Columbia Pipelines Operating Company LLC

Consolidated and Combined Financial Statements
(Unaudited)
September 30, 2023

Consolidated and combined statement of income

(unaudited)	Nine months ended September 30,	
(millions of dollars)	**2023**	**2022**
Revenues (Note 3)	**2,044**	2,199
Income from Equity Investments (Note 6)	**22**	56
Operating and Other Expenses		
Plant operating costs and other	**619**	767
Property taxes	**194**	183
Depreciation and amortization	**247**	245
Total Operating and Other Expenses	**1,060**	1,195
Operating Income	**1,006**	1,060
Financial Charges		
Interest expense, net (Note 9)	**209**	84
Allowance for funds used during construction	**(21)**	(29)
Other income	**—**	(3)
Total Financial Charges	**188**	52
Income before Income Taxes	**818**	1,008
Income Tax Expense	**—**	—
Net Income	**818**	1,008

The accompanying Notes to the unaudited consolidated and combined financial statements are an integral part of these statements.

Consolidated and combined statement of comprehensive income

(unaudited)	Nine months ended September 30,	
(millions of dollars)	**2023**	**2022**
Net Income	**818**	1,008
Other Comprehensive Income		
Other comprehensive income of equity investments	**1**	2
Other comprehensive income	**1**	2
Comprehensive Income	**819**	1,010

The accompanying Notes to the unaudited consolidated and combined financial statements are an integral part of these statements.

Consolidated and combined balance sheet

(unaudited) *(millions of dollars)*	**September 30, 2023**	**December 31, 2022**
ASSETS		
Current Assets		
Accounts receivable and other (Note 4)	**246**	323
Demand loan receivable (Note 14)	**81**	413
Related party receivable (Note 14)	**3**	19
Inventories	**43**	42
Other (Note 5)	**28**	73
Total Current Assets	**401**	870
Plant, Property and Equipment, net	**17,613**	16,972
Equity Investments (Note 6)	**—**	379
Regulatory Assets (Note 7)	**1**	2
Total Assets	**18,015**	18,223
LIABILITIES		
Current Liabilities		
Accounts payable and other (Note 8)	**663**	674
Related party payable (Note 14)	**37**	74
Total Current Liabilities	**700**	748
Long-Term Intercompany Debt (Note 9)	**—**	4,200
Long-Term Debt, net (Note 9)	**6,057**	—
Regulatory Liabilities (Note 7)	**149**	154
Other Long-Term Liabilities (Note 10)	**32**	25
Total Liabilities	**6,938**	5,127
MEMBERS' EQUITY		
Members' equity	**11,077**	13,103
Accumulated other comprehensive loss	**—**	(7)
Total Members' equity	**11,077**	13,096
LIABILITIES and MEMBERS' EQUITY	**18,015**	18,223

Commitments and Contingencies (Note 15)

Subsequent Events (Note 16)

The accompanying Notes to the unaudited consolidated and combined financial statements are an integral part of these statements.

Consolidated and combined statement of members' equity

For the nine months ended September 30, 2023

(unaudited) *(millions of dollars)*	**Members' Equity**	**AOCI**	**Total**
January 1, 2023	13,103	(7)	13,096
Net Income	818	—	818
Distributions	(566)	—	(566)
Distributions of equity investment	(378)	7	(371)
Other	5	—	5
Restructuring CPOC-CPG Note [1]	(400)	—	(400)
Transfer of CPG Existing Notes [1]	(1,505)	—	(1,505)
September 30, 2023	11,077	—	11,077

1 As described in more detail under Notes 1 and 9, on July 31, 2023 CPG transferred 100% of its membership interest in Columbia Gas and Columbia Gulf to CPOC in exchange for equity and an intercompany note amounting to $400 million and assumption of outstanding balances on CPG Existing Notes.

For the nine months ended September 30, 2022

(unaudited) *(millions of dollars)*	**Member's Equity**	**AOCI**	**Total**
January 1, 2022	12,707	(10)	12,697
Net income	1,008	—	1,008
Distributions	(787)	—	(787)
Other Comprehensive Income	—	2	2
September 30, 2022	12,928	(8)	12,920

The accompanying Notes to the unaudited consolidated and combined financial statements are an integral part of these statements.

