Columbia Pipeline Group, Inc.

Consolidated Financial Statements
December 31, 2019

Consolidated statements of income

year ended December 31 (millions of dollars)	2019	2018
Revenues (Note 4)	**2,442**	1,865
Income from Equity Investments (Note 7)	**84**	77
Operating and Other Expenses		
Plant operating costs and other	**785**	681
Property taxes	**188**	82
Depreciation and amortization	**296**	229
	1,269	992
Gain on Assets Sold (Note 19)	**349**	—
Financial Charges		
Interest expense (Note 14)	**115**	117
Allowance for funds used during construction	**(34)**	(178)
Interest income and other	**2**	(4)
	83	(65)
Income before Income Taxes	**1,523**	1,015
Income Tax Expense (Note 13)	**247**	231
Net Income	**1,276**	784

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

Consolidated statements of comprehensive income

year ended December 31 (millions of dollars)	**2019**	**2018**
Net Income	**1,276**	784
Other Comprehensive Income, Net of Income Taxes		
Unrealized actuarial gains and losses on pension and other post-retirement benefit plans	**—**	9
Other comprehensive income/(loss) of equity investments	**2**	3
Other comprehensive income (Note 15)	**2**	12
Comprehensive Income	**1,278**	796

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

Consolidated statements of cash flows

year ended December 31 (millions of dollars)	2019	2018
Cash Generated from Operations		
Net income	**1,276**	784
Depreciation and amortization	**296**	229
Deferred income taxes (Note 13)	**(130)**	(100)
Income from equity investments (Note 7)	**(84)**	(77)
Distributions received from operating activities of equity investments (Note 7)	**84**	69
(Gain)/loss on assets sold (Note 19)	**(349)**	—
Equity allowance for funds used during construction	**(23)**	(143)
Other	**(11)**	(3)
Increase in operating working capital (Note 17)	**(522)**	1,109
Net cash provided by operations	**537**	1,868
Investing Activities		
Capital expenditures	**(1,559)**	(3,969)
Contributions to equity investments	**(10)**	(138)
Proceeds from sales of assets, net of transactions costs (Note 19)	**1,265**	—
Deferred amounts and other	**(13)**	(266)
Net cash used in investing activities	**(317)**	(4,373)
Financing Activities		
Long-term debt repaid	**—**	(500)
Common share dividends paid	**(220)**	(220)
Equity issuance from TCPL USA	**—**	3,149
Net cash provided by financing activities	**(220)**	2,429
Decrease in Cash and Cash Equivalents	**—**	(76)
Cash and Cash Equivalents		
Beginning of year	**—**	76
Cash and Cash Equivalents		
End of year	**—**	—

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

Consolidated balance sheets

at December 31 (millions of dollars)	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	**—**	—
Accounts receivable	**289**	311
Related party receivable	**369**	393
Inventories	**54**	56
Other (Note 5)	**31**	38
	743	798
Plant, Property and Equipment (Note 6)	**14,416**	13,982
Equity Investments (Note 7)	**441**	613
Regulatory Assets (Note 8)	**125**	123
Goodwill (Note 9)	**1,861**	1,976
Other Assets (Note 10)	**477**	2
	18,063	17,494
LIABILITIES		
Current Liabilities		
Accounts payable and accrued interest	**852**	792
Related party payable	**88**	952
Current portion of long-term debt (Note 14)	**750**	0
	1,690	1,744
Regulatory Liabilities (Note 8)	**833**	911
Other Long-Term Liabilities (Note 12)	**32**	11
Long-Term Debt (Note 14)	**1,488**	2,235
Deferred Income Tax Liabilities (Note 13)	**970**	1,164
	5,013	6,065
EQUITY		
Shareholders' equity	**13,050**	11,429
	18,063	17,494

Commitments, Contingencies and Guarantees (Note 20)
Subsequent Events (Note 21)

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

Consolidated statements of equity

year ended December 31 (millions of dollars)	2019	2018
Additional Paid-in Capital		
Balance at beginning of year	**10,613**	7,473
Equity investment from parent	**—**	3,149
Adjustment related to employee share-based payments	**—**	(9)
Impact of asset drop downs from TCPL USA (Note 19)	**562**	—
Reverse stock split	**1**	—
Balance at end of year	**11,176**	10,613
Retained Earnings		
Balance at beginning of year	**830**	252
Net income attributable to controlling interests	**1,276**	784
Common share dividends	**(220)**	(220)
Reclassification of AOCI to retained earnings resulting from U.S. Tax Reform	**—**	5
Adjustment related to employee share-based payments	**—**	9
Balance at end of year	**1,886**	830
Accumulated Other Comprehensive Loss		
Balance at beginning of year	**(14)**	(21)
Other comprehensive income (Note 15)	**2**	12
Reclassification of AOCI to retained earnings resulting from U.S. Tax Reform	**—**	(5)
Balance at end of year	**(12)**	(14)
Total Equity	**13,050**	11,429

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

Notes to consolidated financial statements

1. DESCRIPTION OF COLUMBIA PIPELINE GROUP, INC.'S BUSINESS

Columbia Pipeline Group, Inc. (CPG Inc. or the Company) is a wholly-owned subsidiary of TransCanada PipeLines USA LTD. (TCPL USA), which is a subsidiary of TransCanada PipeLines Limited (TCPL). The Company's subsidiaries and investments operate and develop a portfolio which consists of the Company's investments in regulated natural gas pipeline, regulated natural gas storage facilities, and other assets.

2. ACCOUNTING POLICIES

The Company's consolidated financial statements have been prepared by management in accordance with U.S. generally accepted accounting principles (GAAP). Amounts are stated in U.S. dollars.

