

Sabal Trail Transmission, LLC

Unaudited Financial Statements

September 30, 2019

SABAL TRAIL TRANSMISSION, LLC
STATEMENTS OF OPERATIONS
(Unaudited; in millions USD)

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Operating Revenues	\$ 95.1	\$ 93.9	\$ 280.3	\$ 244.7
Operating Expenses				
Operating, maintenance and other	15.8	15.1	45.9	43.5
Depreciation and amortization	12.6	12.0	37.4	34.8
Property and other taxes	6.5	(0.6)	20.2	17.1
Total operating expenses	34.9	26.5	103.5	95.4
Operating Income	60.2	67.4	176.8	149.3
Other Income (Expenses)				
Allowance for funds used during construction - equity	1.0	1.0	2.2	2.8
Allowance for funds used during construction - debt	0.5	0.4	1.0	1.2
Interest expense - net	(17.2)	(17.2)	(51.8)	(28.6)
Total other expense	(15.7)	(15.8)	(48.6)	(24.6)
Net Income	\$ 44.5	\$ 51.6	\$ 128.2	\$ 124.7

See Notes to Financial Statements.

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

	Nine months ended September 30,	
	2019	2018 ¹
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 128.2	\$ 124.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	38.0	35.2
Allowance for funds used during construction - equity	(2.2)	(2.8)
Decrease (increase) in		
Receivables - affiliates and other	0.6	(15.0)
Other current assets	0.1	0.7
Increase (decrease) in		
Accounts payable	0.1	—
Accounts payable - affiliates	(1.4)	0.5
Interest payable	17.2	28.8
Taxes accrued and other	17.0	15.8
Net cash provided by operating activities	<u>197.6</u>	<u>187.9</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(52.9)	(91.9)
Net cash used in investing activities	<u>(52.9)</u>	<u>(91.9)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions from members	55.4	83.7
Distributions to members	(173.0)	(1,641.7)
Proceeds from the issuance of long-term debt	—	1,487.2
Net cash used in financing activities	<u>(117.6)</u>	<u>(70.8)</u>
Net increase in cash and cash equivalents	27.1	25.2
Cash and cash equivalents at beginning of period	<u>13.5</u>	<u>33.2</u>
Cash and cash equivalents at end of period	<u>\$ 40.6</u>	<u>\$ 58.4</u>

1 Retrospectively adjusted to reflect current period changes in presentation.

See Notes to Financial Statements.

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

	<u>September 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018¹</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 40.6	\$ 13.5
Account receivable - affiliate and other	30.9	31.6
Other	3.3	3.3
Total current assets	<u>74.8</u>	<u>48.4</u>
Property, Plant and Equipment		
Cost	3,095.9	3,019.8
Accumulated depreciation	(108.6)	(71.2)
Net property, plant and equipment	<u>2,987.3</u>	<u>2,948.6</u>
Regulatory Assets	<u>62.8</u>	<u>63.5</u>
Total Assets	<u>\$ 3,124.9</u>	<u>\$ 3,060.5</u>
LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 19.9	\$ 8.0
Accounts payable - affiliates	6.6	3.7
Interest Payable	28.6	11.4
Taxes accrued and other	25.4	3.5
Total current liabilities	<u>80.5</u>	<u>26.6</u>
Long Term Liabilities		
Notes payable	1,487.2	1,486.6
Total long term debt	<u>1,487.2</u>	<u>1,486.6</u>
Members' Equity	<u>1,557.2</u>	<u>1,547.3</u>
Total Liabilities and Members' Equity	<u>\$ 3,124.9</u>	<u>\$ 3,060.5</u>

1 Retrospectively adjusted to reflect current period changes in presentation.

See Notes to Financial Statements.

