

Columbia Pipeline Group, Inc.

Consolidated Financial Statements  
December 31, 2021

## Consolidated statement of income

year ended December 31 (millions of dollars)	2021	2020
<b>Revenues</b> (Note 4)	<b>2,800</b>	2,431
<b>Income from Equity Investments</b> (Note 7)	<b>79</b>	78
<b>Operating and Other Expenses</b>		
Plant operating costs and other	<b>791</b>	728
Property taxes	<b>212</b>	175
Depreciation and amortization	<b>334</b>	307
	<b>1,337</b>	1,210
<b>Financial Charges</b>		
Interest expense (Note 14)	<b>143</b>	84
Allowance for funds used during construction	<b>(33)</b>	(45)
Interest income and other	<b>(3)</b>	(11)
	<b>107</b>	28
<b>Income before Income Taxes</b>	<b>1,435</b>	1,271
<b>Income Tax Expense</b> (Note 13)	<b>330</b>	247
<b>Net Income</b>	<b>1,105</b>	1,024

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

## Consolidated statement of comprehensive income

<b>year ended December 31</b> (millions of dollars)	<b>2021</b>	<b>2020</b>
<b>Net Income</b>	<b>1,105</b>	1,024
<b>Other Comprehensive Income, Net of Income Taxes</b>		
Other comprehensive income of equity investments	<b>2</b>	2
Other comprehensive income (Note 15)	<b>2</b>	2
<b>Comprehensive Income</b>	<b>1,107</b>	1,026

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## Consolidated statement of cash flows

<b>year ended December 31</b> (millions of dollars)	<b>2021</b>	<b>2020</b>
<b>Cash Generated from Operations</b>		
Net income	1,105	1,024
Depreciation and amortization	334	307
Deferred income taxes (Note 13)	315	285
Income from equity investments (Note 7)	(79)	(78)
Distributions received from operating activities of equity investments (Note 7)	84	76
Equity allowance for funds used during construction	(31)	(35)
Other	(32)	(11)
Increase in operating working capital (Note 17)	323	(273)
Net cash provided by operations	<b>2,019</b>	<b>1,295</b>
<b>Investing Activities</b>		
Capital expenditures	(1,018)	(1,552)
Equity investment contribution (Note 7)	(9)	—
Change in demand loan receivable	(777)	—
Long-term intercompany receivable	476	—
Deferred amounts and other	7	7
Net cash used in investing activities	<b>(1,321)</b>	<b>(1,545)</b>
<b>Financing Activities</b>		
Proceeds from long-term debt	8,080	—
Long-term debt repaid	(4,040)	(750)
Dividends paid to parent	(4,460)	(499)
Contributions from parent	65	799
Change in demand loan payable	(343)	700
Net cash provided by/(used in) financing activities	<b>(698)</b>	<b>250</b>
<b>Change in Cash and Cash Equivalents</b>	<b>—</b>	<b>—</b>
<b>Cash and Cash Equivalents</b>		
Beginning of year	—	—
<b>Cash and Cash Equivalents</b>		
End of year	—	—

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

## Consolidated balance sheet

at December 31 (millions of dollars)	2021	2020
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	—	—
Accounts receivable	324	291
Demand loan receivable (Note 18)	777	—
Related party receivable	19	51
Inventories	45	52
Other (Note 5)	66	51
	<b>1,231</b>	445
<b>Plant, Property and Equipment</b> (Note 6)	<b>16,387</b>	15,672
<b>Equity Investments</b> (Note 7)	<b>452</b>	445
<b>Regulatory Assets</b> (Note 8)	<b>138</b>	131
<b>Goodwill</b> (Note 9)	<b>1,861</b>	1,861
<b>Other Long-Term Assets</b> (Note 10)	<b>2</b>	477
	<b>20,071</b>	19,031
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued interest	944	571
Demand loan payable (Note 18)	—	343
Related party payable	76	141
	<b>1,020</b>	1,055
<b>Regulatory Liabilities</b> (Note 8)	<b>789</b>	786
<b>Other Long-Term Liabilities</b> (Note 12)	<b>50</b>	66
<b>Long-Term Intercompany Payable</b> (Note 14)	<b>4,040</b>	—
<b>Long-Term Debt</b> (Note 14)	<b>1,490</b>	1,486
<b>Deferred Income Tax Liabilities, net</b> (Note 13)	<b>1,594</b>	1,262
	<b>8,983</b>	4,655
<b>EQUITY</b>		
Shareholders' equity	11,088	14,376
	<b>20,071</b>	19,031
<b>Commitments and Contingencies</b> (Note 19)		
<b>Subsequent Events</b> (Note 20)		

