Sabal Trail Transmission, LLC

Financial Statements

December 31, 2019 and 2018

Report of Independent Auditors

To the Management Committee and Management of Sabal Trail Transmission, LLC:

We have audited the accompanying financial statements of Sabal Trail Transmission, LLC (the "Company"), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of earnings, of members' equity, and of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sabal Trail Transmission, LLC as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

March 24, 2020

SABAL TRAIL TRANSMISSION, LLC
STATEMENTS OF EARNINGS
(In millions of US dollars)

	Year Ended December 31,	
	2019	**2018**
Operating Revenues	$ 374.6	$ 338.6
Operating Expenses		
Operating, maintenance and other	63.0	58.9
Depreciation and amortization	49.9	47.1
Property and other taxes	24.6	22.8
Total operating expenses	137.5	128.8
Operating Income	237.1	209.8
Other Income (Expenses)		
Allowance for funds used during construction - equity	3.7	3.7
Allowance for funds used during construction - debt	1.6	1.6
Interest income	0.5	0.6
Interest expense	(68.7)	(46.0)
Amortization of debt costs	(0.8)	(0.6)
Total other income (expenses)	(63.7)	(40.7)
Earnings	$ 173.4	$ 169.1

See Notes to Financial Statements.

SABAL TRAIL TRANSMISSION, LLC
STATEMENTS OF CASH FLOWS
(In millions of US dollars)

	Year ended December 31,	
	2019	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES		
Earnings	$ 173.4	$ 169.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	50.7	47.7
Allowance for funds used during construction - equity	(3.7)	(3.7)
Change in operating assets and liabilities	(0.2)	(1.7)
Net cash provided by operating activities	220.2	211.4
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(78.0)	(111.5)
Net cash used in investing activities	(78.0)	(111.5)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions from members	90.4	92.2
Distributions to members	(217.0)	(1,698.2)
Proceeds from the issuance of long-term debt	—	1,488.8
Payments for debt issuance costs	—	(2.4)
Net cash used in financing activities	(126.6)	(119.6)
Net increase/(decrease) in cash and cash equivalents	15.6	(19.7)
Cash and cash equivalents at beginning of period	13.5	33.2
Cash and cash equivalents at end of period	$ 29.1	$ 13.5
Supplemental Disclosure		
Property, plant and equipment non-cash accruals	$ 25.9	$ 10.6
Cash interest paid, net of capitalized interest	$ 68.7	$ 32.9

See Notes to Financial Statements.

SABAL TRAIL TRANSMISSION, LLC
STATEMENTS OF FINANCIAL POSITION
(In millions of US dollars)

	December 31, 2019	December 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	$ 29.1	$ 13.5
Account receivable - affiliate and other	37.0	31.6
Other	3.6	3.3
Total current assets	69.7	48.4
Property, Plant and Equipment, net *(Note 5)*	3,005.2	2,948.6
Regulatory Assets *(Note 2)*	63.1	63.5
Total Assets	$ 3,138.0	$ 3,060.5
LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities		
Accounts payable	$ 21.7	$ 8.0
Accounts payable - affiliates	4.7	3.7
Interest Payable	11.4	11.4
Other Liabilities	13.8	3.5
Total current liabilities	51.6	26.6
Long Term Liabilities		
Notes payable (*Note 6*)	1,487.4	1,486.6
Total long term debt	1,487.4	1,486.6
Members' Equity	1,599.0	1,547.3
Total Liabilities and Members' Equity	$ 3,138.0	$ 3,060.5

See Notes to Financial Statements.

SABAL TRAIL TRANSMISSION, LLC
STATEMENTS OF MEMBERS' EQUITY
(In millions of US dollars)

	Spectra Energy Partners Sabal Trail Transmission, LLC (50%)	US Southern Gas Infrastructure, LLC (42.5%)	Duke Energy Sabal Trail, LLC (7.5%)	Total
January 1, 2018	1,492.0	1,268.3	223.9	2,984.2
Earnings	84.5	71.9	12.7	169.1
Contributions from members	46.1	39.2	6.9	92.2
Distributions to members	(849.1)	(721.7)	(127.4)	(1,698.2)
December 31, 2018	$ 773.5	$ 657.7	$ 116.1	$ 1,547.3
Earnings	86.7	73.7	13.0	173.4
Attributed deferred tax expense	(0.2)	(0.2)	(0.1)	(0.5)
Contributions from members	47.9	40.7	7.2	95.8
Distributions to members	(108.5)	(92.2)	(16.3)	(217.0)
December 31, 2019	$ 799.4	$ 679.7	$ 119.9	$ 1,599.0

See Notes to Financial Statements.

