

**Sabal Trail Transmission, LLC**

Condensed Financial Statements

(Unaudited)

September 30, 2018

**SABAL TRAIL TRANSMISSION, LLC**  
**CONDENSED STATEMENTS OF INCOME**  
(Unaudited; in millions)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Operating Revenues</b>	\$ 93.9	\$ 52.6	\$ 244.7	\$ 62.4
<b>Operating Expenses</b>				
Operating, maintenance and other.....	15.1	13.2	43.5	15.1
Depreciation and amortization .....	12.0	11.0	34.8	12.9
Property and other taxes.....	(0.6)	2.2	17.1	2.6
Total operating expenses.....	<u>26.5</u>	<u>26.4</u>	<u>95.4</u>	<u>30.6</u>
<b>Operating Income</b> .....	67.4	26.2	149.3	31.8
<b>Other Income (Expense)</b>				
Allowance for funds used during construction - equity .....	1.0	1.0	2.8	73.4
Allowance for funds used during construction - debt .....	0.4	0.4	1.2	32.5
Interest income (expense) .....	(17.0)	1.0	(29.1)	1.0
Other income (expense) .....	(0.2)	(0.8)	0.5	—
Total other income (expense).....	<u>(15.8)</u>	<u>1.6</u>	<u>(24.6)</u>	<u>106.9</u>
<b>Net Income</b> .....	<u>\$ 51.6</u>	<u>\$ 27.8</u>	<u>\$ 124.7</u>	<u>\$ 138.7</u>

See Notes to Condensed Financial Statements.

**SABAL TRAIL TRANSMISSION, LLC**  
**CONDENSED BALANCE SHEETS**  
(Unaudited; in millions)

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents .....	\$ 56.1	\$ 28.5
Receivables - trade .....	32.6	17.6
Receivables - other .....	—	12.6
Other .....	3.6	3.6
Total current assets .....	92.3	62.3
<b>Other Assets</b>		
Other - restricted funds .....	2.3	4.7
Total other assets .....	2.3	4.7
<b>Property, Plant and Equipment</b>		
Cost .....	3,002.2	2,937.7
Accumulated depreciation .....	(58.9)	(24.1)
Net property, plant and equipment .....	2,943.3	2,913.6
<b>Regulatory Assets</b> .....	63.7	63.5
<b>Total Assets</b> .....	\$ 3,101.6	\$ 3,044.1
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable .....	\$ 13.5	\$ 54.2
Accounts payable - affiliate .....	2.0	2.5
Interest payable .....	28.8	—
Taxes payable .....	17.0	2.2
Other .....	2.0	1.0
Total current liabilities .....	63.3	59.9
<b>Long-term debt</b> .....	1,487.2	—
<b>Commitments and Contingencies</b>		
<b>Members' Equity</b> .....	1,551.1	2,984.2
<b>Total Liabilities and Members' Equity</b> .....	\$ 3,101.6	\$ 3,044.1

See Notes to Condensed Financial Statements.

**SABAL TRAIL TRANSMISSION, LLC**  
**CONDENSED STATEMENTS OF CASH FLOWS**  
(Unaudited; in millions)

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income .....	\$ 124.7	\$ 138.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization .....	35.2	12.9
Allowance for funds used during construction - equity .....	(2.8)	(73.4)
Allowance for funds used during construction - debt .....	(1.2)	(32.5)
Other changes in operating assets and liabilities .....	30.8	1.5
Net cash provided by operating activities .....	186.7	47.2
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures .....	(88.3)	(1,031.3)
Net cash used in investing activities .....	(88.3)	(1,031.3)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions from members .....	83.7	888.2
Distributions to members .....	(1,641.7)	—
Proceeds from issuance of long-term debt .....	1,487.2	—
Net cash provided by financing activities .....	(70.8)	888.2
<b>Net increase in cash and cash equivalents</b> .....	27.6	(95.9)
<b>Cash and cash equivalents at beginning of period</b> .....	28.5	148.6
<b>Cash and cash equivalents at end of period</b> .....	\$ 56.1	\$ 52.7

See Notes to Condensed Financial Statements.