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

## Consolidated statement of equity

year ended December 31 (millions of dollars)	2021	2020
<b>Additional Paid-in Capital</b>		
Balance at beginning of year	11,975	11,176
Contributions from parent	65	799
Dividends to parent	(3,665)	—
Balance at end of year	8,375	11,975
<b>Retained Earnings</b>		
Balance at beginning of year	2,411	1,886
Net income	1,105	1,024
Dividends to parent	(795)	(499)
Balance at end of year	2,721	2,411
<b>Accumulated Other Comprehensive Loss</b>		
Balance at beginning of year	(10)	(12)
Other comprehensive income (Note 15)	2	2
Balance at end of year	(8)	(10)
<b>Total Equity</b>	<b>11,088</b>	<b>14,376</b>

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

Our pipeline systems' accounting policies conform to Accounting Standards Codification (ASC) 980 – *Regulated Operations*. As a result, our pipeline systems record assets and liabilities that result from the regulated rate-making process that may not be recorded under GAAP for non-regulated entities.

The Company's regulated natural gas pipelines and 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 regulated 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 utilizes the right to invoice practical expedient. In the application of the right to invoice practical expedient, the Company's 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, corresponds directly to the value the customer received. These revenues are recognized monthly once the Company's performance obligation to provide capacity has been satisfied.

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 preceding process are refunded or retained at the time a regulatory decision becomes final. As of December 31, 2021, there was a refund provision of approximately \$318 million, including interest of \$4 million (2020 - \$0) reflected in these financial statements in Accounts payable and accrued interest related to the Company's latest rate proceeding for Columbia Gas Transmission, LLC (Columbia Gas) as described in Note 8. Accordingly, the revenues presented in the Consolidated statement of income during the year ended December 31, 2021 were net of the \$314 million revenue refund provision (2020-\$0). 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 service revenues are invoiced and received on a monthly basis. The Company does not take ownership of the natural gas that it stores for customers.

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

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.

### **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.

### **Trade Accounts Receivable**

Trade accounts receivable are recorded at the invoiced amount and do not bear interest, except for those receivables subject to late charges. The Company maintains an allowance for doubtful accounts for estimated losses on accounts receivable, if it is determined the Company will not collect all or part of the outstanding receivable balance. The Company regularly reviews its allowance for doubtful accounts and establishes or adjusts the allowance as necessary using the specific-identification method. Account balances are charged to the allowance after all means of collection have been exhausted and the potential for recovery is no longer considered probable.

### **Natural Gas Imbalances**

Natural gas imbalances occur when the actual amount of natural gas delivered to or received from a pipeline system differs from the amount of natural gas scheduled to be delivered or received. The Company values these imbalances due to or from shippers at current index prices. Imbalances are settled in-kind, subject to the terms of the pipelines' tariff.

### **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.



## **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 0.06 percent to 2.5 percent, and metering and other plant equipment are depreciated at various rates reflecting their estimated useful lives. 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 statement of income. The equity component of AFUDC is a non-cash expenditure and is recognized in operating cash flows in the Consolidated statement of cash flows. Interest is capitalized during construction of non-regulated natural gas pipelines.

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.

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.

### ***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.

### **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 Plant, Property and Equipment on the Consolidated balance sheet. These represent larger projects that generally require regulatory or other approvals before physical construction can begin.

### **Leases**

#### ***Lessee Accounting Policy***

The Company determines if an arrangement is a lease at inception of the contract. Operating leases are recognized as right-of-use (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.

Operating lease balances were not material to the Consolidated financial statements for the years ended December 31, 2021 and 2020.

### **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 Company's reporting unit level. 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 the 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 the reporting unit. 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 the 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. The fair value of a reporting unit is determined using a discounted cash flow analysis which requires the use of assumptions that may include, but are not limited to, revenue and capital expenditure projections, valuation multiples and discount rates. The estimates used to calculate the fair value of the reporting unit can change from year to year based on operating results and market conditions. Changes in these estimates and assumptions could materially affect the determination of fair value and our assessment as to whether the goodwill in the reporting unit has suffered an impairment.