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

	Spectra Energy Partners Sabal Trail Transmission, LLC	US Southern Gas Infrastructure, LLC	Duke Energy Sabal Trail, LLC	Total
December 31, 2018	\$ 773.5	\$ 657.7	\$ 116.1	\$ 1,547.3
Net income	64.1	54.5	9.6	128.2
Attributed deferred tax benefit	(0.3)	(0.3)	(0.1)	(0.7)
Contributions from members	27.7	23.5	4.2	55.4
Distributions to members	(86.5)	(73.5)	(13.0)	(173.0)
September 30, 2019	<u>\$ 778.5</u>	<u>\$ 661.9</u>	<u>\$ 116.8</u>	<u>\$ 1,557.2</u>
December 31, 2017	\$ 1,492.0	\$ 1,268.3	\$ 223.9	\$ 2,984.2
Net income	62.3	53.0	9.4	124.7
Attributed deferred tax benefit	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)
September 30, 2018	<u>\$ 775.4</u>	<u>\$ 659.2</u>	<u>\$ 116.5</u>	<u>\$ 1,551.1</u>

See Notes to Financial Statements.

SABAL TAIL TRANSMISSION, LLC

NOTES TO FINANCIAL STATEMENTS (Unaudited)

1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Sabal Trail Transmission, LLC (collectively, “we”, “our”, “us” and “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 financial statements herein are prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. 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 normal recurring adjustments that are, in our opinion, necessary to fairly present our results of operations and financial position. The financial statements do not include any of the assets, liabilities, revenues or expenses of the members. Amounts are stated in U.S. dollars unless otherwise stated.

Use of Estimates

To conform with U.S. GAAP, we make estimates and assumptions that affect the amounts reported in the financial statements and notes to 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.

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 members.

We are subject to cost-based regulation and consequently record a regulatory tax asset in connection with the tax gross up of allowance for equity funds used during construction. The corresponding deferred tax liability is recognized as an Attributed deferred income tax benefit in the Statement of Members' Equity since we are a pass-through entity.

Adoption of New Standards

Revenue from Contracts with Customers

Effective January 1, 2019, we adopted ASU 2014-09 on a modified retrospective basis to contracts that were not complete 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 previous standards.

In adopting Accounting Standards Codification (ASC) 606, we applied the practical expedient for contract modifications whereby contracts that were modified before January 1, 2019 were not retrospectively restated. Instead, the aggregate effect of all contract modifications occurring before that time has been reflected when identifying satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price to satisfied and unsatisfied obligations. After our assessment, the adoption of ASC 606 did not have a material impact on our financial statements.

Recognition of Leases

Effective January 1, 2019, we adopted ASU 2016-02 (Topic 842) on a modified retrospective basis. The new standard was issued with the intent to increase transparency and comparability among organizations. It requires lessees of operating lease arrangements to recognize right-of-use (ROU) assets and the related lease liabilities on the statements of financial position and disclose additional key information about lease agreements. The new standard also replaces the current definition of a lease and requires that an arrangement be recognized 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. The adoption of this standard did not have a material impact on our financial statements.

2. REVENUE FROM CONTRACTS WITH CUSTOMERS

Contract Balances		Receivables
(unaudited, in millions)		
Balance as at January 1, 2019	\$	32.0
Balance as at September 30, 2019	\$	31.0

There were no contract assets or liabilities as at January 1, 2019 or September 30, 2019.

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 and whether the agreement provides for make-up rights for the shippers. 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.

Performance Obligations Satisfied Over Time

All operating revenues from the Company for the nine month period ended September 30, 2019 were from services transferred 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 sales contracts.

3. COMMITMENTS AND CONTINGENCIES

General Insurance

We carry, either independently or through our owners, insurance consistent with companies engaged in similar commercial operations with similar type properties.

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.

Legal costs related to the defense of loss contingencies are expensed as incurred. We had no material reserves for legal matters recorded as of September 30, 2019.

4. SUBSEQUENT EVENT

We have evaluated significant events and transactions that occurred through to the date the financial statements were issued and did not identify any events that would require disclosure in the footnotes to our financial statements.