Consolidated and combined statement of cash flows

(unaudited)	Nine months ended September 30,	
(millions of dollars)	**2023**	**2022**
Cash Generated from Operations		
Net income	**818**	1,008
Depreciation and amortization	**247**	245
Amortization of debt issuance costs	**1**	—
Income from equity investments (Note 6)	**(22)**	(56)
Distributions received from operating activities of equity investment (Note 6)	**30**	61
Equity allowance for funds used during construction	**(19)**	(27)
Changes in regulatory assets and liabilities	**(6)**	27
Changes in other current and non-current assets and liabilities (Note 14)	**53**	(334)
Net cash provided by operations	**1,102**	924
Investing Activities		
Capital expenditures	**(764)**	(670)
KOT Acquisition (Note 1)	**(70)**	—
Change in demand loan receivable with TCPL USA (Note 14)	**413**	537
Change in demand loan receivable with CPHC (Note 14)	**(84)**	—
Deferred amounts and other	**4**	(4)
Net cash used in investing activities	**(501)**	(137)
Financing Activities-CPOC		
Proceeds from TCPL USA-CPOC Loan (Note 9)	**4,600**	—
Intercompany variable rate long-term debt repayment (Note 9)	**(4,200)**	—
CPOC-CPG Note repayment (Note 1 and 9)	**(400)**	—
Proceeds from CPOC Offering, net of discount (Note 9)	**4,599**	—
TCPL USA-CPOC Loan repayment (Note 9)	**(4,600)**	—
Distributions to CPG (Note 14)	**(566)**	(787)
Debt Issuance Costs	**(34)**	—
Net cash used in financing activities	**(601)**	(787)
Change in Cash and Cash Equivalents	**—**	**—**
Cash and Cash Equivalents		
Beginning of period	**—**	—
Cash and Cash Equivalents		
End of period	**—**	**—**
Supplemental cash flow information, including certain non-cash investing and financing activities		
Interest paid, net of capitalized interest	**165**	76
Accruals for property, plant and equipment	**222**	185
Distribution of equity investment (Note 6)	**371**	—
Transfer of CPG Existing Notes (Note 9)	**1,505**	—
Restructuring Note issued to CPG (Note 9)	**400**	—
CPG contribution of equity interest in Columbia Gas and Columbia Gulf to the Company (Note 1)	**11,102**	—

The accompanying Notes to the unaudited consolidated and combined financial statements are an integral part of these statements.

Notes to unaudited consolidated and combined financial statements

1. DESCRIPTION OF BUSINESS AND OWNERSHIP

"We," "our," "us" and the "Company" refer to Columbia Pipelines Operating Company LLC or "CPOC" and its subsidiaries. CPOC is a Delaware limited liability company, a wholly owned subsidiary of Columbia Pipelines Holding Company LLC (CPHC). The Company was formed as part of the corporate restructuring of its indirect parent, Columbia Pipeline Group, Inc. (CPG), a direct subsidiary of TransCanada PipeLine USA Ltd (TCPL USA) as described in detail below.

Through our wholly owned subsidiaries, we own the following natural gas transportation and storage assets, which are regulated by the FERC.

Columbia Gas Transmission Company, L.L.C.

Columbia Gas Transmission Company, L.L.C. (Columbia Gas) is engaged in the transportation and storage of natural gas through interstate pipeline systems located in Delaware, Kentucky, Maryland, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Virginia, and West Virginia. On February 1, 2023, Columbia Gas completed a $69.8 million asset purchase from KO Transmission Company (KOT Acquisition), an affiliate of Duke Energy, by acquiring approximately 88.1 miles of interstate pipeline system originating in Means, Kentucky and extending to Hamilton, Ohio and Campbell, Kentucky. The assets were integrated into Columbia Gas' pipeline system and expanded its footprint by providing additional last-mile connectivity on its system into northern Kentucky and southern Ohio to growing LDC markets.

Columbia Gulf Transmission Company, L.L.C.

Columbia Gulf Transmission Company, L.L.C. (Columbia Gulf) is engaged in the transportation of natural gas through interstate pipeline systems located in Kentucky, Louisiana, Mississippi, and Tennessee.