SABAL TAIL TRANSMISSION, LLC

NOTES TO FINANCIAL STATEMENTS

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). SEP is an indirect subsidiary of Spectra Energy Corp. (Spectra Energy). 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 Financial Statements herein are prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) and reflect the earnings, financial position and cash flows of our company. The financial statements do not include any of the assets, liabilities, revenues or expenses of the members. Amounts are stated in United States dollars unless otherwise noted.

Use of Estimates. To conform with 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.

Cost-Based Regulation. The economic effects of regulation can result in a regulated company recording assets for costs that have been or are expected to be approved for recovery from customers or recording liabilities for amounts that are expected to be returned to customers or for instances where the regulator provides current rates that are intended to recover costs that are expected to be incurred in the future. Accordingly, we record assets and liabilities that result from the regulated ratemaking process that may not be recorded under GAAP for non-regulated entities. We continually assess whether regulatory assets are probable of future recovery by considering factors such as applicable regulatory changes and recent rate orders to other regulated entities. Based on this assessment, we believe our existing regulatory assets are probable of recovery. These regulatory assets are classified in the Statements of Financial Position as Regulatory Assets. We evaluate our regulated assets, and consider factors such as regulatory changes and the effect of competition. If cost-based regulation ends or competition increases, we may have to reduce our asset balances to reflect a market basis less than cost and write-off the associated regulatory assets and liabilities. See Note 2 for further discussion.

Revenue Recognition. Revenues from the transportation of natural gas are recognized when products have been delivered or services have been performed, the amount of revenue can be reliably measured and collectability is reasonably assured. 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.

Allowance for Funds Used During Construction ("AFUDC"). AFUDC, which represents the estimated debt and equity costs of capital funds necessary to finance the construction of certain new regulated facilities, consists of two components, an equity component and an interest expense component. The equity component is a non-cash item. After construction is completed, we are permitted to recover these costs through inclusion in the rate base and in the depreciation provision. AFUDC is capitalized as a component of Property, Plant and Equipment in the Statements of Financial Position, with offsetting credits to the Statement of Earnings through Other Income for the equity component and the interest expense component. The total amount of AFUDC included in the Statements of Income was $5.3 million in 2019 (an equity component of $3.7 million and an interest expense component of $1.6 million) and $5.3 million in 2018 (an equity component of $3.7 million and an interest expense component of $1.6 million).

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 funds used during construction equity. 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.

Cash and Cash Equivalents. Highly liquid investments with original maturities of three months or less at the date of acquisition are considered cash equivalents.

Property, Plant and Equipment. Property, plant and equipment is stated at historical cost less accumulated depreciation. We capitalize all construction-related direct labor and material costs, as well as indirect construction costs. Indirect costs include general engineering, taxes, administrative and general costs, and the cost of funds used during construction. The costs of renewals and betterments that extend the useful life or increase the expected output of property, plant and equipment are also capitalized. The costs of repairs, replacements and major maintenance projects that do not extend the useful life or increase the expected output of property, plant and equipment are expensed as incurred. Depreciation is generally computed over the asset's estimated useful life using the straight-line method.

When we retire property, plant and equipment, we charge the original cost plus the cost of retirement, less salvage value, to accumulated depreciation and amortization. When we sell entire regulated operating units, or retire or sell certain non-regulated properties, the cost is removed from the property account and the related accumulated depreciation and amortization accounts are reduced. Any gain or loss is recorded in earnings, unless otherwise required by the FERC.

Preliminary Project Costs. Project development costs, including expenditures for preliminary surveys, plans, investigations, environmental studies, regulatory applications and other costs incurred for the purpose of determining the feasibility of capital expansion projects, are capitalized when it is determined that recovery of such costs through regulated revenues of the completed project is probable.

