EASTERN TRANSMISSION, LP
CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31,	**2020**	2019
(millions of US dollars)		
Operating activities		
Earnings	**583**	653
Adjustments to reconcile earnings to net cash provided by operating activities:		
Depreciation and amortization	**249**	154
Allowance for funds used during construction - equity	**(20)**	(14)
Rate refund payable	**—**	175
Reversal of rate case deferral	**(26)**	—
Excess Accumulated Deferred Income Tax *(Note 3)*	**113**	—
Income tax expense	**1**	1
Other	**33**	—
Other changes in operating assets and liabilities	**(135)**	(6)
Net cash provided by operating activities	**798**	963
Investing activities		
Capital expenditures	**(714)**	(560)
Change in advances receivable, net — affiliates	**(148)**	(403)
Net cash used in investing activities	**(862)**	(963)
Financing activities		
Proceeds from the issuance of long-term debt, net of issue costs	**300**	—
Payments for the redemption of long-term debt	**(300)**	—
Change in advances payable, net — affiliates	**64**	—
Net cash provided by financing activities	**64**	—
Net change in cash and cash equivalents	**—**	—
Cash and cash equivalents at beginning of year	**—**	—
Cash and cash equivalents at end of year	**—**	—
Supplemental Disclosure		
Cash interest paid, net of capitalized interest	**83**	86
Property, plant and equipment non-cash accruals	**118**	84

See accompanying notes to the consolidated financial statements.

TEXAS EASTERN TRANSMISSION, LP
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,	**2020**	2019
(millions of US dollars)		
Assets		
Current assets		
Accounts receivables	**148**	179
Gas imbalance receivable	**52**	48
Inventory	**37**	35
Cash collateral held by affiliates	**40**	40
Fuel tracker	**46**	39
Other	**15**	12
	338	353
Advances receivable, net - affiliates	**—**	165
Goodwill	**136**	136
Right-of-use assets	**410**	413
Property, plant and equipment, net	**8,695**	8,326
Regulatory assets	**269**	153
Other	**35**	23
Total assets	**9,883**	9,569
Liabilities and partners' capital		
Current liabilities		
Accounts payable	**183**	131
Property and other taxes accrued	**82**	72
Interest accrued	**34**	32
Collateral liabilities	**27**	28
Gas imbalance payable	**52**	48
Rate refund payable	**—**	175
Lease liabilities	**14**	14
Current portion of long-term debt *(Note 8)*	**—**	300
Other	**26**	30
	418	830
Long-term debt *(Note 8)*	**2,036**	1,734
Advances payable, net - affiliates	**64**	—
Deferred state income tax	**8**	7
Lease liabilities	**393**	398
Regulatory and other liabilities	**702**	654
	3,621	3,623
Partners’ capital	**6,262**	5,946
Total liabilities and partners' capital	**9,883**	9,569

See accompanying notes to the consolidated financial statements.

Texas Eastern Transmission, LP
Notes to Consolidated Financial Statements

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 Enbridge Inc. (Enbridge). 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 (FERC).

Basis of Presentation
The accompanying Consolidated Financial Statements are prepared in accordance with generally accepted accounting principles in the United States of America (US GAAP) and reflect our consolidated results of operations, financial position and cash flows. Amounts are presented in United States dollars unless otherwise stated.

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

Use of Estimates
The preparation of 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 in the consolidated 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 3*); unbilled revenues; expected credit losses; depreciation rates and carrying value of property, plant and equipment (*Note 7*); measurement of goodwill; fair value of Asset retirement obligations (ARO) (*Note 9*); and commitments and contingencies (*Note 11*). Actual results could differ from these estimates.

Regulation
We are subject to the rules and regulations of the FERC, who exercises statutory authority over matters such as rates, 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 these 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, 2020 is probable over the periods described in Note 3 - Regulatory Matters.

