

SABAL TRAIL TRANSMISSION, LLC

FINANCIAL STATEMENTS

(unaudited)

September 30, 2021

SABAL TRAIL TRANSMISSION, LLC STATEMENTS OF EARNINGS

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
<i>(unaudited; millions of US dollars)</i>				
Operating revenues	124.6	118.3	362.5	321.5
Operating expenses				
Operating, maintenance and other	22.1	23.4	66.4	58.1
Depreciation and amortization	13.2	13.2	39.5	38.7
Property and other taxes	6.3	7.5	17.5	22.0
Total operating expenses	41.6	44.1	123.4	118.8
Operating income	83.0	74.2	239.1	202.7
Other income/(expenses)				
Allowance for funds used during construction - equity	—	—	—	3.5
Interest expense, net	(16.8)	(17.2)	(51.5)	(51.4)
Amortization of debt costs	(0.6)	(0.2)	(0.6)	(0.6)
Total other expenses	(17.4)	(17.4)	(52.1)	(48.5)
Earnings	65.6	56.8	187.0	154.2

The accompanying notes are an integral part of these interim financial statements.

SABAL TRAIL TRANSMISSION, LLC STATEMENTS OF MEMBERS' EQUITY

	Spectra Energy Partners Sabal Trail Transmission, LLC (50%)	US Southern Gas Infrastructure, LLC (42.5%)	Duke Energy Sabal Trail, LLC (7.5%)	Total
<i>(unaudited; millions of US dollars)</i>				
December 31, 2020	797.5	678.0	119.6	1,595.1
Earnings	93.5	79.5	14.0	187.0
Attributed deferred tax expense	(0.2)	(0.1)	—	(0.3)
Contributions from members	1.3	1.1	0.1	2.5
Distributions to members	(120.6)	(102.5)	(18.1)	(241.2)
September 30, 2021	771.5	656.0	115.6	1,543.1
December 31, 2019	799.4	679.7	119.9	1,599.0
Earnings	77.1	65.5	11.6	154.2
Modified retrospective adoption of ASU 2016-13 Financial Instruments - Credit Losses	(0.1)	(0.1)	—	(0.2)
Contributions from members	15.9	13.5	2.4	31.8
Distributions to members	(100.1)	(85.0)	(15.0)	(200.1)
September 30, 2020	792.2	673.6	118.9	1,584.7

The accompanying notes are an integral part of these interim financial statements.

SABAL TRAIL TRANSMISSION, LLC STATEMENTS OF CASH FLOWS

	Nine months ended September 30,	
	2021	2020
<i>(unaudited; millions of US dollars)</i>		
Operating activities		
Earnings	187.0	154.2
Adjustments to reconcile earnings to net cash provided by operating activities:		
Depreciation and amortization	39.5	38.7
Allowance for funds used during construction - equity	—	(2.4)
Amortization of debt issuance costs	0.6	0.6
Changes in operating assets and liabilities	25.5	33.3
Net cash provided by operating activities	252.6	224.4
Investing activities		
Capital expenditures	(7.3)	(53.3)
Net cash used in investing activities	(7.3)	(53.3)
Financing activities		
Contributions from members	2.5	37.0
Distributions to members	(241.2)	(200.1)
Net cash used in financing activities	(238.7)	(163.1)
Net change in cash	6.6	8.0
Cash at beginning of period	19.7	29.1
Cash at end of period	26.3	37.1

The accompanying notes are an integral part of these interim financial statements.

SABAL TRAIL TRANSMISSION, LLC STATEMENTS OF FINANCIAL POSITION

	September 30, 2021	December 31, 2020
<i>(unaudited; millions of US dollars)</i>		
Assets		
Current assets		
Cash	26.3	19.7
Accounts receivable - affiliates and other, net	40.7	40.4
Other	6.3	4.8
	73.3	64.9
Property, plant and equipment, net	2,954.7	2,989.6
Regulatory assets related to income taxes	62.4	62.7
Total assets	3,090.4	3,117.2
Liabilities and members' equity		
Current liabilities		
Accounts payable - affiliates and other	8.0	14.0
Interest payable	28.6	11.4
Accrued taxes	18.8	4.6
Other liabilities	3.1	3.9
	58.5	33.9
Long-term debt	1,488.8	1,488.2
Members' equity	1,543.1	1,595.1
Total liabilities and members' equity	3,090.4	3,117.2

The accompanying notes are an integral part of these interim financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying unaudited interim financial statements are prepared in accordance with generally accepted accounting principles in the United States of America and reflect the results of our operations, our financial position and cash flows. These unaudited interim financial statements should be read in conjunction with the audited annual financial statements and notes for the year ended December 31, 2020, and reflect normal recurring adjustments that are, in our opinion, necessary to fairly present our results of operations and financial position. The unaudited interim financial statements do not include any of the assets, liabilities, revenues or expenses of the members. Amounts are stated in United States (US) dollars unless otherwise stated.

2. REVENUE

REVENUE FROM CONTRACTS WITH CUSTOMERS

Major Services

All operating revenues for the periods ended September 30, 2021 and 2020 were earned from contracts with customers for the transportation of natural gas.

Contract Balances

	Contract Receivables
<i>(millions of US dollars)</i>	
Balance as at September 30, 2021	40.9
Balance as at December 31, 2020	40.6

Contract receivables represent the amount of receivables derived from contracts with customers. There were no contract assets or liabilities as at September 30, 2021 or December 31, 2020.

Revenue from Unfulfilled Performance Obligations

Total revenue from performance obligations expected to be fulfilled in future periods is \$9.9 billion, of which \$124 million and \$491 million are expected to be recognized during the three months ending December 31, 2021 and the year ending December 31, 2022, respectively.

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.

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.

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 where transportation services are transferred, we recognize revenue over time using the output method. Outputs are determined based on the volumes of commodities delivered or transported and correspond directly to the benefits received by the customer during that period. All operating revenues earned by us for the periods ended September 30, 2021 and 2020 were from services transferred over time.

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. CONTINGENCIES

GENERAL INSURANCE

We maintain, either independently, or through inclusion in the corporate insurance programs maintained by our respective owners in proportion to their respective interest in our company, insurance coverage in types and amounts, and with terms and conditions, that are generally consistent with coverage considered customary for our industry.

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 and, at times, we are subject to environmental remediation obligations at our various operating sites. 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 natural gas 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 financial position or results of operations.

Legal costs related to the defense of loss contingencies are expensed as incurred. We had no material reserves for legal matters recorded at either September 30, 2021 or December 31, 2020, related to litigation.

4. SUBSEQUENT EVENTS

We have evaluated significant events and transactions that occurred from October 1, 2021 through November 29, 2021, the date the financial statements were issued, and have identified no subsequent events for disclosure.