SABAL TRAIL TRANSMISSION, LLC

CONDENSED FINANCIAL STATEMENTS

(unaudited)

September 30, 2020

SABAL TRAIL TRANSMISSION, LLC
STATEMENTS OF EARNINGS

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
(unaudited; in millions of US dollars)				
Operating revenues	**118.3**	95.1	**321.5**	280.3
Operating expenses				
Operating, maintenance and other	**23.4**	15.8	**58.1**	45.9
Depreciation and amortization	**13.2**	12.6	**38.7**	37.4
Property and other taxes	**7.5**	6.5	**22.0**	20.2
Total operating expenses	**44.1**	34.9	**118.8**	103.5
Operating income	**74.2**	60.2	**202.7**	176.8
Other income/(expenses)				
Allowance for funds used during construction - equity	**—**	1.0	**2.4**	2.2
Allowance for funds used during construction - debt	**—**	0.5	**1.1**	1.0
Interest income	**—**	0.1	**0.1**	0.4
Interest expense	**(17.2)**	(17.1)	**(51.5)**	(51.6)
Amortization of debt costs	**(0.2)**	(0.2)	**(0.6)**	(0.6)
Total other income/(expenses)	**(17.4)**	(15.7)	**(48.5)**	(48.6)
Earnings	**56.8**	44.5	**154.2**	128.2

SABAL TRAIL TRANSMISSION, LLC
STATEMENTS OF CASH FLOWS

	Nine months ended September 30,	
(unaudited; in millions of US dollars)	**2020**	2019
Operating activities		
Earnings	**154.2**	128.2
Adjustments to reconcile earnings to net cash provided by operating activities:		
Depreciation and amortization	**39.3**	38.0
Allowance for funds used during construction - equity	**(2.4)**	(2.2)
Change in operating assets and liabilities	**33.3**	33.6
Net cash provided by operating activities	**224.4**	197.6
Investing activities		
Capital expenditures	**(53.3)**	(52.9)
Net cash used in investing activities	**(53.3)**	(52.9)
Financing activities		
Contributions from members	**37.0**	55.4
Distributions to members	**(200.1)**	(173.0)
Net cash used in financing activities	**(163.1)**	(117.6)
Net increase in cash and cash equivalents	**8.0**	27.1
Cash and cash equivalents at beginning of period	**29.1**	13.5
Cash and cash equivalents at end of period	**37.1**	40.6

SABAL TRAIL TRANSMISSION, LLC
STATEMENTS OF FINANCIAL POSITION

	September 30, 2020	December 31, 2019
(unaudited; in millions of US dollars)		
Assets		
Current assets		
Cash and cash equivalents	**37.1**	29.1
Accounts receivable - affiliate and other	**39.1**	37.0
Other	**4.0**	3.6
Total current assets	**80.2**	69.7
Property, plant and equipment, net	**3,000.5**	3,005.2
Regulatory assets	**63.1**	63.1
Total assets	**3,143.8**	3,138.0
Liabilities and members' equity		
Current liabilities		
Accounts payable	**11.4**	21.7
Accounts payable - affiliates	**4.8**	4.7
Interest payable	**28.6**	11.4
Other liabilities	**26.3**	13.8
Total current liabilities	**71.1**	51.6
Long-term debt	**1,488.0**	1,487.4
Members' equity	**1,584.7**	1,599.0
Total liabilities and members' equity	**3,143.8**	3,138.0

SABAL TRAIL TRANSMISSION, LLC
STATEMENTS OF MEMBERS' EQUITY

(unaudited; 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**
December 31, 2018	773.5	657.7	116.1	1,547.3
Earnings	64.1	54.5	9.6	128.2
Attributed deferred tax expense	(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	778.5	661.9	116.8	1,557.2
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 (Note 2)	**(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**

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 earnings, financial position and cash flows of our company. These unaudited 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 unaudited interim financial statements do not include any of the assets, liabilities, revenues or expenses of the members. Amounts are presented in U.S. dollars unless otherwise stated.