Prior to the restructuring described below, Columbia Gas and Columbia Gulf were both wholly-owned direct subsidiaries of CPG.

Restructuring

During 2023, CPG undertook the following corporate restructuring (the "Restructuring") with respect its ownership of Columbia Gas and Columbia Gulf, including the following:

- Effective April 1, 2023, Columbia Gas assigned all of its 47.5% equity interest in Millennium to CPG.

- CPG established four new Delaware limited liability companies, CPOC, CPHC, Columbia Pipelines Intermediate LLC (CPIC) and Columbia Pipelines Management Company LLC (CPMC), as its direct wholly-owned subsidiaries.

- On July 31, 2023, CPG contributed all of its equity interests in Columbia Gas and Columbia Gulf to CPOC in exchange for additional equity and an intercompany note resulting in Columbia Gas and Columbia Gulf becoming direct wholly-owned subsidiaries of CPOC. CPG then contributed all of its equity interests in CPOC to CPHC, resulting in CPOC becoming a wholly-owned subsidiary of CPHC, in exchange for additional equity and an intercompany note (collectively the "July 31 Reorganization"). (See also Note 9 for additional disclosures)

2. ACCOUNTING POLICIES

Basis of Presentation – Consolidated and Combined Financial Statements

CPOC's financial statements for periods through the July 31 Reorganization date are combined financial statements prepared on a “carve-out” basis as discussed below. CPOC's financial statements for the period from July 31, 2023 through September 30, 2023 are consolidated financial statements based on the reported results of the CPOC.

The Consolidated and Combined Financial Statements include the CPOC's accounts maintained on the accrual basis of accounting in accordance with United States generally accepted accounting principles (GAAP).

Basis of Presentation – Prior to the July 31 Reorganization

Through the July 31 Reorganization date, the combined financial statements are prepared on a "carve-out" basis which have been derived from Columbia Gas and Columbia Gulf’s financial statements and accounting records in conformity with GAAP (Combined Company). All transactions between Columbia Gas and Columbia Gulf have been eliminated in combination.

The Combined Financial Statements include the Combined Company's accounts maintained on the accrual basis of accounting in accordance with United States generally accepted accounting principles (GAAP).

Accounting Policies-Overall

The results of operations for the nine months ended September 30, 2023 and 2022 are not necessarily indicative of the results that may be expected for the full fiscal year. The accompanying unaudited consolidated and combined financial statements do not include all disclosures required in the annual financial statements and should be read in conjunction with the audited combined financial statements and notes thereto for the year ended December 31, 2022 (2022 Combined Financial Statements). The report contains a more comprehensive summary of the Combined Company's significant accounting policies. CPOC's significant accounting policies are consistent with those disclosed in Note 2 of the Combined Company's 2022 Financial Statements.

Use of Estimates and Judgments

The preparation of financial statements requires management to make estimates and assumptions that affect both the amount and timing of recording assets, liabilities, revenues and expenses since the determination of these items may be dependent on future events. Management uses the most current information available and exercise careful judgment in making these estimates and assumptions. Actual results could differ from these estimates.

3. REVENUES

Disaggregation of Revenues

The following table summarizes our total Revenues:

(unaudited) (millions of dollars)	Nine months ended September 30 2023	 2022
Revenues from contracts with customers		
Capacity arrangements and transportation	**1,719**	1,690
Natural gas storage and other	**322**	506
	2,041	2,196
Other revenues[1]	**3**	3
	2,044	2,199

1. Other revenues primarily include amortization of the OPEB Tracker regulatory liability on Columbia Gas as well as natural gas processed by others.

For certain natural gas pipeline capacity and storage contracts, amounts are invoiced to the customer in accordance with the terms of the contract; however, the related revenues are recognized when the Company satisfies its performance obligation to provide committed capacity ratably over the term of the contract. This difference in timing between revenue recognition and amounts invoiced creates a contract asset or contract liability.

Contract Balances

(unaudited) (millions of dollars)	September 30, 2023	December 31, 2022
Receivables from contracts with customers[1]	**227**	279
Contract liabilities[2]	**(8)**	(6)

1. Majority of the balance here is recorded as Trade accounts receivable (See Note 4) reported as Accounts receivable and other in the Combined and Consolidated balance sheet. Additionally, for the nine months ended September 30, 2023, this amount also includes $4 million (December 31, 2022-$8 million) receivable from related party customer contracts reported as Related party receivable in the Combined and Consolidated balance sheet.
2. Comprised of current deferred revenue and other current deferred credits recorded in Accounts Payable and other on the Combined and Consolidated balance sheet.

