

**NextBridge Infrastructure LP
Financial Statements as of
and for the Years Ended December 31, 2020 and 2019
and Independent Auditors' Report**

Independent Auditor's Report

To the Partners of
NextBridge Infrastructure LP

Opinion

We have audited the financial statements of NextBridge Infrastructure LP (the "Partnership"), which comprise the balance sheets as at December 31, 2020 and 2019, and the statements of income, changes in partners' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with US GAAP, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Partnership or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Partnership's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Partnership to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
March 22, 2021

NEXTBRIDGE INFRASTRUCTURE LP
BALANCE SHEETS
(All amounts in Canadian dollars)

	December 31,	
	2020	2019
ASSETS		
Electric utility plant and other property:		
Construction work in progress	\$ 507,829,956	\$ 181,822,070
Total electric utility plant and other property	507,829,956	181,822,070
Current assets:		
Cash	39,984,189	35,544,609
Accounts receivable - associated companies	90,840	392,269
Accounts receivable - harmonized sales taxes	5,093,932	3,949,094
Other current assets	1,364,585	3,438,980
Total current assets	46,533,546	43,324,952
TOTAL ASSETS	\$ 554,363,502	\$ 225,147,022
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities:		
Accounts payable - third party	\$ 36,813,774	\$ 18,993,724
Accounts payable - associated companies	775,255	1,626,481
Other accrued liabilities	48,565,471	19,015,407
Total current liabilities	86,154,500	39,635,612
TOTAL LIABILITIES	86,154,500	39,635,612
Additional paid-in-capital	456,999,976	181,999,976
Accumulated earnings	11,209,026	3,511,434
PARTNERS' EQUITY	468,209,002	185,511,410
TOTAL LIABILITIES AND PARTNERS' EQUITY	\$ 554,363,502	\$ 225,147,022

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

NEXTBRIDGE INFRASTRUCTURE LP
STATEMENTS OF INCOME
(All amounts in Canadian dollars)

	Years Ended December 31,	
	<u>2020</u>	<u>2019</u>
OTHER INCOME (EXPENSE):		
Interest income	\$ 295,219	\$ 392,206
Gain (loss) on foreign currency	32,483	(3,156)
Carrying charge	<u>7,369,890</u>	<u>3,373,078</u>
Total other income	<u>7,697,592</u>	<u>3,762,128</u>
 NET INCOME	 <u>\$ 7,697,592</u>	 <u>\$ 3,762,128</u>

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

NEXTBRIDGE INFRASTRUCTURE LP
STATEMENTS OF CHANGES IN PARTNERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(All amounts in Canadian dollars)

Balance, December 31, 2018	\$ 71,249,282
Net Income	3,762,128
Contributions	<u>110,500,000</u>
Balance, December 31, 2019	185,511,410
Net Income	7,697,592
Contributions	<u>275,000,000</u>
Balance, December 31, 2020	<u><u>\$ 468,209,002</u></u>

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

NEXTBRIDGE INFRASTRUCTURE LP
STATEMENTS OF CASH FLOWS
(All amounts in Canadian dollars)

	Years Ended December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 7,697,592	\$ 3,762,128
Adjustments to reconcile net income to net cash provided by operating activities:		
Carrying charge	(7,369,890)	(3,373,078)
Net cash provided by operating activities	327,702	389,050
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures for construction and development	(270,888,122)	(80,124,419)
Net cash used in investing activities	(270,888,122)	(80,124,419)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions from partners	275,000,000	110,500,000
Net cash provided by financing activities	275,000,000	110,500,000
Net change in cash	4,439,580	30,764,631
Cash at the beginning of the period	35,544,609	4,779,978
Cash at the end of the period	\$ 39,984,189	\$ 35,544,609
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES		
Capital expenditures in accounts payable - third party	\$ 36,813,774	\$ 18,993,724
Capital expenditures in accounts payable - associated companies	\$ 775,255	\$ 1,626,481
Capital expenditures in other accrued liabilities	\$ 48,565,471	\$ 19,015,407

