

**SABAL TRAIL TRANSMISSION, LLC**

**FINANCIAL STATEMENTS**

**March 31, 2022**

## SABAL TRAIL TRANSMISSION, LLC STATEMENTS OF EARNINGS

Three months ended March 31, <i>(unaudited; millions of United States dollars)</i>	<b>2022</b>	2021
Operating revenues	<b>123.1</b>	117.6
Operating expenses		
Operating, maintenance and other	<b>22.0</b>	21.1
Depreciation and amortization	<b>13.2</b>	13.2
Property and other taxes	<b>6.1</b>	5.0
<b>Total operating expenses</b>	<b>41.3</b>	39.3
<b>Operating income</b>	<b>81.8</b>	78.3
Other expenses		
Interest expense, net	<b>(17.2)</b>	(17.2)
Amortization of debt costs	<b>(0.2)</b>	(0.2)
<b>Total other expenses</b>	<b>(17.4)</b>	(17.4)
<b>Earnings</b>	<b>64.4</b>	60.9

*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 United States dollars)</i>				
December 31, 2021	771.1	655.3	115.7	1,542.1
Earnings	32.2	27.4	4.8	64.4
Attributed deferred tax expense	(0.1)	(0.1)	—	(0.2)
Distributions to members	(38.8)	(33.0)	(5.8)	(77.6)
<b>March 31, 2022</b>	<b>764.4</b>	<b>649.6</b>	<b>114.7</b>	<b>1,528.7</b>
December 31, 2020	797.5	678.0	119.6	1,595.1
Earnings	30.4	25.9	4.6	60.9
Attributed deferred tax expense	(0.1)	(0.1)	—	(0.2)
Distributions to members	(39.2)	(33.3)	(5.9)	(78.4)
March 31, 2021	788.6	670.5	118.3	1,577.4

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## SABAL TRAIL TRANSMISSION, LLC STATEMENTS OF CASH FLOWS

Three months ended March 31, <i>(unaudited; millions of United States dollars)</i>	2022	2021
<b>Operating activities</b>		
Earnings	64.4	60.9
Adjustments to reconcile earnings to net cash provided by operating activities:		
Depreciation and amortization	13.2	13.2
Amortization of debt issuance costs	0.2	0.2
Changes in operating assets and liabilities	26.0	13.0
Net cash provided by operating activities	103.8	87.3
<b>Investing activities</b>		
Capital expenditures	(0.3)	(2.1)
Net cash used in investing activities	(0.3)	(2.1)
<b>Financing activities</b>		
Distributions to members	(55.6)	(78.4)
Net cash used in financing activities	(55.6)	(78.4)
Net decrease in cash	47.9	6.8
Cash at beginning of period	13.1	19.7
Cash at end of period	61.0	26.5

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## SABAL TRAIL TRANSMISSION, LLC STATEMENTS OF FINANCIAL POSITION

	March 31, 2022	December 31, 2021
<i>(unaudited; millions of United States dollars)</i>		
<b>Assets</b>		
Current assets		
Cash	61.0	13.1
Accounts receivable, net	1.8	1.8
Accounts receivable - affiliates	50.4	40.1
Other	9.0	7.1
	<b>122.2</b>	62.1
Property, plant and equipment, net	2,929.3	2,942.4
Regulatory assets	61.4	61.6
<b>Total assets</b>	<b>3,112.9</b>	<b>3,066.1</b>
<b>Liabilities and members' equity</b>		
Current liabilities		
Accounts payable	7.2	6.3
Accounts payable - affiliates	16.7	2.6
Distribution payable	22.0	—
Interest payable	28.6	11.4
Other liabilities	9.3	4.9
	<b>83.8</b>	25.2
Customer deposits	11.1	9.7
Long-term debt	1,489.3	1,489.1
Members' equity	1,528.7	1,542.1
<b>Total liabilities and members' equity</b>	<b>3,112.9</b>	<b>3,066.1</b>

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## NOTES TO THE FINANCIAL STATEMENTS

### 1. BASIS OF PRESENTATION

The accompanying unaudited interim financial statements of Sabal Trail Transmission, L.L.C. ("we", "our", and "us"), have been prepared in accordance with generally accepted accounting principles in the United States of America (US GAAP) for interim financial information. They do not include all of the information and notes required by US GAAP for annual financial statements and should therefore be read in conjunction with our audited annual financial statements and notes for the year ended December 31, 2021. In the opinion of management, the interim financial statements contain all normal recurring adjustments necessary to present fairly our results of operations, financial position and cash flows for the interim periods reported. These interim financial statements follow the same significant accounting policies as those in our annual financial statements for the year ended December 31, 2021. Amounts are presented in US dollars unless otherwise stated.

### 2. REVENUE

#### REVENUE FROM CONTRACTS WITH CUSTOMERS

##### Major Services

All operating revenues for the period ended March 31, 2022 were earned from contracts with customers for the transportation of natural gas.

##### Contract Balances

	Contract Receivables
<i>(millions of US dollars)</i>	
Balance as of March 31, 2022	<b>43.0</b>
Balance as of December 31, 2021	42.0

Contract receivables represent the amount of receivables derived from contracts with customers. There were no contract assets or liabilities as of March 31, 2022 or 2020.

##### Revenue from Unfulfilled Performance Obligations

Total revenue from performance obligations expected to be fulfilled in future periods is \$9.7 billion, of which \$369.0 million is expected to be recognized during the remaining nine months ending December 31, 2022.

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. 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 of natural gas where the transportation services or commodities are simultaneously received and consumed by the customer, we recognize revenue over time using an output method based on volumes of commodities delivered or transported. The measurement of the volumes delivered or transported corresponds directly to the benefits received by the customer during that period. All operating revenues earned by us for the periods ended March 31, 2022 and 2021 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 March 31, 2022 or 2021, related to litigation.

#### **4. SUBSEQUENT EVENTS**

We have evaluated significant events and transactions that occurred from April 1, 2022 through May 30, 2022, the date the financial statements were issued, and have identified no subsequent events for disclosure.