Long-Lived Asset Impairments. We evaluate whether long-lived assets have been impaired when circumstances indicate the carrying value of those assets may not be recoverable. For such long-lived assets, an impairment exists when its carrying value exceeds the sum of estimates of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. When alternative courses of action to recover the carrying amount of a long-lived asset are under consideration, a probability- weighted approach is used in developing estimates of future undiscounted cash flows. If the carrying value of the long-lived asset is not recoverable based on these estimated future undiscounted cash flows, an impairment loss is measured as the excess of the asset's carrying value over its fair value, such that the asset's carrying value is adjusted to its estimated fair value.

We assess the fair value of long-lived assets using commonly accepted techniques, and may use more than one source. Sources to determine fair value include, but are not limited to, recent third-party comparable sales, internally developed discounted cash flow analyses and analyses from outside advisors. Significant changes in market conditions resulting from events such as changes in natural gas available to our systems, the condition of an asset, a change in our intent to utilize the asset or a significant change in contracted revenues or regulatory recoveries would generally require us to reassess the cash flows related to the long-lived assets.

Asset Retirement Obligations ("AROs"). We recognize asset retirement obligations for legal commitments associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or normal use of the asset and conditional AROs in which the timing or method of settlement are conditional on a future event that may or may not be within our control. The fair value of a liability for an ARO is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made and is added to the carrying amount of the associated asset. This additional carrying amount is depreciated over the estimated useful life of the asset. Our assets have an indeterminate life, and as such, the fair value of the retirement obligation is not reasonably estimable.

Unamortized Debt Premium, Discount and Expense. Premiums, discounts and expenses incurred with the issuance of outstanding long-term debt are amortized over the terms of the debt issued. Any call premiums or unamortized expenses associated with refinancing higher-cost debt obligations to finance regulated assets and operations are amortized consistent with regulatory treatment of those items, where appropriate.

Environmental Expenditures. We expense environmental expenditures related to conditions caused by past operations that do not generate current or future revenues. Environmental expenditures related to operations that generate current or future revenues are expensed or capitalized, as appropriate. Undiscounted liabilities are recorded when the necessity for environmental remediation becomes probable and the costs can be reasonably estimated, or when other potential environmental liabilities are reasonably estimable and probable.

New Accounting Pronouncements. The following new Accounting Standards Updates ("ASUs") were adopted during 2019 and the effect of such adoptions, if any, have been presented in the accompanying Financial Statements:

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.

The adoption of the new revenue standard did not have a material impact on the Company's financial statements.

Future Accounting Policy Changes. The following ASUs were issued but not adopted as of December 31, 2019:

Clarifying Interaction between Collaborative Arrangements and Revenue from Contracts with Customers
In November 2018, ASU 2018-18 was issued to provide clarity on when transactions between entities in a collaborative arrangement should be accounted for under the new revenue standard, ASC 606. In determining whether transactions in collaborative arrangements should be accounted under the revenue standard, the update specifies that entities shall apply unit of account guidance to identify distinct goods or services and whether such goods and services are separately identifiable from other promises in the contract. ASU 2018-18 also precludes entities from presenting transactions with a collaborative partner which are not in scope of the new revenue standard together with revenue from contracts with customers. The accounting update is effective January 1, 2020 and early adoption is permitted. We are currently assessing the impact of the new standard on our financial statements.

Disclosure Effectiveness
In August 2018, the Financial Accounting Standards Board (FASB) issued amendments as a part of its disclosure framework project aimed to improve the effectiveness of disclosures in the notes to financial statements. ASU 2018-13 was issued to modify the disclosure requirements in ASC 820, Fair Value Measurement. The amendments in ASU 2018-13 eliminate and modify some disclosures, while also adding new disclosures for fair value measurements. This update is effective January 1, 2020, however entities are permitted to early adopt the eliminated or modified current disclosures. The adoption of ASU 2018-13 is not expected to have a material impact of our financial statements

Accounting for Credit Losses
ASU 2016-13 was issued in June 2016 with the intent of providing financial statement users with more useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. Current treatment uses the incurred loss methodology for recognizing credit losses that delays the recognition until it is probable a loss has been incurred. The accounting update adds a new impairment model, known as the current expected credit loss model, which is based on expected losses rather than incurred losses. Under the new guidance, an entity will recognize as an allowance its estimate of expected credit losses, which the FASB believes will result in more timely recognition of such losses.