Basis of Presentation

These consolidated financial statements include the accounts of CPG Inc. and its subsidiaries. The Company uses the equity method of accounting for joint ventures in which it is able to exercise joint control and for investments in which it is able to exercise significant influence. Certain prior year amounts have been reclassified to conform to current year presentation.

Use of Estimates and Judgments

In preparing these consolidated financial statements, the Company is required 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. The Company uses the most current information available and exercises careful judgment in making these estimates and assumptions. Actual results could differ from these estimates.

Regulation

The Company's natural gas pipelines and regulated natural gas storage assets are subject to the authority of the U.S. Federal Energy Regulatory Commission (FERC). The Company's natural gas transmission operations are regulated with respect to construction, operations and the determination of rates. Rate-regulated accounting (RRA) standards may impact the timing of the recognition of certain revenues and expenses in these rate-regulated businesses which may differ from that otherwise expected in non-rate-regulated businesses to appropriately reflect the economic impact of the regulator's decisions regarding revenues and rates. Regulatory assets represent costs that are expected to be recovered in customer rates in future periods and regulatory liabilities represent amounts that are expected to be returned to customers through future rate-setting processes. An asset qualifies for the use of RRA when it meets three criteria:

- a regulator must establish or approve the rates for the regulated services or activities
- the regulated rates must be designed to recover the cost of providing the services or products and
- it is reasonable to assume that rates set at levels to recover the cost can be charged to (and collected from) customers because of the demand for services or products and the level of direct or indirect competition.

CPG Inc.'s businesses that apply RRA currently include natural gas pipelines and regulated natural gas storage.

Revenue Recognition

The total consideration for services and products to which the Company expects to be entitled can include fixed and variable amounts. The Company has variable revenue that is subject to factors outside the Company's influence, such as market prices, actions of third parties and weather conditions. The Company considers this variable revenue to be "constrained" as it cannot be reliably estimated and, therefore, recognizes variable revenue when the service is provided.

Natural Gas Pipelines

Capacity Arrangements and Transportation

Revenues from the Company's natural gas pipelines are generated from contractual arrangements for committed capacity and from the transportation of natural gas. Revenues earned from firm contracted capacity arrangements are generally recognized ratably over the term of the contract regardless of the amount of natural gas that is transported. Transportation revenues for interruptible or volumetric-based services are recognized when the service is performed.

The Company's natural gas pipelines are subject to FERC regulations and, as a result, a portion of revenues collected may be subject to refund if invoiced during an interim period when a rate proceeding is ongoing. Allowances for these potential refunds are recognized using management's best estimate based on the facts and circumstances of the proceeding. Any allowances that are recognized during the precedingprecedingprecedingpreceding process are refunded or retained at the time a regulatory decision becomes final. Natural gas pipelines' revenues are invoiced and received on a monthly basis. The Company does not take ownership of the natural gas that it transports for customers.

Natural Gas Storage and Other

Revenues from the Company's regulated natural gas storage services are generated mainly from firm committed capacity storage contracts. The performance obligation in these contracts is the reservation of a specified amount of capacity for storage including specifications with regards to the amount of natural gas that can be injected or withdrawn on a daily basis. Revenues are recognized ratably over the contract period for firm committed capacity regardless of the amount of natural gas that is stored, and when gas is injected or withdrawn for interruptible or volumetric-based services. Natural gas storage services revenues are invoiced and received on a monthly basis. The Company does not take ownership of the natural gas that it stores for customers.

The Company also owns mineral rights associated with certain natural gas storage facilities. These mineral rights can be leased or contributed to producers of natural gas in return for a royalty interest which is recognized when natural gas and associated liquids are produced.

During 2019, the Company sold certain Columbia midstream assets. Prior to the sale, revenues from the Company's midstream natural gas services, including gathering, treating, conditioning, processing, compression and liquids handling services, were generated from contractual arrangements and were recognized ratably over the term of the contract. Midstream natural gas service revenues were invoiced and received on a monthly basis. The Company did not take ownership of the natural gas for which it provided midstream services. Refer to Note 19, Acquisitions and dispositions, for additional information regarding the sale of the midstream assets.

Cash and Cash Equivalents

The Company’s cash and cash equivalents consist of cash and highly liquid short-term investments with original maturities of three months or less and are recorded at cost, which approximates fair value.

In December 2018 the Company entered into a cash management program with TCPL USA. This program matches short-term cash surpluses and needs of participating affiliates, thus minimizing the total borrowings from outside sources. The regulated entities participating in the cash management program treat monies advanced under the program as a loan, accruing interest and repayable on demand. In addition, the regulated entities shall receive interest on monies advanced to TCPL USA at the rate of interest earned by TCPL USA on its short-term cash investments. The regulated entities shall pay interest on monies advanced from TCPL USA based on the short-term borrowing costs of TCPL USA.

Inventories

Inventories primarily consist of materials and supplies, including spare parts, and natural gas inventory in storage. Inventories are carried at the lower of cost and net realizable value.

Assets Held for Sale

The Company classifies assets as held for sale when management approves and commits to a formal plan to actively market a disposal group and expects the sale to close within the next 12 months. Upon classifying an asset as held for sale, the asset is recorded at the lower of its carrying amount or its estimated fair value, net of selling costs, and any losses are recognized in net income. Gains related to the expected sale of these assets are not recognized until the transaction closes. Once an asset is classified as held for sale, depreciation expense is no longer recorded.