Right to Invoice Practical Expedient

In the application of the right to invoice practical expedient, our revenues from regulated capacity arrangements are recognized based on rates specified in the contract. Therefore, the amount invoiced, which includes the capacity contracted and variable volume of natural gas transported and injected and/or withdrawn from storage, corresponds directly to the value the customer received. These revenues are recognized monthly once our performance obligation to provide capacity has been satisfied.

4. ACCOUNTS RECEIVABLE AND OTHER

The following table summarizes total Accounts receivable and other:

(unaudited) (millions of dollars)	September 30, 2023	December 31, 2022
Trade account receivables, net of allowance of $1.6 million and $1.5 million for 2023 and 2022, respectively	**222**	270
Imbalance receivable	**10**	37
Other	**14**	16
	246	323

5. OTHER CURRENT ASSETS

The following table summarizes total Other current assets:

(unaudited) (millions of dollars)	September 30, 2023	December 31, 2022
Regulatory assets (Note 7)	**15**	15
Prepaid expenses	**8**	6
Deferred debits	**5**	52
	28	73

6. EQUITY INVESTMENTS

Columbia Gas used the equity method of accounting to account for its 47.5% interest in Millennium and served as the operator of the pipeline until November 9, 2023, which is the effective date Millennium transferred its operating agreement with Columbia Gas to TransCanada Northern Border Inc. (TCNB), a subsidiary of TCPL USA. The Millennium pipeline commenced service on December 22, 2008, providing the capability to transport natural gas to markets along its route, which lies between Corning, New York and Ramapo, New York, as well as to the New York City market through its pipeline interconnections.

At December 31, 2022, Columbia Gas' investment in Millennium was $378.7 million. On March 29, 2023, Columbia Gas received a distribution from its equity investment in Millennium Pipeline Company of $29.5 million.

Effective April 1, 2023, Columbia Gas assigned all its 47.5% ownership interest in Millennium to its parent CPG. This transaction resulted to a reduction in the Combined Company's total assets and equity amounting to $371.6 million, which represents Columbia Gas' total Millennium investment balance at April 1, 2023.

7. REGULATORY MATTERS

The Company's regulatory assets and liabilities represent future revenues that are expected to be recovered from or refunded to customers based on decisions and approvals by the Federal Energy Regulatory Commission (FERC). Depending on whether they are current or long-term in nature, Regulatory Assets are included on the balance sheet as either Other current assets or Regulatory Assets; Regulatory Liabilities are included in Accounts payable and accrued interest or Regulatory Liabilities.

The Company operates under the provisions of the Natural Gas Act of 1938, the Natural Gas Policy Act of 1978 (NGA) and the Energy Policy Act of 2005, and are subject to the jurisdiction of the FERC. The NGA grants the FERC authority over the construction and operation of pipelines and related facilities, including the regulation of tariffs which incorporates maximum and minimum rates for services and allows regulated natural gas pipelines to discount or negotiate rates on a non-discriminatory basis.

The Company's regulatory assets and liabilities are summarized below:

Regulatory Assets and Liabilities

(unaudited) (millions of dollars)	September 30, 2023	December 31, 2022	Remaining Recovery/ Settlement Period
Regulatory Assets			
Rate Case, Covid 19 and Property taxes	**5**	8	See note 2
Other	**11**	9	
Total Regulatory Assets	**16**	17	
Less: Current portion included in Other current assets (Note 5)	**15**	15	
Total non-current Regulatory Assets	**1**	2	
Regulatory Liabilities			
Pensions and other post retirement benefits	**5**	7	See note 3
Cost of removal	**149**	153	See note 4
Fuel Tracker	**—**	9	See note 1
Other	**7**	3	
Total Regulatory Liabilities	**161**	172	
Less: Current portion included in Accounts payable and other (Note 8)	**12**	18	
Total non-current Regulatory Liabilities	**149**	154	

1. Fuel tracker assets or liabilities represents the over or under recovery of Columbia Gulf's Transportation Retainage Adjustment tracker. Columbia Gas' Transportation Retainage Adjustment & other trackers' over or under recoveries are being recorded under Deferred Debits-Other current assets or Accounts payable and other consistent with its FERC approved Tariff. For the nine months ended September 30, 2023, Columbia Gas recorded an asset of $3 million and a liability of $8 million, respectively, related to these trackers. For the year ended December 31, 2022 Columbia Gas recorded an asset of $40 million and a liability of $3 million, respectively, related to these trackers.