Revenue Recognition
Revenues from the transmission and storage of natural gas are recognized when the service is provided. Revenues related to these 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. We also have certain customer contracts with billed amounts that decline annually over the terms of the contracts. Differences between the amounts billed and recognized are deferred on the Consolidated Statements of Financial Position.

Allowance for Funds Used During Construction (AFUDC)
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/(expenses) 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 $24 million in 2020 (an equity component of $20 million and an interest expense component of $4 million) and $17 million in 2019 (an equity component of $14 million and an interest expense component of $3 million).

Income Taxes
We are a disregarded entity for federal income tax purposes; therefore, we are not subject to federal income taxes, but rather our taxable income or loss is reported on the income tax returns of our partner. We remain subject to Tennessee income tax. Furthermore, there is no formal or informal tax sharing arrangements or commitments to fund any tax liabilities of the partners. Based on these facts, we have decided not to record an income tax provision.

Cash and Cash Equivalents
Highly liquid investments with original maturities of three months or less at the date of acquisition are considered cash equivalents.

We had no cash or cash equivalents as of December 31, 2020 or 2019 because all cash is managed collectively by Enbridge on a centralized basis and is 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. Applicable off-balance sheet commitments utilize a discounted cash flow methodology which calculates the current expected credit losses based on historical default probability rates associated with the credit rating of the counterparty and the related term of the loan or commitment, adjusted for forward-looking information and management expectations.

We had a current expected credit loss of $11 million as at December 31, 2020 and an allowance for doubtful accounts balance of $3 million as at December 31, 2019.

Inventory
Inventory consists of natural gas held in storage for operations and materials and supplies. Natural gas and 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 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 Consolidated Statements of Earnings or Consolidated Statements of Cash Flows. Natural gas volumes owed to or by us are valued at natural gas market index prices as of the Consolidated Statements of Financial Position 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.

In performing the goodwill impairment test, 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 for each reporting unit 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 of the reporting unit is less than it's 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 of our reporting unit, including allocated goodwill, exceeds its fair value, goodwill impairment is measured at the amount by which our reporting unit's carrying value exceeds its fair value. This amount should not exceed the carrying amount of goodwill. Fair value of our reporting units 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 units.

On April 1, 2020, we performed a quantitative goodwill impairment assessment for our reporting units with no resulting impairment charge. No indicators of goodwill impairment were identified during the remainder of 2020.

Property, Plant and Equipment
Property, plant and equipment is stated at historical cost less accumulated depreciation. We capitalize all construction-related direct labor and material costs, as well as indirect construction costs. Indirect costs include general engineering, taxes, administrative and general costs, and the cost of funds used during construction. The costs of renewals and betterments that extend the useful life or increase the expected output of property, plant and equipment are also capitalized. The costs of repairs, replacements and major maintenance projects that do not extend the useful life or increase the expected output of property, plant and equipment are expensed as incurred. Depreciation is generally computed over the asset's estimated useful life using the straight-line method.

When we retire property, plant and equipment, we charge the original cost plus the cost of retirement, less salvage value, to accumulated depreciation and amortization. When we sell entire regulated operating units, or retire or sell certain non-regulated properties, the cost is removed from the property account and the related accumulated depreciation and amortization accounts are reduced. Any gain or loss is recorded in earnings, unless otherwise required by FERC.

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, as described under the Long-Lived Asset Impairments section.

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.

Preliminary Project Costs

Project development costs, including expenditures for preliminary surveys, plans, investigations, environmental studies, regulatory applications and other costs incurred for the purpose of determining the feasibility of capital expansion projects, are capitalized when it is determined that recovery of such costs through regulated revenues of the completed project is probable. Any inception-to-date costs of the projects that were initially expensed are reversed and capitalized as Property, plant and equipment.

Long-Lived Asset Impairments

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

Asset Retirement Obligations

We recognize AROs for legal commitments associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or normal use of the asset and conditional AROs in which the timing or method of settlement are conditional on a future event that may or may not be within our control. The fair value of a liability for an ARO is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made and is added to the carrying amount of the associated asset. This additional carrying amount is depreciated over the estimated useful life of the asset.

