# SABAL TRAIL TRANSMISSION, LLC

## FINANCIAL STATEMENTS

## December 31, 2021

## Report of Independent Auditors

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

### *Opinion*

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, 2021 and 2020, and the related statements of earnings, of members' equity, and of cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, 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.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such

procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PricewaterhouseCoopers LLP

Houston, Texas
March 18, 2022

# SABAL TRAIL TRANSMISSION, LLC
# STATEMENTS OF EARNINGS

| Year ended December 31, | **2021** | 2020 |
|---|---|---|
| *(millions of United States dollars)* | | |
| Operating revenues | **486.9** | 441.7 |
| Operating expenses | | |
| Operating, maintenance and other | **89.7** | 80.5 |
| Depreciation and amortization | **52.7** | 51.9 |
| Property and other taxes | **22.9** | 24.3 |
| Total operating expenses | **165.3** | 156.7 |
| Operating income | **321.6** | 285.0 |
| Other income/(expenses) | | |
| Allowance for funds used during construction - equity | **—** | 2.4 |
| Interest expense, net | **(68.7)** | (67.5) |
| Amortization of debt costs | **(0.8)** | (0.8) |
| Total other expenses | **(69.5)** | (65.9) |
| Earnings | **252.1** | 219.1 |

*The accompanying notes are an integral part of these 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 |
|---|---|---|---|---|
| *(millions of United States dollars)* | | | | |
| December 31, 2019 | 799.4 | 679.7 | 119.9 | 1,599.0 |
| Earnings | 109.6 | 93.1 | 16.4 | 219.1 |
| Modified retrospective adoption of ASU 2016-13 Financial Instruments - Credit Losses | (0.1) | (0.1) | — | (0.2) |
| Attributed deferred tax expense | (0.2) | (0.2) | — | (0.4) |
| Contributions from members | 15.9 | 13.5 | 2.4 | 31.8 |
| Distributions to members | (127.1) | (108.0) | (19.1) | (254.2) |
| December 31, 2020 | **797.5** | **678.0** | **119.6** | **1,595.1** |
| Earnings | **126.0** | **107.1** | **19.0** | **252.1** |
| Attributed deferred tax expense | **(0.5)** | **(0.6)** | **(0.1)** | **(1.2)** |
| Contributions from members | **1.3** | **1.1** | **0.2** | **2.6** |
| Distributions to members | **(153.2)** | **(130.3)** | **(23.0)** | **(306.5)** |
| **December 31, 2021** | **771.1** | **655.3** | **115.7** | **1,542.1** |

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

# SABAL TRAIL TRANSMISSION, LLC
# STATEMENTS OF CASH FLOWS

| Year ended December 31, | **2021** | 2020 |
|---|---|---|
| *(millions of United States dollars)* | | |
| **Operating activities** | | |
| Earnings | **252.1** | 219.1 |
| Adjustments to reconcile earnings to net cash provided by operating activities: | | |
| Depreciation and amortization | **52.7** | 51.9 |
| Allowance for funds used during construction - equity | **—** | (2.4) |
| Amortization of debt issuance costs | **0.8** | 0.8 |
| Changes in operating assets and liabilities | **(0.2)** | (3.4) |
| Net cash provided by operating activities | **305.4** | 266.0 |
| **Investing activities** | | |
| Capital expenditures | **(8.1)** | (58.2) |
| Net cash used in investing activities | **(8.1)** | (58.2) |
| **Financing activities** | | |
| Contributions from members | **2.6** | 37.0 |
| Distributions to members | **(306.5)** | (254.2) |
| Net cash used in financing activities | **(303.9)** | (217.2) |
| Net decrease in cash | **(6.6)** | (9.4) |
| Cash at beginning of year | **19.7** | 29.1 |
| Cash at end of year | **13.1** | 19.7 |
| **Supplementary cash flow information** | | |
| Cash paid for interest, net of amounts capitalized | **68.7** | 67.6 |