When a portion of the 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 sheet 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 sheet.

The Company is party to a federal tax-sharing agreement with TCPL USA. The Company is included in a consolidated federal return filed by TCPL USA but determines its current tax liability as if a separate return is filed. Pursuant to the tax-sharing agreement, the Company settles its tax liability/benefit with TCPL USA. For all the other state returns that require combined/consolidated returns, the Company is included with certain TC Energy affiliates and settles its tax liabilities/benefits with TCPL USA. For all other state returns, the Company files and pays its tax liabilities directly to the taxing jurisdictions. The Company utilized federal net operating losses in 2020 and 2021, resulting in \$0 federal related tax payable due to TCPL USA for the years ended December 31, 2021 and 2020.

## Asset Retirement Obligations

The Company recognizes the fair value of a liability for asset retirement obligations (ARO) 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 and certain polychlorinated biphenyl ("PCB") remediation. As part of the process of assessing the estimated AROs, we have re-evaluated our AROs and determined that due to the pipeline modernization program and 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 AROs 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. As a result, the Company has not recorded an amount for ARO related to these assets, outside of the PCB remediation under an Environmental Protection Agency (EPA) order and those related to mineral rights on non-regulated assets. Refer to Note 12 for further detail.

### **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. There are no amounts expected to be recovered from other parties, including insurers, for environmental remediation recorded on the Consolidated balance sheet as of December 31, 2021 and 2020.

### **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.

## **3. ACCOUNTING CHANGES**

### **Changes in Accounting Policies for 2021**

#### **Reference rate reform**

In response to the expected cessation of the U.S. dollar London Interbank Offered Rate (LIBOR), for which certain rate settings ceased to be published at the end of 2021 with full cessation by mid-2023, the Financial Accounting Standards Board (FASB) issued new optional guidance in March 2020 that eases the potential burden in accounting for such reference rate reform. The new guidance provides optional expedients for contracts and hedging relationships that are affected by reference rate reform, if certain criteria are met. Each of the expedients can be applied as of January 1, 2020 through December 31, 2022.

The Company has completed necessary system changes to facilitate the adoption of the proposed standard market reference rates. The Company has also completed its analysis of contracts impacted by reference rate reform. Contract modifications, if required, will take place prior to the full cessation date in mid-2023.

The Company expects to use practical expedients available in guidance to treat contract modifications as events that do not require contract remeasurement or reassessment of previous accounting determinations. As such, these changes are not expected to have a material impact on the consolidated financial statements; however the Company will continue to monitor any new developments up to the full cessation date.

#### **Income Taxes**

In December 2019, the FASB issued new guidance that simplified the accounting for income taxes and clarified existing guidance. This new guidance was effective January 1, 2021 and did not have a material impact on the Company's consolidated financial statements.

### **Future Accounting Changes**

#### **Contract Assets and Liabilities from Contracts with Customers**

In October 2021, the FASB issued new guidance that amends the accounting for contract assets and liabilities from contracts with customers acquired in a business combination. At the acquisition date, an acquirer should account for the contract assets and liabilities in accordance with guidance on revenue from contracts with customers. This new guidance is effective January 1, 2023 and is applied prospectively with early adoption permitted. Early adoption requires the application of the amendments retrospectively to all business combinations with an acquisition date in the year of early adoption. The Company is currently evaluating the timing of the adoption of this guidance.

## 4. REVENUES

### Disaggregation of Revenues

The following table summarizes total Revenues for the years ended December 31, 2021, and 2020:

year ended December 31 (millions of dollars)	2021	2020
Revenues from contracts with customers		
Capacity arrangements and transportation	2,154	2,074
Natural gas storage and other	642	321
	2,796	2,395
Other revenues <sup>1</sup>	4	36
	2,800	2,431

1. Other revenues primarily include income from the Company's other entities outside of natural gas pipelines and storage.

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

	2021	2020
Receivables from contracts with customers <sup>1</sup>	304	243
Contract liabilities <sup>2</sup>	(12)	(16)
Long-term contract liability <sup>3</sup>	—	(10)

1. Recorded in Accounts receivable on the Consolidated balance sheet.

2. Comprised of current deferred revenue and other current deferred credits recorded in Accounts Payable and accrued interest on the Consolidated balance sheet.