Our AROs 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. Refer to Note 9 for the estimated ARO.

Unamortized Debt Premium, Discount and Expense

Premiums, discounts and expenses incurred with the issuance of outstanding long-term debt are amortized over the terms of the debt issued. Any call premiums or unamortized expenses associated with refinancing higher-cost debt obligations to finance regulated assets and operations are amortized consistent with regulatory treatment of those items, where appropriate.

Environmental Expenditures

We expense environmental expenditures related to conditions caused by past operations that do not generate current or future revenues. Environmental expenditures related to operations that generate current or future revenues are expensed or capitalized, as appropriate. Undiscounted liabilities are recorded when the necessity for environmental remediation becomes probable and the costs can be reasonably estimated, or when other potential environmental liabilities are reasonably estimable and probable.

2. CHANGES IN ACCOUNTING POLICES

ADOPTION OF NEW ACCOUNTING STANDARDS

The following new Accounting Standards Updates (ASUs) were adopted during 2020 and the effects of such adoptions, if any, are presented in the accompanying Consolidated Financial Statements:

Clarifying Interaction between Collaborative Arrangements and Revenue from Contracts with Customers

Effective January 1, 2020, we adopted ASU 2018-18 on a retrospective basis. The new standard was issued in November 2018 to provide clarity on when transactions between entities in a collaborative arrangement should be accounted for under the new revenue standard, Accounting Standards Codification (ASC) 606. In determining whether transactions in collaborative arrangements should be accounted for under the revenue standard, the update specifies that entities shall apply unit of account guidance to identify distinct goods or services and whether such goods and services are separately identifiable from other promises in the contract. ASU 2018-18 also precludes entities from presenting transactions with a collaborative partner which are not in scope of the new revenue standard together with revenue from contracts with customers. The adoption of this ASU did not have a material impact on our consolidated financial statements.

Accounting for Credit Losses

Effective January 1, 2020, we adopted ASU 2016-13 on a modified retrospective basis.

The new standard was issued in June 2016 with the intent of providing financial statement users with more useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The previous accounting treatment used the incurred loss methodology for recognizing credit losses that delayed the recognition until it was probable a loss had been incurred. The accounting update adds a new impairment model, known as the current expected credit loss model, which is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses, which the Financial Accounting Standards Board believes results in more timely recognition of such losses.

Further, ASU 2018-19 was issued in November 2018 to clarify that operating lease receivables should be accounted for under the new leases standard, ASC 842, and are not within the scope of ASC 326, Financial Instruments - Credit Losses.

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. Other loan receivables and off-balance sheet commitments in scope of the new standard utilize a discounted cash flow methodology which calculates the current expected credit losses based on historical default probability rates associated with the credit rating of the counterparty and the related term of the loan or commitment, adjusted for forward-looking information and management expectations.

The adoption of this ASU did not have a material impact on our consolidated financial statements.

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

We continue to operate under rates approved by the FERC in 2020, in an uncontested settlement with our customers. We filed with the Federal Energy Regulatory Commission (Commission) on November 30, 2018, for changes to its transportation and storage service rates pursuant to Section 4 of the Natural Gas Act reflecting an overall increase in the cost of service underlying jurisdictional recourse rates. Following extensive negotiations, we reached a settlement with our shippers and filed a Stipulation and Agreement with the Commission on October 28, 2019.

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 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 revised income tax policy. We are still awaiting a response from the Commission in Docket No. AC18-220-000 and as such have continued to reflect ADIT and EDIT on the books.

On February 25, 2020, we received approval from the FERC of our uncontested rate case settlement with customers. We recognized revenues from the settled rates retroactive to June 1, 2019, and put the settled rates into effect on April 1, 2020. Refunds of $173 million reflecting the difference between the filed rates moved into effect on June 1, 2019, and the settlement rates, were paid in accordance with the terms of the settlement. In addition, other expense of $113 million was recognized resulting from the settlement that reestablished the EDIT regulated liability that was previously eliminated in December 2018. Beginning on April 1, 2020, we started amortizing the EDIT regulated liability over the remaining average useful life of the assets, as agreed to in the rate case settlement.