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

# SABAL TRAIL TRANSMISSION, LLC
# STATEMENTS OF FINANCIAL POSITION

| | **December 31, 2021** | December 31, 2020 |
|---|---|---|
| *(millions of United States dollars)* | | |
| **Assets** | | |
| Current assets | | |
| Cash | **13.1** | 19.7 |
| Accounts receivable, net | **1.8** | 0.5 |
| Accounts receivable - affiliates *(Note 9)* | **40.1** | 39.9 |
| Other | **7.1** | 4.8 |
| | **62.1** | 64.9 |
| Property, plant and equipment, net *(Note 6)* | **2,942.4** | 2,989.6 |
| Regulatory assets *(Note 5)* | **61.6** | 62.7 |
| Total assets | **3,066.1** | 3,117.2 |
| | | |
| **Liabilities and members' equity** | | |
| Current liabilities | | |
| Accounts payable | **6.3** | 8.4 |
| Accounts payable - affiliates *(Note 9)* | **2.6** | 5.6 |
| Interest payable | **11.4** | 11.4 |
| Other liabilities | **4.9** | 8.5 |
| | **25.2** | 33.9 |
| Customer deposits | **9.7** | — |
| Long-term debt *(Note 7)* | **1,489.1** | 1,488.2 |
| | | |
| Commitments and contingencies *(Note 10)* | | |
| Members’ equity | **1,542.1** | 1,595.1 |
| Total liabilities and members’ equity | **3,066.1** | 3,117.2 |

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. BUSINESS OVERVIEW

Sabal Trail Transmission, LLC (collectively, “we”, “our” and “us”) 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 Enbridge Inc. (Enbridge).

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).

## 2. SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF PRESENTATION AND USE OF ESTIMATES**

These financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (US GAAP) and reflect the results of our operations, our financial position and cash flows. The 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 noted.

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities in the financial statements. Significant estimates and assumptions used in the preparation of the financial statements include, but are not limited to: carrying values of regulatory assets and liabilities *(Note 5)*; expected credit losses; depreciation rates and carrying value of property, plant and equipment *(Note 6)*; and commitments and contingencies *(Note 10)*. Actual results could differ from these estimates.

**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, recording liabilities for amounts that are expected to be returned to customers or for instances where the regulator provides current rates intended to recover costs 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 US 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 5. Regulatory Matters* for further discussion.

## ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION

Allowance for funds used during construction (AFUDC) represents the estimated debt and equity costs of capital funds necessary to finance the construction and expansion of certain new regulated facilities. AFUDC 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, net on the Statements of Financial Position, with offsetting credits to the Statements of Earnings through Other income for the equity component and Interest expense for the interest component.

## REVENUE RECOGNITION

For rate-regulated businesses, revenues are recognized in a manner that is consistent with the underlying agreements as approved by the regulator. Transportation revenues earned from firm contracted capacity arrangements are recognized ratably over the contract period. Transportation revenues from interruptible or volumetric-based arrangements are recognized when services are performed.

Revenues related to 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.

## INCOME TAXES

We are not subject to federal income taxes. Our taxable income or loss is included as part of the taxable income for each of the members. We are not subject to state income taxes.

In accordance with our settlement agreements, in the Statements of Financial Position we have recognized a regulatory asset representing amounts that we are permitted to recover for the effect of income tax expenses incurred in connection with income recognized for the equity component of AFUDC. These regulatory balances are recognized as Attributed deferred tax expense in the Statements of Changes in Members' Equity since we are a pass-through entity.

## CASH

Cash includes amounts deposited in accounts with a US bank and is recorded at cost which approximates fair value.

## RECEIVABLES AND CURRENT EXPECTED CREDIT LOSSES

Accounts receivable are measured at costs. 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.

## 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, as well as 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 provided on a straight-line basis over the estimated useful lives of the assets commencing when the asset is placed in service. For pipeline, utilities, and similar entities, the pool method of accounting for property, plant and equipment is followed whereby similar assets are grouped and depreciated as a pool. When group assets are retired or otherwise disposed of, gains and losses are generally not reflected in earnings but are booked as an adjustment to accumulated depreciation.

**IMPAIRMENT**
We review the carrying values of our long-lived assets as events or changes in circumstances warrant. If it is determined that the carrying value of an asset exceeds the undiscounted cash flows expected from the asset, we calculate fair value based on the discounted cash flows and write the assets down to the extent that the carrying value exceeds the fair value.

**ASSET RETIREMENT OBLIGATIONS**
Asset Retirement Obligations (ARO) associated with the retirement of long-lived assets are recognized and measured at fair value in the period which they can be reasonably determined. The fair value approximates the cost a third party would charge in performing the tasks necessary to retire such assets and is recognized at the present value of expected future cash flows. The ARO is depreciated on a basis consistent with depreciation of the underlying assets.