3. Comprised of deferred revenue recorded in Other long-term liabilities on the Consolidated balance sheet.

## 5. OTHER CURRENT ASSETS

at December 31 (millions of dollars)	2021	2020
Regulatory assets (Note 8)	31	41
Prepaid expenses	6	6
Deferred debits	29	4
	66	51

## 6. PLANT, PROPERTY AND EQUIPMENT

at December 31 (millions of dollars)	2021			2020		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
<b>Natural Gas Pipelines</b>						
Columbia Gas						
Pipeline	9,987	1,777	8,210	9,140	1,588	7,552
Compression	4,103	819	3,284	3,890	755	3,135
Metering and Other	2,749	641	2,108	2,513	578	1,935
	<b>16,839</b>	<b>3,237</b>	<b>13,602</b>	15,543	2,921	12,622
Under construction	342	—	342	839	—	839
	<b>17,181</b>	<b>3,237</b>	<b>13,944</b>	16,382	2,921	13,461
Other Natural Gas Pipelines						
Columbia Gulf	2,914	883	2,031	2,811	862	1,949
Midstream and Mineral Rights	113	49	64	113	43	70
Other	46	32	14	135	101	34
	<b>3,073</b>	<b>964</b>	<b>2,109</b>	3,059	1,006	2,053
Under construction	334	—	334	158	—	158
	<b>3,407</b>	<b>964</b>	<b>2,443</b>	3,217	1,006	2,211
	<b>20,588</b>	<b>4,201</b>	<b>16,387</b>	19,599	3,927	15,672

## 7. EQUITY INVESTMENTS

(millions of dollars)	Ownership Interest at December 31, 2021	Income from Equity Investments		Equity Investments	
		year ended December 31		at December 31	
		2021	2020	2021	2020
<b>Natural Gas Pipelines</b>					
Millennium	47.5 %	73	72	382	383
Hardy Storage	50.0 %	6	6	70	62
		<b>79</b>	78	<b>452</b>	445

Distributions received from equity investments for the year ended December 31, 2021 were \$84 million (2020 - \$76 million). The undistributed earnings from equity investments as of December 31, 2021 were \$10 million (2020 - \$14 million). Contributions made to Hardy Storage Company, LLC to assist in funding the early repayment of its outstanding long-term debt for the year ended December 31, 2021 were \$9 million (2020 - nil).

### Summarized Financial Information of Equity Investments

year ended December 31 (millions of dollars)	Millennium	Hardy Storage	2021
<b>Income</b>			
Revenues	268	22	290
Operating and other expenses	(86)	(7)	(93)
Net income	153	12	165
Net income attributable to CPG Inc.	73	6	79

<b>year ended December 31</b> (millions of dollars)	<b>Millennium</b>	<b>Hardy Storage</b>	<b>2020</b>
<b>Income</b>			
Revenues	266	22	288
Operating and other expenses	(85)	(7)	(92)
Net income	151	12	163
Net income attributable to CPG Inc.	72	6	78

<b>at December 31</b> (millions of dollars)	<b>Millennium</b>	<b>Hardy Storage</b>	<b>2021</b>
<b>Balance Sheet</b>			
Current assets	<b>39</b>	<b>15</b>	<b>54</b>
Non-current assets	<b>1,129</b>	<b>132</b>	<b>1,261</b>
Current liabilities	<b>(55)</b>	<b>(7)</b>	<b>(62)</b>
Non-current liabilities <sup>1</sup>	<b>(312)</b>	<b>—</b>	<b>(312)</b>

<b>at December 31</b> (millions of dollars)	<b>Millennium</b>	<b>Hardy Storage</b>	<b>2020</b>
<b>Balance Sheet</b>			
Current assets	34	14	48
Non-current assets	1,174	142	1,316
Current liabilities	(50)	(19)	(69)
Non-current liabilities <sup>1</sup>	(353)	(14)	(367)

1. Non-current liabilities includes Millennium's long-term debt of \$311 million and \$351 million as of 2021 and 2020, respectively and Hardy Storage's long-term debt of \$nil million and \$14 million as of 2021 and 2020, respectively .

## 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 Consolidated 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'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.

### Columbia Gas Transmission, LLC

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 \$2.6 billion from 2013-2020 to modernize the Columbia Gas system thereby improving system integrity and enhancing service reliability and flexibility.