Plant, Property and Equipment

Natural Gas Pipelines

Plant, property and equipment for natural gas pipelines is carried at cost. Depreciation is calculated on a straight-line basis once the assets are ready for their intended use. The depreciation rates of RRA are determined under the entity's FERC tariffs. Pipeline and compression equipment are depreciated at annual rates ranging from 1.25 percent to 3 percent, and metering and other plant equipment are depreciated at various rates reflecting their estimated useful lives. The cost of major overhauls of equipment is capitalized and depreciated over the estimated service lives of the overhauls. The cost of regulated natural gas pipelines includes an allowance for funds used during construction (AFUDC) consisting of a debt component and an equity component based on the rate of return on rate base approved by regulators. AFUDC is reflected as an increase in the cost of the assets in plant, property

and equipment with a corresponding credit recognized in Allowance for funds used during construction in the Consolidated statements of income. The equity component of AFUDC is a non-cash expenditure. Interest is capitalized during construction of non-regulated natural gas pipelines.

Regulated natural gas storage base gas, which is valued at cost, represents storage volumes that are maintained to ensure that adequate reservoir pressure exists to deliver natural gas held in storage. Base gas is not depreciated.

When regulated natural gas pipelines retire plant, property and equipment from service, the original book cost is removed from the gross plant amount and recorded as a reduction to accumulated depreciation. Costs incurred to remove plant, property and equipment from service, net of any salvage proceeds, are also recorded in accumulated depreciation.

Midstream and Other

The Company participates as a working interest partner in the development of certain Marcellus and Utica acreage. The working interest allows the Company to invest in the drilling activities in addition to receiving a royalty interest in well production. The Company uses the successful efforts method of accounting for natural gas and crude oil resulting from its portion of drilling activities. Capitalized well costs are depleted based on the units of production method.

Prior to their sale in 2019, plant, property and equipment for midstream assets is carried at cost. Depreciation is calculated on a straight-line basis once the assets are ready for their intended use. Gathering and processing facilities are depreciated at annual rates ranging from 1.7 percent to 2.5 percent, and other plant and equipment are depreciated at various rates. When these assets are retired from plant, property and equipment, the original book cost and related accumulated depreciation is derecognized and any gain or loss is recorded in net income. Refer to Note 19, Acquisitions and dispositions, for additional information.

Capitalized Project Costs

The Company capitalizes project costs once advancement of the project to a construction stage is probable or costs are otherwise likely to be recoverable. The Company also capitalizes interest costs for non-regulated projects in development and AFUDC for regulated projects in development. Capital projects in development are included in Intangible and other assets on the Consolidated balance sheets. These represent larger projects that generally require regulatory or other approvals before physical construction can begin. Once approvals are received, projects are moved to plant, property and equipment under construction.

Impairment of Long-Lived Assets

The Company reviews long-lived assets such as plant, property and equipment and capital projects in development for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. If the total of the estimated undiscounted future cash flows that are estimated for an asset within Plant, property and equipment, or the estimated selling price of any long-lived asset is less than the carrying value of an asset, an impairment loss is recognized for the excess of the carrying value over the estimated fair value of the asset.

Goodwill

The Company accounts for business combinations using the acquisition method of accounting and, accordingly, the assets and liabilities of the acquired entities are primarily measured at their estimated fair values at the date of acquisition. The excess of the fair value of the consideration transferred over the estimated fair value of the net assets acquired is classified as goodwill. Goodwill is not amortized and is tested for impairment on an annual basis or more frequently if events or changes in circumstances indicate that it might be impaired.

The annual review for goodwill impairment is performed at the reporting unit level which is one level below the Company's operating segments. The Company can initially assess qualitative factors to determine whether events or changes in circumstances indicate that goodwill might be impaired. The factors the Company considers include, but are not limited to, macroeconomic conditions, industry and market considerations, cost factors, historical and forecasted financial results, and events specific to that reporting unit. If the Company concludes that it is not more likely than not that the fair value of the reporting unit is greater than its carrying value, the Company will then perform the quantitative goodwill impairment test. The Company can elect to proceed directly to the quantitative goodwill impairment test for any of its reporting units. If the quantitative goodwill impairment test is performed, the Company compares the fair value of the reporting unit to its carrying value, including its goodwill. If the carrying value of a reporting unit exceeds its fair value, goodwill impairment is measured at the amount by which the reporting unit’s carrying value exceeds its fair value. When a portion of a reporting unit that constitutes a business is disposed, goodwill associated with that business is included in the carrying amount of the business in determining the gain or loss on disposal. The amount of goodwill disposed is determined based on the relative fair values of the business to be disposed and the portion of the reporting

unit that will be retained. A goodwill impairment test will be completed for both the goodwill disposed and the portion of the goodwill for the reporting unit that will be retained.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. This method requires the recognition of deferred income tax assets and liabilities for future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates at the balance sheets date that are anticipated to apply to taxable income in the years in which temporary differences are expected to be reversed or settled. Changes to these balances are recognized in net income in the period which they occur, except for changes in balances related to regulated natural gas pipelines which are deferred until they are refunded or recovered in rates, as permitted by the regulator. Deferred income tax assets and liabilities are classified as non-current on the Consolidated balance sheets.

Asset Retirement Obligations

The Company recognizes the fair value of a liability for asset retirement obligations in the period in which it is incurred, when a legal obligation exists and a reasonable estimate of fair value can be made. The fair value is added to the carrying amount of the associated asset and the liability is accreted through charges to Operating and other expenses.

For those AROs that the Company records, the following assumptions are used:

- when the asset is expected to be retired
- the scope and cost of abandonment and reclamation activities that are required and
- appropriate inflation and discount rates.

The Company has recorded AROs related to its mineral rights. The scope and timing of asset retirements related to most of the Company's natural gas pipelines and liquids pipelines is indeterminable. As a result, the Company has not recorded an amount for ARO related to these assets, with the exception of certain abandoned facilities and certain facilities expected to be retired as part of an ongoing modernization program that will improve system integrity and enhance service reliability and flexibility.