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

NEXTBRIDGE INFRASTRUCTURE LP
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(All amounts in Canadian dollars)

NOTE 1 - ORGANIZATION AND BUSINESS

NextBridge Infrastructure LP (NextBridge or the Partnership), formed on September 14, 2012, is a limited partnership organized under the laws of Ontario, Canada. Upper Canada Transmission, Inc. (UCT), a New Brunswick corporation holds a 100% general partnership interest in NextBridge and owns the license to transmit electricity in Ontario as established by the Ontario Energy Board (OEB). UCT is owned 50% by NextEra Energy UCT Holding, Inc. (UCT Holding), a New Brunswick corporation, and 25% by each of Borealis EWT, Inc. and Enbridge Transmission Holdings, Inc. The limited partnership interest in NextBridge is held 50% by NextEra Energy NextBridge Holding, ULC (NextBridge Holding), a British Columbia unlimited liability company, and 25% by each of Enbridge Inc. (Enbridge), an Alberta corporation, and Borealis NB Holdings Inc., an Ontario corporation. Both UCT Holding and NextBridge Holding are direct wholly-owned subsidiaries of NextEra Energy Canada, LP (CLP). CLP is an indirect wholly-owned subsidiary of NextEra Energy, Inc. (NextEra), a company listed on the New York Stock Exchange.

UCT was selected by the OEB as the designated transmitter for the development phase of the proposed East-West Tie Line (EWT). The initial development window began in August 2013 and ran through July 31, 2017 concluding with the filing of the Leave to Construct (LTC), for an approximately 445 kilometer, 230kV electricity transmission line between Wawa and Thunder Bay, Ontario, Canada. NextBridge was authorized by the OEB to spend approximately \$22.4 million (including inflation) as part of its initial development budget.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). All amounts herein have been presented in Canadian dollars, which is the functional and reporting currency.

Regulatory Accounting - NextBridge is a transmission utility regulated by the OEB and as such must comply with prescribed rules. NextBridge follows the accounting guidance of ASC 980 - Regulated Operations.

If NextBridge were no longer subject to cost-based regulation, the existing regulatory assets and liabilities would be written off. In addition, OEB has the authority to disallow recovery of costs that it considers excessive or imprudently incurred. The continued applicability of regulatory accounting is assessed at each reporting date.

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Revenue Recognition - The Partnership did not receive any transmission revenue during the years ended December 31, 2020 and 2019.

Impairment of Long-Lived Assets - NextBridge evaluates long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The determination of whether an impairment has occurred is based on a specific regulatory disallowance or an estimate of undiscounted future cash flows attributable to the assets, as compared with the carrying value of the assets. If an impairment has occurred, the amount of the impairment recognized is determined by either the amount of regulatory disallowance or by estimating the fair value of the assets and recording a loss if the carrying value is greater than the fair value. As of December 31, 2020 and 2019, NextBridge concluded no impairment adjustment was necessary.

NEXTBRIDGE INFRASTRUCTURE LP
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(All amounts in Canadian dollars)

Income Taxes - No provision for income taxes has been included in these financial statements since earnings or losses of the partnership are required to be reported by the respective partners in their respective income tax returns.

Goods and Services Tax/Harmonized Sales Tax - A value-added tax composed of a federal and provincial component is paid on goods and services. These taxes are recorded as a receivable. As such, they have no impact on the Partnership's statements of income and changes in partners' equity.

Other Current Assets - Included within other current assets are deposits made to a third party who assists with land acquisition services, which will be used to secure various rights of way and permits along the EWT.

Other Accrued Liabilities - Other accrued liabilities contain some construction liabilities which are expected to be paid after one year. Consistent with Company policy, such amounts are included in current.