2. CHANGES IN ACCOUNTING POLICIES

ADOPTION OF NEW ACCOUNTING STANDARDS

Reference Rate Reform

Effective July 1, 2020, we adopted Accounting Standards Update (ASU) 2020-04 on a prospective basis. The new standard was issued in March 2020 to provide temporary optional guidance in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying generally accepted accounting principles when accounting for contract modifications, hedging relationships and other transactions impacted by rate reform, subject to meeting certain criteria. ASU 2020-04 is effective until December 31, 2022. The adoption of this ASU did not have a material impact on our financial statements.

Clarifying Interaction between Collaborative Arrangements and Revenue from Contracts with Customers

Effective January 1, 2020, we adopted ASU 2018-18 on a retrospective basis. The new standard was issued in November 2018 to provide clarity on when transactions between entities in a collaborative arrangement should be accounted for under the new revenue standard, Accounting Standards Codification (ASC) 606. In determining whether transactions in collaborative arrangements should be accounted for 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 adoption of this ASU did not have a material impact on our financial statements.

Disclosure Effectiveness

Effective January 1, 2020, we adopted ASU 2018-13 on both a retrospective and prospective basis depending on the change. The new standard was issued to improve the disclosure requirements for fair value measurements by eliminating and modifying some disclosures, while also adding new disclosures. The adoption of this ASU did not have a material impact on our financial statements.

Accounting for Credit Losses

Effective January 1, 2020, we adopted ASU 2016-13 on a modified retrospective basis.

The new standard 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. The previous accounting treatment used the incurred loss methodology for recognizing credit losses that delayed the recognition until it was probable a loss had 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 recognizes as an allowance its estimate of expected credit losses, which the Financial Accounting Standards Board believes results 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.

For accounts receivable, a loss allowance matrix is utilized to measure lifetime expected credit losses. The matrix contemplates historical credit losses by age of receivables, adjusted for any forward-looking information and management expectations.

On January 1, 2020 we recorded $0.2 million of additional Deficit on our Statements of Financial Position in connection with the adoption of ASU 2016-13. The adoption of this ASU did not have a material impact on the Statements of Earnings or Cash Flows during the period.

Recognition of Leases
Effective January 1, 2020, 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 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.

FUTURE ACCOUNTING POLICY CHANGES
Disclosure Effectiveness
ASU 2018-14 was issued in August 2018 to improve disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The amendment modifies the current guidance by adding and removing several disclosure requirements while also clarifying the guidance on current disclosure requirements. ASU 2018-14 is effective January 1, 2021 and entities are permitted to adopt the standard early. The adoption of ASU 2018-14 is not expected to have a material impact on our financial statements.

3. REVENUES

Disaggregation of Revenue
All operating revenues for the three and nine months ended September 30, 2020 were earned from contracts with customers for the transportation of natural gas.

Contract Balances		**Receivables**
		(in millions)
Balance as at December 31, 2019	$	31.6
Balance as at September 30, 2020		**39.3**

There were no contract assets or liabilities as at December 31, 2019 or September 30, 2020.

Revenue to be recognized from Unfulfilled Performance Obligations
Total revenue from performance obligations expected to be fulfilled in future periods is $10.3 billion, of which $0.1 billion and $0.5 billion are expected to be recognized during the three months ending December 31, 2020 and the year ending December 31, 2021, 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.

SIGNIFICANT JUDGMENTS MADE IN RECOGNIZING REVENUE
Performance Obligations Satisfied Over Time
All operating revenues for the three and nine month periods ended September 30, 2020 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.

4. 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 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 September 30, 2020 and December 31, 2019 related to litigation.

5. SUBSEQUENT EVENTS

We have evaluated significant events and transactions that occurred from October 1, 2020 through November 27, 2020, the date the financial statements were issued, and have identified no subsequent events for disclosure.