Environmental Liabilities

The Company records liabilities on an undiscounted basis for environmental remediation efforts that are likely to occur and where the cost can be reasonably estimated. These estimates, including associated legal costs, are based on available information using existing technology and enacted laws and regulations and are subject to revision in future periods based on actual costs incurred or new circumstances. Amounts expected to be recovered from other parties, including insurers, are recorded as an asset separate from the associated liability.

Long-Term Debt Transaction Costs and Issuance Costs

The Company records long-term debt transaction costs and issuance costs as a deduction from the carrying amount of the related debt liability and amortizes these costs using the effective interest method.

Guarantees

Upon issuance, the Company records the fair value of certain guarantees entered into by the Company on behalf of a partially owned entity or by partially owned entities for which contingent payments may be made. The fair value of these guarantees is estimated by discounting the cash flows that would be incurred by the Company if letters of credit were used in place of the guarantees as appropriate in the circumstances. Guarantees are recorded as an increase to Equity investments or Plant, property and equipment and a corresponding liability is recorded in Other long-term liabilities. The release from the obligation is recognized either over the term of the guarantee or upon expiration or settlement of the guarantee.

3. ACCOUNTING CHANGES

Changes in Accounting Policies for 2019

Leases

In February 2016, the FASB issued new guidance on the accounting for leases. The new guidance amends the definition of a lease such that, in order for an arrangement to qualify as a lease, the lessee is required to have both (1) the right to obtain substantially all of the economic benefits from the use of the asset and (2) the right to direct the use of the asset. The new guidance also establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and corresponding lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification

affecting the pattern of expense recognition in the Consolidated statement of income. The new guidance does not make extensive changes to lessor accounting.

The new guidance was effective January 1, 2019 and was applied using optional transition relief which allowed entities to initially apply the new lease standard at adoption (January 1, 2019) and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. This transition option allowed the Company to not apply the new guidance, including disclosure requirements, to the comparative periods presented.

The Company elected available practical expedients and exemptions upon adoption which allowed the Company:

- to not reassess prior conclusions on existing leases regarding lease identification, lease classification and initial direct costs under the new standard
- to carry forward the historical lease classification and its accounting treatment for land easements on existing agreements
- to not recognize ROU assets or lease liabilities for leases that qualify for the short-term lease recognition exemption
- to not separate lease and non-lease components for all leases for which the Company is the lessee and for facility and liquids tank terminals for which the Company is the lessor
- to use hindsight in determining the lease term and assessing ROU assets for impairment.

In the application of the new guidance, significant assumptions and judgments are used to determine the following:

- whether a contract contains a lease
- the duration of the lease term including exercising lease renewal options. The lease term for all of the Company’s leases includes the noncancellable period of the lease plus any additional periods covered by either a Company option to extend (or not to terminate) the lease that the Company is reasonably certain to exercise, or an option to extend (or not to terminate) the lease controlled by the lessor
- the discount rate for the lease.

The new guidance did not have a material impact on the Company's Consolidated balance sheet, statements of income or cash flows. The primary change was the recognition of ROU assets and lease liabilities for operating leases which was approximately $12 million at January 1, 2019 and December 31, 2019. For the year ended December 31, 2019 the Company's operating lease cost was not material to the Company's consolidated results. At December 31, 2019, the weighted average remaining term and discount rate of the Company's operating leases were approximately 9 years and 4.1 percent, respectively.

Lessee Accounting Policy

The Company determines if an arrangement is a lease at inception of the contract. Operating leases are recognized as ROU assets and included in Plant, property and equipment while corresponding liabilities are included in Accounts payable and accrued interest and Other long-term liabilities on the Consolidated balance sheet.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date of the lease agreement. As the Company’s lease contracts do not provide an implicit interest rate, the Company uses incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. The operating lease ROU asset also includes any prepaid lease payments and initial direct costs incurred and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Operating lease expense is recognized on a straight-line basis over the lease term and included in Plant operating costs and other in the Consolidated statement of income.

Lessor Accounting Policy

The Company is the lessor within certain contracts and these are accounted for as operating leases. The Company recognizes lease payments as income over the lease term on a straight-line basis. Variable lease payments are recognized as income in the period in which the changes in facts and circumstances on which these payments are based occur.

Fair value measurement

In August 2018, the FASB issued new guidance that amends certain disclosure requirements for fair value measurements. This new guidance is effective January 1, 2020, however, early adoption of certain or all requirements is permitted. The Company elected to

adopt this guidance in 2019. The guidance was applied retrospectively and did not have a material impact on the Company's consolidated financial statements.

Future Accounting Changes

Measurement of credit losses on financial instruments

In June 2016, the FASB issued new guidance that significantly changes how entities measure credit losses for most financial assets and certain other financial instruments that are not measured at fair value through net income. The new guidance amends the impairment model of financial instruments basing it on expected losses rather than incurred losses. These expected credit losses will be recognized as an allowance rather than as a direct write down of the amortized cost basis. The new guidance is effective January 1, 2020 and will be applied using a modified retrospective approach. The adoption of this new guidance will not have a material impact on the Company's consolidated financial statements.

Implementation costs of cloud computing arrangements

In August 2018, the FASB issued new guidance requiring an entity in a hosting arrangement that is a service contract to follow the guidance for internal-use software to determine which implementation costs should be capitalized as an asset and which costs should be expensed. The guidance also requires the entity to amortize the capitalized implementation costs of a hosting arrangement over the term of the arrangement. This guidance is effective January 1, 2020 and will be applied prospectively to all implementation costs incurred after the date of adoption. The adoption of this new guidance will not have a material impact on the Company's consolidated financial statements.