**SABAL TRAIL TRANSMISSION, LLC**  
**CONDENSED STATEMENTS OF MEMBERS' EQUITY**  
(Unaudited; in millions)

	<b>Spectra Energy Partners Sabal Trail Transmission, LLC</b>	<b>US Southern Gas Infrastructure, LLC</b>	<b>Duke Energy Sabal Trail, LLC</b>	<b>Total</b>
<b>December 31, 2017</b> .....	\$ 1,492.0	\$ 1,268.3	\$ 223.9	\$ 2,984.2
Net income .....	62.3	53.0	9.4	124.7
Attributed deferred tax expense .....	0.1	0.1	—	0.2
Contributions from members .....	41.9	35.5	6.3	83.7
Distributions to members .....	(820.9)	(697.7)	(123.1)	(1,641.7)
<b>September 30, 2018</b> .....	<u>\$ 775.4</u>	<u>\$ 659.2</u>	<u>\$ 116.5</u>	<u>\$ 1,551.1</u>
<b>December 31, 2016</b> .....	<u>\$ 973.3</u>	<u>\$ 827.3</u>	<u>\$ 146.0</u>	<u>\$ 1,946.6</u>
Net income .....	69.4	58.9	10.4	138.7
Attributed deferred tax expense .....	23.0	19.6	3.5	46.1
Contributions from members .....	444.1	377.5	66.6	888.2
<b>September 30, 2017</b> .....	<u>\$ 1,509.8</u>	<u>\$ 1,283.3</u>	<u>\$ 226.5</u>	<u>\$ 3,019.6</u>

See Notes to Condensed Financial Statements.

**Sabal Trail Transmission, LLC**  
**Notes to Condensed Financial Statements**  
**(Unaudited)**

**1. Summary of Operations and Significant Accounting Policies**

**Nature of Operations.** Sabal Trail Transmission, LLC (collectively, “we”, “our”, “us” and “the company”) owns an interstate natural gas pipeline system and is owned 50% by Spectra Energy Partners, LP (SEP), 42.5% by US Southeastern Gas Infrastructure, LLC (NextEra), and 7.5% by Duke Energy Corporation (Duke). We are engaged in the interstate transmission of natural gas. Our interstate natural gas transmission operations are subject to the rules and regulations of the Federal Energy Regulatory Commission (FERC).

**Basis of Presentation.** The accompanying Condensed Financial Statements herein are prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) and reflect the results of operations, financial position and cash flows of our company. 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. The Condensed Financial Statements do not include any of the assets, liabilities, revenues or expenses of the members.

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

**Revenue Recognition.** Revenues from the transportation 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.

Effective January 1, 2018, we adopted ASU 2014-09 on a modified retrospective basis to contracts that were not yet completed at the date of initial application. The new standard was issued with the intent of significantly enhancing consistency and comparability of revenue recognition practices across entities and industries. The new standard establishes a single, principles-based, five-step model to be applied to all contracts with customers and introduces new and enhanced disclosure requirements. It also requires the use of more estimates and judgments than the present standards in addition to additional disclosures. The adoption of this new standard did not have a material impact on our Condensed Consolidated Financial Statements.

**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.

**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 contracts and payment claims, some of which may involve substantial monetary amounts. We have insurance for certain of these losses should they be incurred. We believe that the final disposition of these proceedings will not have a material adverse effect on our results of operations, financial position or cash flows.

### **3. Subsequent Events**

We have evaluated significant events and transactions that occurred from October 1, 2018 through November 29, 2018, the date the Condensed Financial Statements were issued.

Member distributions were declared and paid in October and November 2018 for \$14.6 million and \$16.0 million, respectively.