2. This balance represents Columbia Gas' recovery of regulatory costs incurred on its rate case, certain costs incurred during the COVID-19 pandemic and certain property taxes associated with its modernization program. All of these costs are being recovered until 2024.

3. This balance represents the regulatory offset to pension plan and other post-retirement obligations to the extent the amounts are expected to be refunded to customers in future rates.

4. The Company collects an allowance for cost of removal related to the orderly recoupment of funds to cover current and future retirement costs of certain transmission and storage facilities. Costs associated with abandonment of these facilities are recorded against the negative salvage balance as incurred over time. A cost of removal liability represents funds collected associated with future abandonment costs. The Company is required to operate and maintain its natural gas pipeline system and intends to do so as long as supply and demand for natural gas exists, which the Company expects for the foreseeable future. Therefore, the timing of abandonment of facilities and the recovery period is not determinable.

Columbia Gulf Settlement

In July 2023, Columbia Gulf, in advance of its obligation to file a general rate case from its 2019 settlement, reached a settlement with its customers effective March 1, 2024 and received FERC approval in August 2023. As part of the settlement, there is a moratorium on any further rate changes through February 28, 2027. The revised rates are not expected to have a significant impact on the Company's operating results. In addition, Columbia Gulf must file for new rates no later than March 1, 2029.

Columbia Gas Rate Case

In 2021, Columbia Gas reached a settlement with its customers effective February 2021 and received FERC approval in February 2022. As part of the settlement, there is a moratorium on any further rate changes until April 1, 2025 and Columbia Gas must file for new rates with an effective date no later than April 1, 2026.

Columbia Gas Line Break Incident

On July 25, 2023, a rupture on the Company's Line VB segment occurred alongside Interstate 81 in Strasburg, Virginia. Emergency response procedures were enacted and the segment of impacted pipeline was isolated shortly thereafter. There were no reported injuries involved with this incident and no significant damage to surrounding structures. The pipeline has been operating at reduced pressure in accordance with PHMSA's CAO since July 28, 2023, and the Company is working with PHMSA under the CAO to return the system to normal operations as soon as possible. We do not expect this event to have a material impact on the Company's financial results.

8. ACCOUNTS PAYABLE AND OTHER

The following table summarizes the breakdown of total Accounts payable and other:

(unaudited) (millions of dollars)	September 30, 2023	December 31, 2022
Accounts payable and accrued liabilities	**332**	335
Taxes other than income	**221**	252
Imbalance payable	**13**	60
Regulatory liabilities (Note 7)	**12**	18
Interest Payable	**68**	—
Other	**17**	9
	663	674

9. DEBT

Long-Term Debt

(unaudited) (millions of dollars)	Maturity Dates	September 30, 2023	December 31, 2022
Columbia Pipelines Operating Company			
4.50% Senior Notes	6/2/2025	1,000	—
5.80% Senior Notes	6/2/2045	500	—
5.927% Senior Notes	8/15/2030	750	—
6.036% Senior Notes	11/15/2033	1,500	—
6.497% Senior Notes	8/15/2043	600	—
6.544% Senior Notes	11/15/2053	1,250	—
6.714% Senior Notes	8/15/2063	500	—
Unamortized debt discount and issue costs		(43)	—
Total Long-Term Debt		6,057	—

Intercompany Debt

(unaudited) (millions of dollars)	Maturity Dates	September 30, 2023	December 31, 2022
Columbia Gas Transmission			
Variable rate intercompany loan	1/15/2024	**—**	3,500
Columbia Gulf Transmission			
Variable rate intercompany loan	1/15/2024	—	700
		—	4,200

Net Interest Expense

Interest expense recorded during the period is summarized below:

(unaudited)	Nine months ended September 30	
(millions of dollars)	**2023**	**2022**
Interest on long-term debt	**55**	—
Interest on intercompany debt	**167**	84
Interest income	**(14)**	(4)
Amortization and other financial charges	**1**	4
	209	84

As part of the Restructuring described under Note 1, the following CPOC debt activities occurred in 2023:

- On July 31, 2023, CPOC issued an intercompany note in the amount of $400 million (the "CPOC – CPG Note") to CPG as an additional consideration for Columbia Gas and Columbia Gulf becoming direct wholly-owned subsidiaries of CPOC.