Income taxes

In December 2019, the FASB issued new guidance that simplified the accounting for income taxes and clarified existing guidance. This new guidance is effective January 1, 2021, however, early adoption is permitted. The Company is currently evaluating the timing and impact of the adoption of this guidance and has not yet determined the effect on its consolidated financial statements.

4. REVENUES

On January 1, 2018, the Company adopted new FASB guidance on revenue from contracts with customers using the modified retrospective transition method for all contracts that were in effect on the date of adoption.

The Company recognized $2,421 million and $1,832 million of revenue from contracts with customers for the year ended December 31, 2019 and 2018, respectively.

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

(millions of dollars)	**December 31, 2019**	**December 31, 2018**
Receivables from contracts with customers	**233**	247

5. OTHER CURRENT ASSETS

at December 31 (millions of dollars)	**2019**	**2018**
Regulatory assets (Note 8)	**15**	26
Prepaid expenses	**5**	6
Other	**11**	6
	31	38

6. PLANT, PROPERTY AND EQUIPMENT

at December 31 (millions of dollars)	2019			2018		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Natural Gas Pipelines						
Columbia Gas						
Pipeline	**8,640**	**1,469**	**7,171**	6,073	1,341	4,732
Compression	**3,703**	**708**	**2,995**	2,703	653	2,050
Metering and Other	**2,376**	**542**	**1,834**	1,985	516	1,469
	14,719	**2,719**	**12,000**	10,761	2,510	8,251
Under construction	**328**	**—**	**328**	3,185		3,185
	15,047	**2,719**	**12,328**	13,946	2,510	11,436
Other Natural Gas Pipelines						
Columbia Gulf	**2,767**	**852**	**1,915**	2,058	828	1,230
Midstream and Mineral Rights	**90**	**38**	**52**	745	83	662
Other	**137**	**95**	**42**	136	82	54
	2,994	**985**	**2,009**	2,939	993	1,946
Under construction	**79**	**—**	**79**	600	—	600
	3,073	**985**	**2,088**	3,539	993	2,546
	18,120	**3,704**	**14,416**	17,485	3,503	13,982

7. EQUITY INVESTMENTS

(millions of dollars)	Ownership Interest at December 31, 2019	Income/(loss) from Equity Investments year ended December 31		Equity Investments at December 31	
		2019	2018	2019	2018
Natural Gas Pipelines					
Millennium	47.5%	**70**	58	**383**	374
Pennant Midstream[1]	47.0%	**9**	13	**—**	188
Hardy Storage	50.0%	**5**	6	**58**	51
		84	77	**441**	613

1 In August 2019, CPG Inc. completed the sale of certain Columbia midstream assets, including the Company's investment in Pennant Midstream, to a third party. Refer to Note 19, Acquisitions and Dispositions, for additional information.

Distributions received from equity investments for the year ended December 31, 2019 were $84 million (2018 - $69 million). The undistributed earnings from equity investments as at December 31, 2019 were $13 million (2018 - $13 million). Contributions made to Millennium Pipeline Company, LLC to assist in funding their FERC approved capital projects for the year ended December 31, 2019 were $10 million (2018 - $138 million).

Summarized Financial Information of Equity Investments

year ended December 31 (millions of dollars)	Millennium	Pennant Midstream	Hardy Storage	2019
Income				
Revenues	**263**	**29**	**22**	**314**
Operating and other expenses	**(84)**	**(5)**	**(8)**	**(97)**
Net income	**146**	**20**	**11**	**177**
Net income attributable to CPG Inc.	**70**	**9**	**5**	**84**

year ended December 31 (millions of dollars)	Millennium	Pennant Midstream	Hardy Storage	2018
Income				
Revenues	210	47	23	280
Operating and other expenses	(69)	(19)	(7)	(95)
Net income	122	28	13	163
Net income attributable to CPG Inc.	58	13	6	77

at December 31 (millions of dollars)	Millennium	Pennant Midstream	Hardy Storage	2019
Balance Sheet				
Current assets	**39**	**—**	**10**	**49**
Non-current assets	**1,216**	**—**	**145**	**1,361**
Current liabilities	**(54)**	**—**	**(18)**	**(72)**
Non-current liabilities	**(392)**	**—**	**(16)**	**(408)**

at December 31 (millions of dollars)	Millennium	Pennant Midstream	Hardy Storage	2018
Balance Sheet				
Current assets	82	15	9	106
Non-current assets	1,217	389	147	1,753
Current liabilities	(86)	(5)	(18)	(109)
Non-current liabilities	(427)	—	(37)	(464)

8. RATE-REGULATED BUSINESSES

The Company's businesses that apply RRA currently include natural gas pipelines and regulated natural gas storage. 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 applicable regulatory authorities. Depending on whether they are current or long-term in nature, Regulatory Assets are included on the balance sheets as either Other Current Assets or Regulatory Assets; Regulatory Liabilities are included in Accounts Payable and Accrued Interest or Regulatory Liabilities.

The Company's natural gas pipelines and regulated natural gas storage operate 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 significant regulated natural gas pipelines are described below.

The 2018 FERC prescribed changes (FERC Actions) established a process and schedule by which all FERC-regulated interstate pipelines and natural gas storage facilities had to either (i) file a new uncontested rate settlement or (ii) file a FERC Form 501-G that quantified the isolated impact of U.S. Tax Reform and provided four options to address the impact of for rate-making purposes.

Columbia Gas Transmission, LLC

Columbia Gas Transmission, LLC's (Columbia Gas) natural gas transportation and storage services are provided under a tariff at rates subject to FERC approval. A FERC-approved modernization settlement provided for cost recovery and return on investment of up to $1.5 billion from 2013-2017 to modernize the Columbia Gas system thereby improving system integrity and enhancing service reliability and flexibility. An extension of this settlement was approved by the FERC in 2016 which allows for the cost recovery and return on additional expanded scope investment of $1.1 billion over a three-year period through 2020.