We have determined that substantially all of our assets have an indeterminate life, and as such, the fair values of ARO are not reasonably estimable. These assets include pipelines whose retirement dates will depend mostly on the various natural gas supply sources that connect to our systems and the ongoing demand for natural gas usage in the markets we serve. We expect these supply sources and market demands to continue for the foreseeable future, therefore we are unable to estimate retirement dates that would result in ARO liabilities.

**TRANSACTION COSTS**
Transaction costs are incremental costs directly related to the acquisition of a financial asset or the issuance of a financial liability. We incur transaction costs primarily from the issuance of debt and account for these costs as a deduction from Long-term debt on the Statements of Financial Position. These costs are amortized using the effective interest rate method over the term of the related debt instrument and are recorded in Interest expense.

**COMMITMENTS, CONTINGENCIES AND ENVIRONMENTAL LIABILITIES**
Liabilities for other commitments and contingencies are recognized when, after fully analyzing 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 recognize the most likely amount, or if no amount is more likely than another, the minimum of the range of probable loss is accrued. We expense legal costs associated with loss contingencies as such costs are incurred. We expense or capitalize, as appropriate, expenditures for ongoing compliance with environmental regulations that relate to past or current operations.

# 3. CHANGES IN ACCOUNTING POLICIES

**CHANGES IN ACCOUNTING POLICIES**
There were no changes in accounting policies during the year ended December 31, 2021.

**ADOPTION OF NEW ACCOUNTING STANDARDS**
**Accounting for Contract Assets and Liabilities from Contracts with Customers in a Business Combination**
Effective November 1, 2021, we adopted Accounting Standards Update (ASU) 2021-08 on a retrospective basis beginning January 1, 2021. The new standard was issued in October 2021 to amend business combination accounting specific to contract assets and contract liabilities resulting from contracts with customers, requiring measurement in accordance with Accounting Standards Codification (ASC) 606. The ASU is also applicable to contract assets and contract liabilities from other contracts to which ASC 606 applies, such as contract liabilities from the sale of nonfinancial assets within the scope of ASC 610-20. The adoption of this ASU did not have a material impact on our financial statements.

**FUTURE ACCOUNTING POLICY CHANGES**
**Disclosures about Government Assistance**
ASU 2021-10 was issued in November 2021 to increase the transparency of government assistance to business entities. The ASU adds new disclosure requirements for transactions with a government that are accounted for using a grant or contribution accounting model by analogy. The required disclosures include information about the nature of transactions, accounting policy applied, impacted financial statement line items and significant terms and conditions. ASU 2021-10 is effective January 1, 2022 and can be applied either prospectively or retrospectively with early adoption permitted. The adoption of ASU 2021-10 is not expected to have a material impact on our financial statements.

# 4. REVENUE

**REVENUE FROM CONTRACTS WITH CUSTOMERS**
**Major Services**
All operating revenues for the year ended December 31, 2021 were earned from contracts with customers for the transportation of natural gas.

**Contract Balances**

| *(millions of US dollars)* | Contract Receivables |
|---|---|
| Balance as of December 31, 2021 | **42.0** |
| Balance as of 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 of December 31, 2021 or 2020.

**Revenue from Unfulfilled Performance Obligations**
Total revenue from performance obligations expected to be fulfilled in future periods is $9.8 billion, of which $495.0 million is expected to be recognized during the year 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 years ended December 31, 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.

## 5. REGULATORY MATTERS

We record assets and liabilities that result from regulated ratemaking processes that would not be recorded under US GAAP for non-regulated entities. See *Note 2. Significant Accounting Policies* for further discussion.

**Rate-Related Information**

We continue to operate under rates approved by the FERC in 2016.

**Financial Statement Effects**

Accounting for rate-regulated activities has resulted in the recognition of the following regulatory assets in the Statements of Financial Position:

| December 31, | **2021** | 2020 | Recovery/Refund Period Ends |
|---|---|---|---|
| *(millions of US dollars)* | | | |
| Current regulatory assets | | | |
| Under-recovery of fuel costs[1] | **4.5** | 1.5 | 2022 |
| Total current regulatory assets | **4.5** | 1.5 | |
| Long-term regulatory assets | | | |
| Deferred income taxes[2,3] | **61.6** | 62.7 | Various |
| Total long-term regulatory assets | **61.6** | 62.7 | |
| Total regulatory assets | **66.1** | 64.2 | |

*1 Current regulatory assets are included in Other in the Statements of Financial Position.*
*2 Relate to income tax gross up of AFUDC equity portion.*
*3 All amounts are expected to be included in future rate filings and will be recovered over the life of the associated assets.*

We have no regulatory liabilities as of December 31, 2021 and 2020.