In July 2020, Columbia Gas filed a general NGA Section 4 Rate Case with FERC requesting an increase on its maximum transportation rates effective February 1, 2021, subject to refund on completion of the rate proceeding. On October 29, 2021, Columbia Gas filed a petition with FERC requesting approval of the Stipulation and Agreement of Settlement (Columbia Gas Settlement) that reflected an increase in Columbia Gas' maximum rates effective February 1, 2021. On December 17, 2021, the presiding Administrative Law Judge recommended the settlement for approval and certified it as uncontested to FERC for its review and approval. The Columbia Gas Settlement (a) extends Columbia's modernization program allowing for the cost recovery and return on additional investment of up to

\$1.2 billion over a four-year period through 2024 (b) establishes a rate case and tariff filing moratorium through April 1, 2025 and (c) requires Columbia Gas to file a general rate case under Section 4 of the NGA with new rates to be effective no later than April 1, 2026. The Columbia Gas Settlement was approved by the FERC on February 25, 2022.

### Columbia Gulf Transmission, LLC

Columbia Gulf Transmission LLC (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.

### Regulatory Assets and Liabilities

at December 31 (millions of dollars)	2021	2020	Remaining Recovery/ Settlement Period
<b>Regulatory Assets</b>			
Deferred income taxes	135	128	See note 1
Other	34	44	
	<b>169</b>	172	
Less: Current portion included in Other current assets	31	41	
	<b>138</b>	131	
<b>Regulatory Liabilities</b>			
Pensions and other post retirement benefits	10	15	See note 2
Cost of removal	139	129	See note 3
Deferred income taxes - U.S. Tax Reform	668	665	See note 4
Other	3	10	
	<b>820</b>	819	
Less: Current portion included in accounts payable and accrued interest	31	33	
	<b>789</b>	786	

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> In certain rate regulated operations 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.

<sup>4</sup> These balances represent the impact of the 2017 U.S. Tax Reform, which reduced the corporate income tax rate to 21 percent. The regulatory liabilities will be amortized over varying terms that approximate the expected reversal of the underlying deferred tax liabilities.

## 9. GOODWILL

At December 31, 2021, the Company's Goodwill of \$1,861 million (2020 - \$1,861 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 Columbia Midstream Assets in 2019.

The Company elected to proceed directly to a quantitative annual goodwill impairment test at December 31, 2021 following an uncontested rate case settlement with Columbia Gas shippers in 2021. It was determined that the fair value of the Company exceeded its carrying value, including goodwill at December 31, 2021.

## 10. OTHER ASSETS

at December 31 (millions of dollars)	2021	2020
Long-Term Intercompany Receivable <sup>1</sup>	—	476
Other	2	1
	<b>2</b>	<b>477</b>

1. Long-Term Intercompany Receivable was a draw facility between TC Energy USA LLC and borrower TCPL USA established in 2019, prior to TC Energy USA LLC being moved under CPG Inc. as part of a broader restructuring. This facility stayed in place until 2021 when the receivable was settled and the facility was closed.

## 11. NOTES PAYABLE

The Company has shared committed revolving and demand credit facilities with its parents of \$4.5 billion and \$1 billion, maturing December 2022 and 2024, respectively. When drawn, interest on these lines of credit is charged at negotiated floating rates of U.S. banks, and at other negotiated financial bases. While the Company has not drawn on these facilities as of December 31, 2021, other affiliated entities who are also covered under these facilities have drawn \$2.4 billion leaving an unused capacity of \$3.1 billion, that is available for the Company's use subject to normal allocation and approval process.

For the year ended December 31, 2021, the cost to maintain the above facilities was nil (2020- nil).

## 12. OTHER LONG-TERM LIABILITIES

at December 31 (millions of dollars)	2021	2020
Operating lease obligation	5	7
Reserve for uncertain tax positions <sup>1</sup>	17	16
Deferred credits	16	27
Asset retirement obligations <sup>2</sup>	7	7
Other	5	9
	<b>50</b>	<b>66</b>

- 1 See Note 13 for further information regarding the Company's uncertain tax positions.

- 2 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

The Company evaluates its tax positions for all jurisdictions and for all years where the statute of limitations has not expired to meet a more-likely-than-not threshold (i.e., greater than a 50% likelihood of a tax position being sustained under examination) prior to recording a benefit for its tax positions. Additionally, for tax positions meeting this more-likely-than-not threshold, the amount of benefit is limited to the largest benefit that has a greater than 50% probability of being realized upon ultimate settlement. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.