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,	**2020**	2019	Recover/Refund Period Ends
(millions of US dollars)			
Regulatory Assets[1]			
Regulatory asset related to income taxes[2]	**91**	86	Life of associated asset
Vacation accrual	**16**	16	Various
Asset retirement obligations	**27**	34	Various
Under-recovery of fuel costs[3, 4]	**46**	39	2021
FERC annual charge adjustment	**3**	4	2021
Negative salvage[5]	**137**	—	Various
Total Regulatory Assets	**320**	179	
Regulatory Liabilities			
Over-recovery of fuel costs[3, 6]	**7**	6	2021
Environmental clean-up costs	**4**	2	2027
Deferred income taxes[7, 8]	**631**	559	—
Pipeline rate credit[8]	**18**	19	Life of associated liability
Total Regulatory Liabilities	**660**	586	

1 Included in Regulatory assets unless otherwise noted.
2 Relates to tax gross-up of the AFUDC equity portion. All amounts are expected to be included in future rate filings.
3 Includes amounts settled in cash annually through transportation rates in accordance with FERC gas tariffs.
4 Included in Fuel tracker.
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 in 2020.
6 Included in Other current liabilities.
7 Relates to the establishment of a regulatory liability as a result of the U.S. tax reform legislation dated December 22, 2017.
8 Included in Regulatory and other liabilities.

4. REVENUE

Significant Customers
We had no customers account for greater than 10% of revenues during 2020 and one customer accounted for 10.81% of consolidated revenues during 2019.

Major Services
All operating revenues for the year ended December 31, 2020 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
(millions of US dollars)			
Balance as at December 31, 2019	176	20	20
Balance as at December 31, 2020	**153**	**33**	**22**

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 $11.8 billion, of which $1.6 billion is expected to be recognized during the year ended December 31, 2021.

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.

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.

5. TRANSACTIONS WITH AFFILIATES

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.

Statements of Earnings

December 31,	**2020**	2019
(millions of US dollars)		
Transportation of natural gas		
NEXUS Gas Transmission, LLC	**51**	47
Other	**2**	2
Storage of natural gas and other services		
DCP Midstream, LLC	**19**	26
Other	**1**	2
Operating, maintenance and other expenses	**290**	262
Other income	**24**	12

We are party to an agreement with DCP Midstream, an equity investment of Enbridge, in which DCP Midstream processes certain of our customers' gas to meet gas quality specifications in order to be transported on our system. DCP Midstream processes the gas and sells the natural gas liquids (NGLs) that are extracted from the gas. A portion of the proceeds from those sales are retained by DCP Midstream and the balance is remitted to us. We recognized revenues of $19 million and $26 million in 2020 and 2019, respectively, related to those services, classified as Storage of natural gas and other services on our Consolidated Statements of Earnings.

Statements of Financial Position

December 31,	**2020**	2019
(millions of US dollars)		
Receivables — trade	**7**	7
Gas imbalances receivable	**21**	23
Cash collateral held by affiliates	**40**	40
Current assets — other	**5**	3
Advances receivable, net — affiliates	**—**	165
Accounts payable	**7**	3
Gas imbalances payable	**34**	42
Advances payable, net — affiliates	**64**	—
Collateral liabilities	**10**	10

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 $19 million and $16 million for the year ended December 31, 2020 and 2019, respectively.

In 2020 and 2019, we made $313 million and $286 million, respectively, of non-cash distributions to our partners, which reduced the outstanding Advances receivables, net - affiliates that are due to us.

6. LEASES

We incur operating lease expenses related primarily to pipeline capacity and real estate rentals. Our operating leases have remaining lease terms of 3 years to 30 years as at December 31, 2020, some of which include options to extend leases for up to 15 years.