- As a result of the contribution by CPG of all of its equity interests in Columbia Gas and Columbia Gulf to CPOC, CPOC succeeded to and assumed all of CPG's rights and obligations under two series of senior unsecured notes outstanding (the "CPG Existing Notes") and the Existing Notes indenture. The CPG Existing Notes include (i) $1,000,000,000 aggregate principal amount of 4.50% Senior Notes due 2025 and (ii) $500,000,000 aggregate principal amount of 5.80% Senior Notes due 2045. In accordance with the terms of the Existing Notes indenture, concurrently with CPG's contribution of Columbia Gas and Columbia Gulf to CPOC, CPOC entered into a supplemental indenture to the Existing Notes Indenture that effectuated such succession, and CPG was concurrently released from its obligations under the Existing Notes and the Existing Notes indenture.

- Finally, on July 31, 2023, CPOC borrowed $4.6 billion from TCPL USA (TCPL USA-CPOC Loan) and CPOC used the loan proceeds to:
  - make a contribution of $700 million to Columbia Gulf and Columbia Gulf, in turn, used the contributed funds to repay in full its outstanding indebtedness under a floating rate credit facility owed to CPG
  - make a contribution of $3.5 billion to Columbia Gas and Columbia Gas, in turn, used the contributed funds to repay in full its outstanding indebtedness under a floating rate credit facility owed to CPG; and repay the $400 million CPOC – CPG Note.

- In August 2023, CPOC commenced an unregistered offering for five series of senior unsecured notes for an aggregate principal amount of $4.6 billion (CPOC Offering). The CPOC Offering closed on August 8, 2023 and resulted to the following series (i) $750,000,000 aggregate principal amount of 5.927% Senior Notes due 2030, (ii) $1,500,000,000 aggregate principal amount of

6.036% Senior Notes due 2033, (iii) $600,000,000 aggregate principal amount of 6.497% Senior Notes due 2043, (iv) $1,250,000,000 aggregate principal amount of 6.544% Senior Notes due 2053 and (v) $500,000,000 aggregate principal amount of 6.714% Senior Notes due 2063 (collectively, the "CPOC Notes"). The net proceeds from the issuance and sale of the CPOC Notes was used for the repayment of intercompany indebtedness under the TCPL USA – CPOC Loan.

- Finally, CPOC is not required to maintain any financial covenants with respect to CPG Existing Notes and CPOC Notes.

Principal Repayments

The principal repayments required by CPOC on its consolidated debt are as follows:

unaudited (millions of U.S. dollars)	Total	2023	2024	2025	2026	2027	After
Columbia Pipelines Operating Company							
5.927% Senior Notes	750	—	—	—	—	—	750
6.036% Senior Notes	1,500	—	—	—	—	—	1,500
6.497% Senior Notes	600	—	—	—	—	—	600
6.544% Senior Notes	1,250	—	—	—	—	—	1,250
6.714% Senior Notes	500	—	—	—	—	—	500
4.50% Senior Notes	1,000	—	—	1,000	—	—	—
5.80% Senior Notes	500	—	—	—	—	—	500
Total Repayments	6,100	—	—	1,000	—	—	5,100

10. OTHER LONG-TERM LIABILITIES

(unaudited) (millions of dollars)	September 30, 2023	December 31, 2022
Operating lease obligation	**8**	3
Deferred credits	**12**	10
Asset retirement obligations[1]	**8**	7
Deferred tax liability[2]	**4**	4
Other	**—**	1
	32	25