## Provision for Income Taxes

year ended December 31 (millions of dollars)	2021	2020
<b>Current</b>		
Federal	—	(20)
State	15	(16)
	15	(36)
<b>Deferred</b>		
Federal	288	284
State	27	(1)
	315	283
<b>Income Tax Expense</b>	<b>330</b>	<b>247</b>

## Reconciliation of Income Tax Expense to Statutory Rate

year ended December 31 (millions of dollars)	2021	2020
Income before income taxes	1,435	1,271
Federal statutory tax rate	21 %	21 %
Expected federal income tax expense	301	267
State income tax, net of federal income tax effect	32	(29)
Uncertain Tax Positions	1	16
Income tax differential related to regulated operations	(6)	(6)
Other	2	(1)
<b>Income Tax Expense</b>	<b>330</b>	<b>247</b>
<b>Effective tax rate</b>	<b>23.0 %</b>	<b>19.4 %</b>

## Deferred Income Tax Assets and Liabilities

at December 31 (millions of dollars)	2021	2020
<b>Deferred Income Tax Assets</b>		
Operating loss carryforwards	159	241
Regulatory Liabilities	161	163
Other	18	24
	338	428
Less: valuation allowance <sup>1</sup>	47	47
<b>Deferred Income Tax Assets</b>	<b>291</b>	<b>381</b>
<b>Deferred Income Tax Liabilities</b>		
Difference in accounting and tax bases of plant, property and equipment	(1,755)	(1,517)
Equity investments	(93)	(89)
Other	(37)	(37)
Deferred Income Tax Liabilities	(1,885)	(1,643)
<b>Net Deferred Income Tax Liabilities</b>	<b>(1,594)</b>	<b>(1,262)</b>

<sup>1</sup> A valuation allowance was recorded in 2021 and 2020, 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, 2021, the Company recognized the benefit of unused net operating loss carryforwards of \$446 million (2020 - \$849 million).

### Income Tax Payments/Refunds

Income tax payments of \$5 million, net of refunds received, were made in 2021 (2020 – \$262 million payments, net of refunds). The Company's practice is to recognize interest and penalties related to income tax uncertainties in Income tax expense.

### Unrecognized Tax Benefits

The Company has recognized an increase in the liability for unrecognized tax benefits. A reconciliation of the beginning and ending amount of total unrecognized tax benefits is as follows:

(millions of dollars)	2021	2020
<b>Unrecognized tax benefit at January 1</b>	<b>16</b>	—
Gross increases - tax positions in prior years	1	16
<b>Unrecognized tax benefit at December 31</b>	<b>17</b>	<b>16</b>

The Company accounts for interest and penalties related to uncertain tax positions as part of its provision for federal and state income taxes. The Company had \$1.7 million and \$0.5 million of accrued taxes for payment of interest and penalties at December 31, 2021 and 2020, respectively.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The Company is included in a consolidated federal return filed by TCPL USA, which is currently open to audit by the Internal Revenue Service under the statute of limitations for 2018 and subsequent tax years. In most cases, the Company's state income tax returns are open to audit under the statute of limitations for 2017 and subsequent tax years.

## 14. LONG-TERM DEBT AND LONG-TERM INTERCOMPANY PAYABLE

### Long-Term Debt

(millions of dollars)	Maturity Dates	2021		2020	
		Outstanding December 31	Interest Rate <sup>1</sup>	Outstanding December 31	Interest Rate <sup>1</sup>
<b>COLUMBIA PIPELINE GROUP, INC.</b>					
Senior Unsecured Notes <sup>2</sup>	2025 to 2045	1,500	4.9%	1,500	4.9 %
Current portion of long-term debt		—		—	
Unamortized debt discount and issue costs		(10)		(14)	
		<b>1,490</b>		<b>1,486</b>	

<sup>1</sup> Interest rates are the effective interest rates. 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.