For the years ended December 31, 2020 and 2019, we incurred operating lease expenses of $33 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, 2020 and 2019, we incurred operating lease payments to settle lease liabilities of $34 million and $33 million. Operating lease payments are reported under operating activities in the Consolidated Statements of Cash Flows.

December 31,	**2020**	2019
Weighted average remaining lease term		
Operating leases	**26 years**	27 years
Weighted average discount rate		
Operating leases	**4.77 %**	4.83 %

As at December 31, 2020, we have operating lease commitments as detailed below:

	Operating leases
(millions of US dollars)	
2021	**33**
2022	**32**
2023	**31**
2024	**30**
2025	**28**
Thereafter	**555**
Total undiscounted lease payments	**709**
Less imputed interest	**(302)**
Total operating lease commitments	**407**

7. PROPERTY, PLANT AND EQUIPMENT

	Weighted Average Depreciation rate	**2020**	2019
(millions of US dollars)			
Plant			
Natural gas transmission	2.32 %	**10,033**	9,724
Right-of-way	2.06 %	**331**	329
Natural gas storage	3.30 %	**311**	299
Land		**35**	35
Construction in progress		**445**	158
Other	2.87 %	**139**	139
Total property, plant and equipment		**11,294**	10,684
Total accumulated depreciation and amortization		**(2,599)**	(2,358)
Total net property, plant and equipment		**8,695**	8,326

All of our property, plant and equipment is regulated with estimated useful lives based on depreciation rates approved by the FERC.

8. DEBT

Summary of Debt and Related Terms

(millions of US dollars)	Maturity	**2020**	2019
4.125% senior unsecured notes	2020	**—**	300
2.80% senior unsecured notes	2022	**500**	500
3.50% senior unsecured notes	2028	**400**	400
7.00% senior unsecured notes	2032	**450**	450
3.10% senior unsecured notes	2040	**300**	—
4.15% senior unsecured bonds	2048	**400**	400
Unamortized debt discount		**(5)**	(6)
Unamortized debt expenses		**(9)**	(10)
Total debt		**2,036**	2,034
Current maturities		**—**	(300)
Total long-term debt		**2,036**	1,734

9. ASSET RETIREMENT OBLIGATION

(millions of US dollars)	**2020**	2019
Balance at beginning of year	**38**	43
Accretion expense	**2**	2
Liabilities settled	**(9)**	(7)
Balance at the end of the year[1]	**31**	38

1 Amounts included in Regulatory and other liabilities on the Consolidated Statements of Financial Position.

10. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Commodity Price Risk

We are exposed to the impact of market fluctuations in the prices of NGLs and natural gas related to certain of our operations. NGL and natural gas price fluctuations will continue to affect processing revenues that are associated with transportation services. There were no commodity derivatives outstanding in 2020 or 2019.

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.

COVID-19 Pandemic Risk

The spread of the COVID-19 pandemic has caused significant volatility in the US and international markets. While we have taken proactive measures to deliver energy safely and reliably during this pandemic, given the ongoing dynamic nature of the circumstances surrounding COVID-19, the impact of this pandemic on our business remains uncertain.

11. COMMITMENTS AND 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, 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 business.

Litigation and Legal Proceedings
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 Statements of Financial Position or Statements of Earnings.

Legal costs related to the defense of loss contingencies are expensed as incurred. We had no material reserves for legal matters recorded as of December 31, 2020 or 2019 related to litigation.

Commitments
The following is a summary of right-of-way and capital commitments.

	Commitments
(millions of US dollars)	
2021	**227**
2022	**87**
2023	**28**
2024	**8**
2025	**2**
Thereafter	**35**
Total commitments	**387**

12. SUBSEQUENT EVENTS

We have evaluated significant events and transactions that occurred through March 22, 2021, the date the Consolidated Financial Statements were issued, and have identified no subsequent events for disclosure.