Columbia Gulf Transmission, LLC

Columbia Gulf Transmission LLC's (Columbia Gulf) natural gas transportation services are provided under a tariff at rates subject to FERC approval. Columbia Gulf reached a rate settlement with its customers, which was approved by FERC in December 2019, increasing Columbia Gulf's recourse rates to take effect on August 1, 2020. This settlement establishes a rate case and tariff filing moratorium through August 1, 2022 and Columbia Gulf is required to file a general rate case under section 4 of the NGA no later than January 31, 2027, with new rates to be effective August 1, 2027.

Crossroads

Crossroads continues to operate under the rates approved by FERC in connection with its initial conversion and has committed to filing a rate case if the sale of firm capacity ever exceeds 150,000 Mcf/day.

Regulatory Assets and Liabilities

at December 31 (millions of dollars)	2019	2018	Remaining Recovery/ Settlement Period (years)
Regulatory Assets			
Deferred income taxes[1]	**122**	124	n/a
Other	**18**	25	n/a
	140	149	
Less: Current portion included in Other current assets	**15**	26	
	125	123	
Regulatory Liabilities			
Pensions and other post retirement benefits[2]	**27**	39	n/a
Cost of removal[3]	**145**	143	n/a
Deferred income taxes - U.S. Tax Reform[4]	**683**	731	n/a
Other	**11**	11	n/a
	866	924	
Less: Current portion included in accounts payable and other	**33**	13	
	833	911	

1 These regulatory assets are underpinned by non-cash transactions or are recovered without an allowance for return as approved by the regulator. Accordingly, these regulatory assets are not included in rate base and do not yield a return on investment during the recovery period.

2 This balance represent 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.

3. This balance represents anticipated costs of removal that have been, and continue to be, included in depreciation rates and collected in the service rates of certain rate-regulated operations for future costs to be incurred.

4. These balances represent the impact of the U.S. Tax Reform. The regulatory liabilities will be amortized over varying terms that approximate the expected reversal of the underlying deferred tax liabilities. See Note 13, Income Taxes, for further information on U.S. Tax Reform.

9. GOODWILL

At December 31, 2019, the Company's Goodwill of $1,861 million (2018 - $1,976 million) relates to the excess cost over the fair value of the net assets acquired by the acquisition of Columbia Energy Group in 2000, which was contributed to CPG Inc. prior to the full separation from NiSource Inc. in 2015, less the sale of Midstream Assets.

Sale of Midstream Assets

On August 1, 2019, TCPL USA completed the sale of certain Columbia midstream assets to a third party. As these assets constitute a business, and there is goodwill within this reporting unit, $115 million of Columbia's goodwill allocated to these assets was released and netted in the pre-tax gain on sale. The amount released was determined based on the relative fair values of the assets sold and the portion of the reporting unit retained. The fair value of the reporting unit was determined using a discounted cash flow analysis. Refer to Note 19, Acquisitions and dispositions, for additional details.

10. OTHER ASSETS

at December 31 (millions of dollars)	2019	2018
Long-Term Intercompany Receivable	**476**	—
Other	**1**	2
	477	2

11. NOTES PAYABLE

At December 31, 2019, total committed revolving and demand credit facilities available were $nil (2018 - $nil). This facility matured December 15, 2018.

The Company has shared committed revolving and demand credit facilities with it's parents of $4.5 billion and $1 billion, maturing December 2020 and 2022, respectively. The Company has not drawn on these facilities as of December 31, 2019.

For the year ended December 31, 2019, the cost to maintain the above facilities was nil (2018 - $1 million).

12. OTHER LONG-TERM LIABILITIES

at December 31 (millions of dollars)	2019	2018
Operating lease obligation	8	—
Deferred credits	15	5
Asset retirement obligations[1]	6	6
Other	3	—
	32	11

1 The majority of the Company's 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 (Note 8) and the completion of certain key expansion projects to integrate the new expansion pipelines with the Company's existing pipeline infrastructure, the timing of settlement of the remediation activity of the historically recognized asset retirement obligations is indeterminable as 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 Company believes its 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 and those related to mineral rights on non-regulated assets. The Company continues to evaluate its asset retirement obligations and future developments that could impact amounts it records.

13. INCOME TAXES

U.S. Tax Reform

As part of U.S. Tax Reform, the enacted U.S. federal corporate income tax rate was reduced from 35 percent to 21 percent effective January 1, 2018 and resulted in a remeasurement of existing deferred income tax assets and deferred income tax liabilities related to the Company's businesses to reflect the new lower income tax rate as at December 31, 2017.

Given the significance of the legislation, the U.S. Securities and Exchange Commission (SEC) staff issued guidance which allowed registrants to record provisional amounts at December 31, 2017 which may be adjusted as information becomes available, prepared or analyzed during a measurement period not to exceed one year.

At December 31, 2017, the Company considered amounts recorded related to U.S. Tax Reform to be reasonable estimates, however, certain amounts were provisional as the Company's interpretation, assessment and presentation of the impact of the tax law change were further clarified with additional guidance from regulatory, tax and accounting authorities received in 2018. With additional guidance provided during the one-year measurement period and upon finalizing its 2017 annual tax returns, the Company recognized further adjustments to its deferred income tax liability and net regulatory liability balances as well as a deferred income tax recovery of $66 million in 2018.