<sup>2</sup> 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, 2021, principal repayments for the next five years on the Company's Long-term debt are approximately as follows:

(millions of dollars)	2022	2023	2024	2025	2026
Principal repayments on long-term debt	—	—	—	1,000	—

## Long-Term Debt Issued

The Company issued long-term debt over the two years ended December 31, 2021 as follows:

(millions of dollars)					
Company	Issue Date	Type	Maturity Date	Amount	Interest Rate
COLUMBIA PIPELINE GROUP, INC. <sup>1</sup>	January 2021	Unsecured Term Loan	June 2022	4,040	Floating

<sup>1</sup> In December 2020, Columbia entered into a \$4.2 billion Unsecured Term Loan agreement. In January 2021, \$4.04 billion was drawn on the Unsecured Term Loan and the total availability under the loan agreement was reduced accordingly. The loan was repaid and retired in December 2021.

## Long-Term Debt Repaid

The Company repaid long-term debt for the two years ended December 31, 2021 as follows:

(millions of dollars)					
Company	Retirement/ Repayment Date	Type	Amount	Interest Rate	
COLUMBIA PIPELINE GROUP, INC.	December 2021	Unsecured Term Loan <sup>1</sup>	4,040	Floating	
COLUMBIA PIPELINE GROUP, INC.	June 2020	Senior Unsecured Notes	750	3.3%	

<sup>1</sup> In December 2020, Columbia entered into a \$4.2 billion Unsecured Term Loan agreement. In January 2021, \$4.04 billion was drawn on the Unsecured Term Loan and the total availability under the loan agreement was reduced accordingly. The loan was repaid and retired in December 2021. Related unamortized debt issue costs of \$4 million were included in Interest expense in the Consolidated statement of income for the year ended December 31, 2021.

## Long-Term Intercompany Payable

The Company had unsecured loans due to affiliates as follows. These amounts are included in Long-term intercompany payable on the Company's Consolidated balance sheet.

(millions of dollars)					
Affiliates	Issue Date	Borrowers	Maturity Date	Amount	Interest Rate <sup>1</sup>
<b>TC ENERGY US FINANCE INC. (US FinCo)</b>					
	December 2021	Columbia Pipeline Group, Inc.	May 2027	500	Floating
	December 2021	Columbia Pipeline Group, Inc.	May 2027	500	Floating
	December 2021	Columbia Pipeline Group, Inc.	August 2026	500	Floating
	December 2021	Columbia Pipeline Group, Inc.	November 2024	500	Floating
	December 2021	Columbia Pipeline Group, Inc.	May 2025	500	Floating
	December 2021	Columbia Pipeline Group, Inc.	November 2026	740	Floating
	December 2021	Columbia Pipeline Group, Inc.	August 2024	300	Floating
	December 2021	Columbia Pipeline Group, Inc.	August 2024	500	Floating
				4,040	

<sup>1</sup> Interest rates based on LIBOR plus an applicable market-based spread. Effective 2023, the interest rates will be based on an alternate reference rate mutually agreed upon with US FinCo, plus an applicable market-based spread.

## Principal Repayments

At December 31, 2021, principal repayments for the next five years on the Company's Long-term intercompany payable are as follows:

(millions of dollars)	2022	2023	2024	2025	2026
Principal repayments on long-term intercompany payable	—	—	1,300	500	1,240

## Interest Expense

Interest expense in the two years ended December 31, 2021 was as follows:

(millions of dollars) year ended December 31	2021	2020
Interest on long-term debt	125	85
Amortization and other financial charges <sup>1</sup>	18	(1)
	143	84

<sup>1</sup> 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 \$125 million in 2021 (2020 - \$85 million), on long-term debt and notes payable, net of interest capitalized. Interest capitalized was not material to the Consolidated financial statements.

## 15. OTHER COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Components of Other comprehensive income are as follows:

year ended December 31, 2021 (millions of dollars)	Before Tax Amount	Income Tax Recovery/ (Expense)	Net of Tax Amount
Other comprehensive income of equity investments	3	(1)	2
<b>Other Comprehensive Income</b>	<b>3</b>	<b>(1)</b>	<b>2</b>

year ended December 31, 2020 (millions of dollars)	Before Tax Amount	Income Tax Recovery/ (Expense)	Net of Tax Amount
Other comprehensive income of equity investments	3	(1)	2
<b>Other Comprehensive Income</b>	<b>3</b>	<b>(1)</b>	<b>2</b>

The changes in Accumulated Other Comprehensive Loss (AOCL) by component are as follows:

	Equity Investments	Total <sup>1</sup>
AOCI Balance at December 31, 2019	(12)	(12)
Amounts reclassified from AOCL	2	2
AOCI Balance at December 31, 2020	(10)	(10)
Amounts reclassified from AOCL	2	2
<b>AOCI Balance at December 31, 2021</b>	<b>(8)</b>	<b>(8)</b>

<sup>1</sup> 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 similar debt instruments from external data service providers.

