

SABAL TRAIL TRANSMISSION, LLC

FINANCIAL STATEMENTS

(unaudited)

June 30, 2022

SABAL TRAIL TRANSMISSION, LLC

STATEMENTS OF EARNINGS

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
<i>(unaudited; millions of United States dollars)</i>				
Operating revenues	123.4	120.3	246.5	237.9
Operating expenses				
Operating, maintenance and other	23.2	23.2	45.2	44.3
Depreciation and amortization	13.2	13.1	26.4	26.3
Property and other taxes	6.1	6.2	12.2	11.2
Total operating expenses	42.5	42.5	83.8	81.8
Operating income	80.9	77.8	162.7	156.1
Other expenses				
Interest expense, net	(17.1)	(17.1)	(34.3)	(34.3)
Amortization of debt issuance costs	(0.2)	(0.2)	(0.4)	(0.4)
Earnings	63.6	60.5	128.0	121.4

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	64.0	54.4	9.6	128.0
Attributed deferred tax expense	(0.3)	(0.2)	—	(0.5)
Distributions to members	(83.5)	(70.9)	(12.5)	(166.9)
June 30, 2022	751.3	638.6	112.8	1,502.7
December 31, 2020	797.5	678.0	119.6	1,595.1
Earnings	60.7	51.6	9.1	121.4
Attributed deferred tax expense	(0.3)	(0.2)	(0.1)	(0.6)
Contributions from members	1.3	1.1	0.2	2.6
Distributions to members	(81.7)	(69.4)	(12.3)	(163.4)
June 30, 2021	777.5	661.1	116.5	1,555.1

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SABAL TRAIL TRANSMISSION, LLC

STATEMENTS OF CASH FLOWS

	Six months ended June 30,	
	2022	2021
<i>(unaudited; millions of United States dollars)</i>		
Operating activities		
Earnings	128.0	121.4
Adjustments to reconcile earnings to net cash provided by operating activities:		
Depreciation and amortization	26.4	26.3
Amortization of debt issuance costs	0.4	0.4
Changes in operating assets and liabilities	18.9	5.9
Net cash provided by operating activities	173.7	154.0
Investing activities		
Capital expenditures	(0.8)	(6.2)
Net cash used in investing activities	(0.8)	(6.2)
Financing activities		
Contributions from members	—	2.6
Distributions to members	(166.9)	(163.4)
Net cash used in financing activities	(166.9)	(160.8)
Net change in cash	6.0	(13.0)
Cash at beginning of period	13.1	19.7
Cash at end of period	19.1	6.7

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

SABAL TRAIL TRANSMISSION, LLC

STATEMENTS OF FINANCIAL POSITION

	June 30, 2022	December 31, 2021
<i>(unaudited; millions of United States dollars)</i>		
Assets		
Current assets		
Cash	19.1	13.1
Accounts receivable, net	2.0	1.8
Accounts receivable from affiliates	39.6	40.1
Other	6.9	7.1
	67.6	62.1
Property, plant and equipment, net	2,916.8	2,942.4
Regulatory assets	61.1	61.6
Total assets	3,045.5	3,066.1
Liabilities and members' equity		
Current liabilities		
Accounts payable	8.1	6.3
Accounts payable to affiliates	13.1	2.6
Interest payable	11.4	11.4
Taxes payable	12.1	1.7
Deferred revenue	3.2	3.2
	47.9	25.2
Customer deposits	5.4	9.7
Long-term debt	1,489.5	1,489.1
	1,542.8	1,524.0
Contingencies <i>(Note 3)</i>		
Members' equity	1,502.7	1,542.1
Total liabilities and members' equity	3,045.5	3,066.1

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited interim financial statements of Sabal Trail Transmission, LLC ("we", "our", "us" and "Sabal Trail"), 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 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 financial position, results of operations and cash flows for the interim periods reported. These interim financial statements follow the same significant accounting policies as those included in our audited financial statements for the year ended December 31, 2021. Amounts are stated in United States (US) dollars unless otherwise noted.

Certain comparative figures in our financial statements have been reclassified to conform to the current year's presentation.

2. REVENUE

REVENUE FROM CONTRACTS WITH CUSTOMERS

Major Services

All operating revenues for the period ended June 30, 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 at June 30, 2022	41.0
Balance as at December 31, 2021	42.0

Contract receivables represent an unconditional right to consideration where only the passage of time is required before payment of consideration is due, and consists of trade accounts receivable, unbilled revenue and other accrued receivable balances. There were no contract assets or liabilities as at June 30, 2022 and December 31, 2021, respectively.

Performance Obligations

There are no material revenues recognized in the six months ending June 30, 2022 from performance obligations satisfied in previous periods.

Revenue from Unfulfilled Performance Obligations

Total revenues from performance obligations expected to be fulfilled in future periods are \$9.5 billion, of which \$246.0 million and \$470.0 million are expected to be recognized during the remaining six months ending December 31, 2022 and year ending December 31, 2023, respectively.

The performance obligations above reflect revenues expected to be recognized in future periods from unfulfilled performance obligations pursuant to contracts with customers for the transportation of natural gas. Excluded from these amounts are variable consideration, the effects of escalation on certain tolls, 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, all of which could represent a significant portion of our overall 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 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 June 30, 2022 and 2021 were from services transferred over time.

Determination of Transaction Prices

Prices for 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 June 30, 2022 or 2021, related to litigation.

4. SUBSEQUENT EVENTS

We have evaluated significant events and transactions that occurred from June 30, 2022 through August 26, 2022, the date the financial statements were issued, and have identified no subsequent events for disclosure.