Under U.S. Tax Reform, the U.S. Treasury and U.S. Internal Revenue Service issued proposed regulations in late 2018 which provided administrative guidance and clarified certain aspects of new laws with respect to the interest deductibility limitation, base erosion and anti-abuse tax (BEAT), the new dividend received deduction and anti-hybrid rules. In 2019, the U.S. Treasury and the U.S. Internal Revenue Service issued final BEAT regulations which did not have a material impact on the Company. In 2020, final regulations were issued on the new dividend received deduction and anti-hybrid rules, which CPG Inc. is currently evaluating but does not believe will have a material impact on the Company. CPG Inc. awaits final regulations with respect to the interest deductibility limitation which is expected to occur sometime in 2020. If the proposed regulations are enacted as currently drafted, they are not expected to have a material impact on the Company's consolidated financial statements as at December 31, 2019.

Provision for Income Taxes

year ended December 31 (millions of dollars)	**2019**	**2018**
Current		
Federal	**252**	311
State	**97**	20
	349	331
Deferred		
Federal	**(94)**	(122)
State	**(8)**	22
	(102)	(100)
Income Tax Expense	**247**	231

Reconciliation of Income Tax Expense to Statutory Rate

year ended December 31 (millions of dollars)	**2019**	**2018**
Income before income taxes	**1,523**	1,015
Federal statutory tax rate	**21%**	21%
Expected federal income tax expense	**320**	213
Valuation allowance release[1]	**(148)**	—
State income tax, net of federal income tax effect	**70**	33
U.S. Tax Reform	**—**	19
Income tax differential related to regulated operations	**(24)**	(30)
Non-deductible goodwill on the Columbia midstream disposition	**24**	—
Other	**5**	(4)
Income Tax Expense	**247**	231
Effective tax rate	**16.2%**	22.8%

1 The valuation allowance release was related to TC Energy USA which was acquired during 2019. The release occurred subsequent to the asset drop-down from TCPL USA described in Note 19.

Deferred Income Tax Assets and Liabilities

at December 31 (millions of dollars)	2019	2018
Deferred Income Tax Assets		
Operating loss carryforwards	**296**	7
Other post-retirement benefits	**9**	—
Regulatory and other deferred amounts	**171**	209
Other	**20**	6
	496	222
Less: valuation allowance[1]	**63**	—
Deferred Income Tax Assets	**433**	222
Deferred Income Tax Liabilities		
Difference in accounting and tax bases of plant, property and equipment	**(1,259)**	(1,205)
Equity investments	**(111)**	(102)
Other post-retirement benefits	**—**	(29)
Other	**(33)**	(50)
Deferred Income Tax Liabilities	**(1,403)**	(1,386)
Net Deferred Income Tax Liabilities	**(970)**	(1,164)

1 A valuation allowance was recorded in 2019, as the company believes that it is more likely than not that the tax benefit to the unrealized losses on certain impaired assets will not be realized in the future.

Federal Net Operating Losses

At December 31, 2019, the Company has fully recognized the benefit of unused federal net operating loss carryforwards of $1,098 million (2018 - nil).

Income Tax Payments

Income tax payments of $76 million, net of refunds received, were made in 2019 (2018 – $11 million refunds, net of payments). The Company's practice is to recognize interest and penalties related to income tax uncertainties in Income tax expense.

14. LONG-TERM DEBT

(millions of dollars)		2019		2018	
Outstanding Amounts	Maturity Dates	Outstanding December 31	Interest Rate[1]	Outstanding December 31	Interest Rate[1]
COLUMBIA PIPELINE GROUP, INC.					
Senior Unsecured Notes[2]	2020 to 2045	**2,250**	**4.4%**	2,250	4.4%
Current portion of long-term debt		**(750)**		0	
Unamortized debt discount and issue costs		**(12)**		(15)	
		1,488		2,235	

1 Interest rates are the effective interest rates except for those pertaining to long-term debt due to affiliates, in which case the weighted average interest rate is presented. The effective interest rate is calculated by discounting the expected future interest payments, adjusted for loan fees, premium and discounts. Weighted average and effective interest rates are stated as at the respective outstanding dates.

2 Certain subsidiaries of Columbia have guaranteed the principal payments of Columbia's senior unsecured notes. Each guarantor of Columbia's obligations is required to comply with covenants under the debt indenture and in the event of default, the guarantors would be obligated to pay the principal and related interest.

Principal Repayments

At December 31, 2019, principal repayments for the next five years on the Company's Long-term debt are approximately as follows:

(millions of dollars)	2020	2021	2022	2023	2024
Principal repayments on long-term debt	750	0	0	0	0

Long-Term Debt Repaid

The Company repaid long-term debt for the two years ended December 31, 2019 as follows:

(millions of dollars) Company	Retirement/ Repayment Date	Type	Amount	Interest Rate
COLUMBIA PIPELINE GROUP, INC.	June 2018	Senior Unsecured Notes	500	2.45%

Interest Expense

Interest expense in the two years ended December 31, 2019 was as follows:

(millions of dollars) year ended December 31	2019	2018
Interest on long-term debt	**111**	105
Interest on short-term debt	**—**	9
Amortization and other financial charges[1]	**4**	3
	115	117

1 Amortization and other financial charges include amortization of transaction costs and debt discounts calculated using the effective interest method.

The Company made interest payments of $116 million in 2019 (2018 - $114 million), on long-term debt and notes payable, net of interest capitalized.