Further, ASU 2018-19 was issued in November 2018 to clarify that operating lease receivables should be accounted for under the new leases standard, ASC 842, and are not within the scope of ASC 326, Financial Instruments - Credit Losses. Both accounting updates are effective January 1, 2020.

The Company has performed a detailed evaluation as of December 31, 2019 and does not anticipate the adoption of ASU 2016-13 to have a material impact on our financial statements.

Recognition of Leases
ASU 2016-02 was issued in February 2016 with the intent to increase transparency and comparability among organizations. It requires lessees of operating lease arrangements to recognize lease assets and lease liabilities on the statement of financial position and disclose additional key information about lease agreements. The accounting update 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. We will adopt the new standard on January 1, 2020 and we intend to apply the transition practical expedients offered in connection with this update. The election to apply the package of practical expedients allows an entity to not apply the new lease standard to the prior year comparative periods in the year of adoption. Application of the package of practical expedients also permits entities not to reassess a) whether any expired or existing contracts contain leases in accordance with the new guidance, b) lease classifications, and c) whether initial direct costs capitalized under current guidance continue to meet the definition of initial direct costs under the new guidance.

ASU 2018-01 was issued in January 2018 to address stakeholder concerns about the costs and complexity of complying with the transition provisions of the new lease requirements as they relate to land easements. The amendments provide an optional transition practical expedient to not evaluate existing or expired land easements that were not previously accounted for as leases under existing guidance. We intend to elect this practical expedient in connection with the adoption of the new lease requirements.

In July 2018, ASU 2018-11 was issued to address additional stakeholder concerns regarding the unanticipated costs and complexities associated with the modified retrospective transition method, as well as the requirement for lessors to separate components of a contract. Under the new guidance, entities are provided with an additional transition method which allows entities to apply the new standard at the date of adoption and to elect not to recast comparative periods presented. This amendment also provides a practical expedient which allows lessors to combine associated lease and nonlease components within a contract when certain conditions are met. We intend to elect both of these practical expedients in the adoption of the new lease standard.

We have performed a detailed evaluation as of December 31, 2019 and do not anticipate the adoption of ASU 2016-02 to have a material impact on our financial statements.

2. Regulatory Matters

Regulatory Assets. We record assets and liabilities that result from the regulated ratemaking process that would not be recorded under GAAP for non-regulated entities. See Note 1 for further discussion.

We have regulatory assets related to the income tax gross up of AFUDC equity. The total amount of regulatory asset included in the Statement of Financial Position was $63.1 million as of December 31, 2019 and $63.5 million as of December 31, 2018. All amounts are expected to be included in future rate filings and will be recovered over the life of the associated asset. We have no regulatory liabilities of as of December 31, 2019 and December 31, 2018.

3. Revenues from Contracts with Customers

Significant Customers
Our two largest customers accounted for approximately 55% and 42% of our revenues for the year ended December 31, 2019 and approximately 61% and 38% of our revenues for the year ended December 31, 2018.

Disaggregation of Revenue.
All operating revenues for the year ended December 31, 2019 were earned from contracts with customers for the transportation of natural gas.

Contract Balances		**Receivables**
		(in millions)
Balance as at January 1, 2019	$	31.6
Balance as at December 31, 2019		31.6

There were no contract assets or liabilities as at January 1, 2019 or December 31, 2019.

Revenue to be recognized from Unfulfilled Performance Obligations
Total revenue from performance obligations expected to be fulfilled in future periods is $10.7 billion, of which $0.4 billion is expected to be recognized during the year ended December 31, 2020.

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.

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 twelve month period ended December 31, 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.

4. Transactions with Affiliates

Statements of Earnings	December 31, 2019	December 31, 2018
	(in millions)	
Operating revenues (a)	$ 366.8	$ 335.5
Operating, maintenance and other (b)	17.1	13.6

(a) In the normal course of business, we provide natural gas transmission services to NextEra and Duke.
(b) Includes management and operating services provided by Spectra Energy Partners and its affiliates pursuant to an agreement entered into between us and an affiliate of Spectra Energy Partners.