1 The majority of our remaining asset retirement obligations relate to certain polychlorinated biphenyl ("PCB") remediation. As part of our process of assessing the estimated asset retirement obligation, we have re-evaluated our asset retirement obligations and determined that due to the construction status underway with the pipeline modernization settlement and the completion of certain key expansion projects to integrate the new expansion pipelines with our existing pipeline infrastructure, the timing of settlement of the remediation activity of the historically recognized asset retirement obligations is indeterminable as we are required to operate and maintain its natural gas pipeline system, and intends to do so as long as supply and demand for natural gas exists, which we expect for the foreseeable future. Therefore, we believe believes our natural gas pipeline system assets have indeterminate lives and, accordingly, have recorded no asset retirement obligation outside of the PCB remediation under an Environmental Protection Agency (EPA) order. We continue to evaluate asset retirement obligations and future developments that could impact amounts it records.

2 The amount accrued here pertains to deferred taxes associated with Columbia Gulf's filing of Tennessee state franchise & excise taxes.

11. FAIR VALUE MEASUREMENT

Fair Value Hierarchy

Our financial assets and liabilities recorded at fair value have been categorized into three categories based on a fair value hierarchy.

Levels	How fair value has been determined
Level I	Quoted prices in active markets for identical assets and liabilities that we have the ability to access at the measurement date. An active market is a market in which frequency and volume of transactions provides pricing information on an ongoing basis.
Level II	Valuation based on the extrapolation of inputs, other than quoted prices included within Level I, for which all significant inputs are observable directly or indirectly. Inputs include published interest rates, interest rate swap curves, yield curves and broker quotes from external data service providers. This category includes interest rate derivative assets and liabilities where fair value is determined using the income approach and commodity derivatives where fair value is determined using the market approach.
Level III	Valuation of assets and liabilities are measured using a market approach based on extrapolation of inputs that are unobservable or where observable data does not support a significant portion of the derivative's fair value. This category mainly includes long-dated commodity transactions in certain markets where liquidity is low and the Company uses the most observable inputs available or, if not available, long-term broker quotes to estimate the fair value for these transactions. Assets and liabilities measured at fair value can fluctuate between Level II and Level III depending on the proportion of the value of the contract that extends beyond the time frame for which significant inputs are considered to be observable. As contracts near maturity and observable market data becomes available, they are transferred out of Level III and into Level II.

Fair Value of Financial Instruments

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying value of "cash and cash equivalents," "accounts receivable and other" "demand loan receivable," "related party receivable and payable" and "accounts payable and other," and "long-term intercompany debt" approximate their fair values because of the short maturity or duration of these instruments, or because the instruments bear a variable rate of interest or a rate that approximates current rates.

The fair value of the Company's fixed rate debt is estimated by discounting the future cash flows of each instrument at estimated current borrowing rates, which is classified as Level 2 in the "Fair Value Hierarchy" where the fair value is determined by using valuation techniques that refer to observable market data. At September 30, 2023, the fair value of the Company's long-term debt was $5,895 million.

We have classified the fair value of natural gas imbalances as a Level 2 of the fair value hierarchy for fair value disclosure purposes, as the valuation approach includes quoted prices in the market index and observable volumes for the imbalance.

12. CHANGES IN OTHER OPERATING ASSETS AND LIABILITIES

(unaudited) (millions of dollars)	September 30, 2023	September 30, 2022
(Increase)/decrease in Accounts receivable and other	**96**	(30)
(Increase)/decrease in Other current assets	**45**	(47)
(Decrease) in Accounts payable and other	**(89)**	(257)
(Increase)/decrease in Inventories	**(1)**	1
(Increase)/decrease in Other	**2**	(1)
Changes in other operating assets and liabilities	**53**	(334)

13. TRANSACTIONS WITH MAJOR CUSTOMERS

Major customers are defined as customers whose sales individually consist of more than 10% of total operating revenues.

The following table presents revenues from the Company's major customers:

	Nine months ended September 30			
	2023		2022	
(unaudited) (millions of dollars)	Amount	Percentage of total	Amount	Percentage of total
Antero Resources Corporation	**240**	**11.7 %**	237	10.9 %

14. RELATED PARTY TRANSACTIONS

Termination of Cash Management Program with TCPL USA

Prior to July 27, 2023, the Combined Company participated in the TCPL USA cash management program. At December 31, 2022, the Combined Company had a demand loan receivable from TCPL USA cash management program of $413 million. On July 27, 2023, Columbia Gas and Columbia Gulf terminated its cash management agreement with TCPL USA. As a result, TCPL USA cash settled the outstanding demand loan receivable by Columbia Gas and Columbia Gulf from this arrangement which were $238.8 million and $39.7 million, respectively.