15. OTHER COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Components of Other comprehensive (loss)/income are as follows:

year ended December 31, 2019 (millions of dollars)	Before Tax Amount	Income Tax Recovery/ (Expense)	Net of Tax Amount
Other comprehensive income of equity investments	**3**	**(1)**	**2**
Other Comprehensive Income	**3**	**(1)**	**2**

year ended December 31, 2018 (millions of dollars)	**Before Tax Amount**	**Income Tax Recovery/ (Expense)**	**Net of Tax Amount**
Unrealized actuarial gains and losses on pension and other post-retirement benefit plans	14	(5)	9
Other comprehensive loss of equity investments	2	1	3
Other Comprehensive Income	16	(4)	12

The changes in AOCI by component are as follows:

	Equity Investments	**Total**[1]
AOCI Balance at December 31, 2018	(14)	(14)
Other comprehensive income before reclassifications	**2**	**2**
AOCI Balance at December 31, 2019	**(12)**	**(12)**

[1] All amounts are net of tax. Amounts in parentheses indicate losses recorded to OCI.

16. FAIR VALUE MEASUREMENT

Fair Value Hierarchy

The Company's 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 the Company has 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. Transfers between Level I and Level II would occur when there is a change in market circumstances.
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 long-term debt is estimated using an income approach on quoted market prices for the same or simiiar debt instruments from external data service providers.

Certain non-derivative financial instruments included in Cash and cash equivalents, Accounts receivable, Intangible and other assets, Notes payable, Accounts payable and Accrued interest, and Other long-term liabilities have carrying amounts that approximate their fair value due to the nature of the item or the short time to maturity and would also be classified in Level II of the fair value hierarchy.

Credit risk has been taken into consideration when calculating the fair value of non-derivative instruments.

Balance Sheets Presentation of Non-Derivative Financial Instruments

The following table details the fair value of the non-derivative financial instruments, excluding those where carrying amounts approximate fair value, and would be classified in Level II of the fair value hierarchy:

at December 31 (millions of dollars)	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including current portion[1] (Note 14)	**(2,250)**	**(2,507)**	(2,250)	(2,277)

[1] Long-term debt is recorded at amortized cost.

17. CHANGES IN OPERATING WORKING CAPITAL

year ended December 31 (millions of dollars)	2019	2018
(Increase)/decrease in Accounts receivable	**8**	(81)
(Increase)/decrease in Inventories	**2**	(36)
(Increase)/decrease in Other current assets	**6**	(26)
Increase/(decrease) in Accounts payable and accrued interest	**(538)**	1,252
Increase/(decrease) in operating working capital	**(522)**	1,109

18. RELATED PARTY TRANSACTIONS

At December 31, 2019, $764 million was due from affiliates and is included on the Consolidated balance sheet (2018 due to affiliates - $554 million).

19. ACQUISITIONS AND DISPOSITIONS

Columbia Midstream Assets

On August 1, 2019, the Company completed the sale of certain Columbia midstream assets to a third party for approximately $1.3 billion before post-closing adjustments.

The Company recorded a pre-tax gain on sale of $349 million ($212 million after-tax gain) including the release of $115 million of goodwill allocated to these assets that is not deductible for income tax purposes. The pre-tax gain is included in Gain on assets sold in the Consolidated statement of income. This sale did not include any interest in Columbia Energy Ventures Company, the Company's minerals business in the Appalachian basin.

Asset Drop-down from TransCanada PipeLines USA LTD.

In October 2019, the Company acquired a 100 percent ownership of TC Energy USA from its parent, TCPL USA, in exchange for 176 shares of CPG Inc.

The acquisition was accounted for as a transaction between entities under common control, whereby assets and liabilities of TC Energy USA were recorded at TCPL's carrying value. The assets acquired were a long-term intercompany receivable, net deferred tax assets, and other miscellaneous liabilities. The difference between the carrying value of net assets acquired and consideration provided was recorded as an increase in Additional paid-in capital.

20. COMMITMENTS, CONTINGENCIES AND GUARANTEES

Commitments

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. At December 31, 2019, the Company had capital expenditure commitments of approximately $30 million for its natural gas pipelines, primarily related to construction costs associated with Columbia Gulf projects.

Contingencies

The Company is subject to laws and regulations governing environmental quality and pollution control. As at December 31, 2019, the Company had accrued approximately $8 million (2018 - $7 million) related to operating 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 and its subsidiaries are subject to various legal proceedings, arbitrations and actions arising in the normal course of business. The amount involved in such proceedings are not reasonably estimable as the final outcome of such legal proceedings cannot be predicted with certainty. It is the opinion of management that the ultimate resolution of such proceedings and actions, will not have a material impact on the Company's consolidated financial position or results of operations.

Guarantees

The Company and its partner in a jointly owned entity have jointly and severally guaranteed the financial performance of the jointly owned entity. This agreement includes a guarantee which primarily relates to the payment of liabilities. For this entity, any payments made by the Company under this guarantee in excess of its ownership interest are to be reimbursed by its partner.

The carrying value of this guarantee has been included in Other long-term liabilities on the Consolidated balance sheets. At December 31, 2019, the Company's share of potential estimated exposure and the carrying value are $16 million and $1 million respectively (2018 - $16 million and $1 million). This guarantee terminates in 2032.

21. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 21, 2020, the date these financial statements were authorized to be issued.

The Company paid dividends to TCPL USA in February 2020 for the amount of $334 million and declared dividends in May 2020 for the amount of $55 million.

The Company's received a distribution from its equity investment in Millennium of $24 million in March 2020.

COVID-19

On March 11, 2020, the World Health Organization declared the novel coronavirus, or COVID-19, a global pandemic. CPG Inc. put in place business continuity plans across the organization, and it continues to operate its assets, conduct commercial activities and execute on projects. At the current time, the Company's businesses are broadly considered essential or critical businesses in the United States. The Company anticipates that changes to work practices and other restrictions put in place by government and health authorities in response to COVID-19 will have an impact on certain projects. CPG Inc. generally believes this will not be material, but the ultimate impact is uncertain at this time.