Certain non-derivative financial instruments included in Cash and cash equivalents, Accounts receivable, Other long-term 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 Sheet 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)	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including current portion <sup>1</sup> (Note 14)	(1,500)	(1,787)	(1,500)	(1,836)

<sup>1</sup> Long-term debt is recorded at amortized cost.

### Other

The estimated fair value measurements used in our 2021 goodwill impairment analysis as described under Note 9 is classified as Level 3. In the determination of fair value utilized in the recoverability assessments for the respective assets, we used internal forecasts on expected future cash flows and applied appropriate discount rates which involved significant assumptions and estimates.

## 17. CHANGES IN OPERATING WORKING CAPITAL

year ended December 31 (millions of dollars)	2021	2020
(Increase)/decrease in Accounts receivable	(1)	(41)
(Increase)/decrease in Inventories	7	2
(Increase)/decrease in Other current assets	—	(2)
Increase/(decrease) in Accounts payable and accrued interest <sup>1</sup>	317	(232)
<b>Increase/(decrease) in operating working capital</b>	<b>323</b>	<b>(273)</b>

<sup>1</sup> Includes refund provision of approximately \$318 million in 2021 (2020- \$0), as discussed in Note 2 Accounting Policies - Revenue Recognition.

## 18. RELATED PARTY TRANSACTIONS

### Cash Management Program

The Company participates in the TCPL USA cash management program. This program matches short-term cash surpluses and needs of participating affiliates, 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. The Company shall receive interest on monies advanced from TCPL USA at the rate of interest earned by TCPL USA on short-term cash investments. The Company shall pay interest on monies advanced from TCPL USA based on TCPL USA's short-term borrowing costs. At December 31, 2021 and 2020, the Company had a demand loan receivable of \$777 million and a demand loan payable of \$343 million, respectively.

### Affiliate Revenues and Expenses

Columbia Gas has a 15-year Retained Asset Capacity Agreement with Millennium to retain capacity on Millennium's pipeline. The annual expense is \$5.6 million, and the Company entered into a coterminous agreement with Millennium to retain capacity on the Company's system with an annual revenue of \$0.4 million. Under terms and conditions of the capacity agreement, the Company and Millennium are required to make minimum contractual payments based on volumes of gas flows. The agreements expire in December 2023.

Columbia Gas has also contracted with Millennium, subject to the Millennium's overall management, supervision, and control, to provide certain operation and maintenance services as defined in the Operation and Maintenance Agreement. The agreement expires December 31, 2023. These services also include, but are not limited to, business services, preparing financial statements, tax returns, and other various accounting functions.

During the normal course of operation, the Company earned revenue of \$13 million in 2021 (2020 - \$5 million) from affiliates for transportation of natural gas. The Company incurred operating expenses related to transportation of natural gas and administrative costs primarily with its significant natural gas pipelines, Columbia Gas and Columbia Gulf, of \$372 million (2020 - \$353 million).

At December 31, 2021 and 2020, Amounts due to/from affiliates are included in the Consolidated balance sheet under the captions Related party receivable and Related party payable. At December 31, 2021, the Company had loans due to affiliates of \$4.04 billion (2020 - \$0). See Note 14 for discussion of long-term debt due to an affiliate.

## 19. COMMITMENTS AND CONTINGENCIES

### 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, 2021, the Company had capital expenditure commitments of approximately \$74 million (unaudited) for its natural gas pipelines, primarily related to construction costs associated with modernization projects on Columbia Gas.

### Contingencies

The Company is subject to laws and regulations governing environmental quality and pollution control. As at December 31, 2021, the Company had accrued approximately \$10 million (2020 - \$8 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.

## **20. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through April 29, 2022, 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 consolidated financial statements other than what is disclosed here and/or those already disclosed in the preceding notes.

The Company paid dividends to TCPL USA in February 2022 for the amount of \$55 million.

The Company received a distribution from its equity investment in Millennium Pipeline Company of \$25 million in March 2022.

The Company received a distribution from its equity investment in Hardy Storage Company of \$2 million in April 2022.

The Company's previously accrued rate refund as described under Note 2 was refunded to customers, in the second quarter of 2022.