As a result of the Restructuring described under Note 1, effective August 2, 2023, CPHC established its own cash management program and CPOC, Columbia Gas and Columbia Gulf entered into a cash management program with CPHC. This program matches short-term cash surpluses and needs of CPHC's subsidiaries, thus minimizing the total borrowings from outside sources. Monies advanced under the agreement are considered to be a loan, accruing interest and repayable on demand. CPOC, Columbia Gas and Columbia Gulf receives interest on monies advanced to CPHC at the rate of interest earned by CPHC on short-term cash investments. CPOC, Columbia Gas and Columbia Gulf pays interest on monies advanced from CPHC based on CPHC's short-term borrowing costs. At September 30, 2023, the Company had a demand loan receivable from CPHC cash management program of $81 million.

Operation and Maintenance Services Agreement

As described under Note 1, the Company's parent, CPHC, has contracted CPMC, subject to the Company's overall management, supervision, and control, to be responsible for the day-to-day management of the Company's affairs as defined in the OMSA Agreement and CPMC utilizes the services of TC Energy and its related parties (collectively, TC Energy) for management services related to the Company. Total costs incurred by the Company for these services provided by TC Energy are summarized in next paragraph below.

Affiliate Revenues and Expenses

During the normal course of operation, the Company earned revenue of $30 million and $33 million for the nine months ended September 30, 2023 and 2022, respectively from affiliates for transportation of natural gas. For the nine months ended September 30, 2023 and 2022, the Company incurred operating expenses related to transportation of natural gas and administrative costs amounting to $311 million and $263 million, respectively. For the nine months ended September 30, 2023 and 2022, the Company also incurred capital charges from affiliates amounting to $91 million and $49 million, respectively.

At September 30, 2023 and December 31, 2022, amounts due to/from affiliates are included in the balance sheet under the captions Related party receivable and Related party payable. At September 30, 2023, the Company did not have any loans due to affiliates (December 31, 2022 – $4.2 billion). See Note 9 for discussion of long-term debt due to an affiliate.

Distributions

2023

On July 13, 2023, the Board of Directors of CPG approved a distribution to CPG from Columbia Gas and Columbia Gulf amounting to $371 million and $9 million, respectively. The distributions were paid on July 21, 2023.

On September 25, 2023, the Board of Directors of CPG approved a distribution to CPHC from CPOC amounting to $153 million and $33.2 million, respectively. The distributions were paid on September 26, 2023.

2022

On May 19, 2022, the Board of Directors of CPG approved a distribution to CPG from Columbia Gas and Columbia Gulf amounting to $752 million and $35 million, respectively. The distributions were paid on May 25, 2022.

15. COMMITMENTS AND CONTINGENCIES

Commitments

The Company has capital expenditure commitments related to construction costs associated with modernization projects on Columbia Gas. Capital expenditure commitments include obligations related to the construction of growth projects and are based on the projects proceeding as planned. Changes to these projects, including cancellation, would reduce or possibly eliminate these commitments as a result of cost mitigation efforts.

Contingencies

The Company is subject to laws and regulations governing environmental quality and pollution control. As at September 30, 2023, the Company had accrued approximately $0.6 million (December 31, 2022 - $0.8 million) of environmental liabilities related to operating its facilities, which represents the estimated future amount it expects to expend to remediate the sites. However, additional liabilities may be incurred as assessments occur and remediation efforts continue.

The Company is subject to various legal proceedings, arbitrations and actions arising in the normal course of business. The Company will accrue a liability related to such matters when an obligation becomes probable and can be estimated. The Company is not aware of any legal matters that would have a material impact on the Company's financial position, results of operations, or cash flows as of September 30, 2023.

16. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 28, 2023, the date these financial statements were available to be issued and concluded there were no events or transactions during this period that would require recognition or disclosure in the financial statements other than what is disclosed here and/or those already disclosed in the preceding notes.