Statement of Financial Position	December 31, 2019	December 31, 2018
	(in millions)	
Receivables - trade	$ 36.5	$ 31.2
Current assets - other	2.6	2.5
Accounts payable - affiliates	4.7	3.7
Property, Plant and Equipment	5.1	5.9

5. Property, Plant and Equipment

	Weighted Average Depreciation	December 31, 2019	December 31, 2018
		(in millions)	
Plant			
Natural gas transmission	1.67%	$ 2,710.8	$ 2,671.4
Rights of way	1.67%	272.5	270.8
Land		8.1	8.1
Construction in progress		108.9	59.9
Other	2.33%	26.1	9.6
Total property, plant and equipment		3,126.4	3,019.8
Total accumulated depreciation and amortization		(121.2)	(71.2)
Total net property, plant and equipment		$ 3,005.2	$ 2,948.6

Composite weighted-average depreciation rate was 1.68% and 1.67% for the years ended December 31, 2019 and December 31, 2018 respectively.

6. Debt

Summary of Debt and Related Terms

	Year Due	December 31, 2019	December 31, 2018
4.246% senior unsecured bonds	2028	500.0	500.0
4.682% senior unsecured bonds	2038	600.0	600.0
4.832% senior unsecured bonds	2048	400.0	400.0
Unamortized debt expenses		(12.6)	(13.4)
Total long-term debt		$ 1,487.4	$ 1,486.6

As of December 31, 2019, we were in compliance with all debt covenants.

7. Credit Risk

Our principal customers for natural gas transportation services are utilities located throughout the state of Florida, Alabama and Georgia. We have concentrations of receivables from the utility sector in the state of Florida, Alabama and Georgia. These concentrations of customers may affect our overall credit risk in that risk factors can negatively affect the credit quality of the entire sector. Where exposed to credit risk, we analyze the customers' financial condition prior to entering into an agreement, establish credit limits and monitor the appropriateness of those limits on an ongoing basis. We also obtain parental guarantees, cash deposits or letters of credit from customers to provide credit support, where appropriate, based on our financial analysis of the customer and the regulatory or contractual terms and conditions applicable to each contract.

8. Commitments and 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 U.S. federal, state and local laws and regulations 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 liquid hydrocarbon and natural gas pipeline operations, and we and our affiliates are, at times, subject to environmental remediation at various contaminated sites. We manage this environmental risk through appropriate environmental policies and practices to minimize any impact our operations may have on the environment. We expense or capitalize, as appropriate, expenditures for ongoing compliance with environmental regulations that relate to past or current operations. We expense amounts we incur for remediation of existing environmental contamination caused by past operations that do not benefit future periods by preventing or eliminating future contamination. We record liabilities for environmental matters when assessments indicate that remediation efforts are probable, and the costs can be reasonably estimated. Estimates of environmental liabilities are based on currently available facts, existing technology and presently enacted laws and regulations taking into consideration the likely effects of inflation and other factors. These amounts also consider prior experience in remediating contaminated sites, other companies' clean-up experience and data released by government organizations. Our estimates are subject to revision in future periods based on actual costs or new information and are included in Regulatory and other liabilities in our Statement of Financial Position at their undiscounted amounts. We always have the potential of incurring additional costs in connection with environmental liabilities due to variations in any or all of the categories described above, including modified or revised requirements from regulatory agencies, in addition to fines and penalties, as well as expenditures associated with litigation and settlement of claims. We evaluate recoveries from insurance coverage separately from the liability and, when recovery is probable, we record and report an asset separately from the associated liability in our financial statements.

We recognize liabilities for other commitments and contingencies when, after fully analyzing the available information, we determine it is either probable that an asset has been impaired, or that a liability has been incurred and the amount of impairment or loss can be reasonably estimated. When a range of probable loss can be estimated, we accrue the most likely amount, or if no amount is more likely than another, we accrue the minimum of the range of probable loss. We expense legal costs associated with loss contingencies as such costs are incurred.

Litigation. We are subject to 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 by special interest groups. 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 earnings.

Legal costs related to the defense of loss contingencies are expensed as incurred. We had no material reserves for legal matters recorded as of December 31, 2019 and December 31, 2018 related to litigation.

9. **Subsequent Event**

We have evaluated significant events and transactions that occurred from January 1, 2020 through March 24, 2020, the date the financial statements were issued.

The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S./Canada and international markets. Because there is significant uncertainty around the breadth and duration of global economic and business disruptions and effects related to COVID-19, the Company is unable to determine if the pandemic could have a material impact to its financial position, operations and/or cash flows in the future.