## 6. PROPERTY, PLANT AND EQUIPMENT

| December 31, | Weighted Average Depreciation Rate | **2021** | 2020 |
|---|---|---|---|
| *(millions of US dollars)* | | | |
| Natural gas transmission | 1.7 % | **2,855.4** | 2,850.8 |
| Land and right-of-way[1] | 1.7 % | **285.9** | 285.7 |
| Interconnection costs and other | 2.0 % | **26.3** | 26.1 |
| Under construction | — % | **0.5** | — |
| Total property, plant and equipment | | **3,168.1** | 3,162.6 |
| Total accumulated depreciation and amortization | | **(225.7)** | (173.0) |
| Property, plant and equipment, net | | **2,942.4** | 2,989.6 |

*1 The measurement of weighted average depreciation rate excludes non-depreciable assets.*

All of our property, plant and equipment is regulated with estimated useful lives based on depreciation rates approved by the FERC.

# 7. DEBT

**Summary of Debt and Related Terms**

| December 31, | Maturity | **2021** | 2020 |
|---|---|---|---|
| *(millions of US dollars)* | | | |
| 4.25% senior unsecured bonds | 2028 | **500.0** | 500.0 |
| 4.68% senior unsecured bonds | 2038 | **600.0** | 600.0 |
| 4.83% senior unsecured bonds | 2048 | **400.0** | 400.0 |
| Unamortized debt issuance costs | | **(10.9)** | (11.8) |
| **Total long-term debt** | | **1,489.1** | 1,488.2 |

As of December 31, 2021, we were in compliance with all debt covenants.

# 8. RISK MANAGEMENT

**CREDIT RISK**

Our principal customers for natural gas transportation services are utilities located throughout the states of Florida, Alabama and Georgia, and we have concentrations of receivables from the utility sector in these states. 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.

# 9. RELATED PARTY TRANSACTIONS

Related party transactions are conducted in the normal course of business and, unless otherwise noted, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

We are currently a party to a Construction, Operation and Management Agreement (the COMA) with Sabal Trail Management, LLC (the Operator). The Operator has been engaged to develop, construct, market and operate our natural gas transmission assets, amongst other administrative responsibilities, and is to be reimbursed for all costs incurred in accordance with the COMA. As the Operator is an indirect subsidiary of Enbridge, these transactions are inherently related party transactions.

Our balances with the Operator are as follows:

| December 31, | **2021** | 2020 |
|---|---|---|
| *(millions of US dollars)* | | |
| Prepaid expenses[1] | **3.6** | 3.2 |
| Property, plant and equipment, net | **0.7** | 4.2 |
| Accounts payable - affiliates | **2.6** | 5.6 |

*1 Reported within Other in the Statements of Financial Position.*

Our transactions with related parties are as follows:

| Year ended December 31, | **2021** | 2020 |
|---|---|---|
| *(millions of US dollars)* | | |
| Operating revenues[1] | **470.9** | 435.9 |
| Operating, maintenance and other expenses[2] | **19.9** | 18.4 |

*1 In the normal course of business, we provide natural gas transmission services to NextEra and Duke. Receivable amounts are presented under Accounts receivable - affiliates in the Statements of Financial Position.*
*2 Includes management and operating services provided by the Operator.*

## 10. COMMITMENTS AND CONTINGENCIES

### COMMITMENTS

As of December 31, 2021, we have commitments as detailed below:

| | Total | Less than 1 year | 2 years | 3 years | 4 years | 5 years | Thereafter |
|---|---|---|---|---|---|---|---|
| *(millions of US dollars)* | | | | | | | |
| Annual debt maturities | 1,500.0 | — | — | — | — | — | 1,500.0 |
| Interest obligations | 1,113.7 | 68.7 | 68.7 | 68.7 | 68.7 | 68.7 | 770.2 |
| Operating commitments | 1,423.0 | 69.3 | 69.3 | 69.3 | 69.3 | 69.3 | 1,076.5 |
| Total | 4,036.7 | 138.0 | 138.0 | 138.0 | 138.0 | 138.0 | 3,346.7 |

### 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 December 31, 2021 or 2020, related to litigation.

## 11. SUBSEQUENT EVENTS

We have evaluated significant events and transactions that occurred from January 1, 2022 through March 18, 2022, the date the financial statements were issued, and have identified no subsequent events for disclosure.