Contingencies - NextBridge is monitoring the global outbreak of the novel coronavirus (COVID-19) and is taking steps intended to mitigate the potential risks posed by COVID-19. NextEra Energy has implemented its pandemic plan, which includes putting in place various processes and procedures to limit the impact on its business, as well as the spread of the virus in its workforce. To date, there has been no material impact on NextBridge's workforce, operations, financial performance, liquidity or on its supply chain as a result of COVID-19; however, the ultimate severity or duration of the outbreak or its effects on the global, national or local economy, the capital and credit markets, or NextBridge's workforce, customers and suppliers are uncertain. NextBridge cannot predict whether COVID-19 will have a material impact on its business, financial condition, liquidity or results of operations.

NOTE 3 - REGULATORY MATTERS

In its July 31, 2017 LTC application submission, the Partnership sought recovery of \$40.2 million of development costs of which \$22.4 million was authorized by the OEB in 2013. On December 20, 2018, the OEB issued a Decision and Order (the Decision) that concluded the prudence review of the development costs and determined that NextBridge is eligible to recover approximately \$31.2 million from ratepayers as development costs for the EWT project and the OEB noted \$5.3 million of costs eligible for consideration as construction costs. Additionally, the Decision explicitly disallowed \$3.7 million, which were written off in December 2018. The Partnership must include any costs incurred after July 31, 2017, in excess of the approved \$31.2 million, that it seeks to recover from customers in its construction cost estimate. Within the Decision, it is also noted that NextBridge is eligible to continue to accrue carrying charges on the \$31.2 million until its recovery.

On February 11, 2019, NextBridge was awarded the LTC by the OEB. As a result, all regulatory assets were reclassified to construction work in progress (CWIP) in December 2018 and all carrying charges accrued on CWIP charges incurred since the submission of the LTC application on July 31, 2017 were revalued using the OEB prescribed interest rate for CWIP accounts. The prescribed interest equals the FTSE TMX Canada Mid Term Bond Index All Corporate Yield. The interest rate ranged from 3.82% to 2.03% from Q1 2019 to Q4 2020.

For the years ended December 31, 2020 and 2019, NextBridge recorded carrying charges of approximately \$7.4 million and \$3.4 million, respectively, which are included in the other income section in the accompanying statements of income.

In March 2019, an aboriginal community, the Biinjitiwaabik Zaaging Anishinaabek (BZA) filed an appeal with the Ontario Superior Court of Justice of the decision of the OEB to grant NextBridge the LTC on the grounds that BZA believes that the Duty to Consult, and associated accommodation, has not been satisfied. BZA has also filed a Judicial Review in March 2019, with the same court against the Minister of Energy, Northern Development and Mines for the issuance of an Order in Council to direct the OEB to amend NextBridge's transmission license to add the construction and operation of the EWT project. BZA maintains that the Duty to Consult was not fulfilled prior to the issuance of the Order in Council. The outcome of the appeal is uncertain at this time.

NEXTBRIDGE INFRASTRUCTURE LP
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(All amounts in Canadian dollars)

In November 2020, NextBridge filed a formal request to initiate a base rate proceeding with the OEB. The filing requests a general base annual revenue requirement of approximately \$55.7 million and a ROE of 8.52% over a ten year term effective when the project goes in-service, which is expected to be in 2022. A decision is expected in 2021.

NOTE 4 - CASH MANAGEMENT

NextBridge's operational bank account is funded by the partners at their equity ratio based on forecasted activity for the following quarter. As of December 31, 2020 the amount contributed was approximately \$455.3 million (total contribution of \$457.0 million, net of \$1.7 million non-cash). The cash balance at December 31, 2020 and 2019 was approximately \$40.0 million and \$35.5 million respectively.

NOTE 5 - CONSTRUCTION COMMITMENTS

NextBridge has entered into agreements with third parties for engineering and construction services related to the EWT. The open commitments as of December 31, 2020 and 2019 were approximately \$268 million and \$529 million, respectively.

NOTE 6 - RELATED-PARTY TRANSACTION

NextEra Energy Canadian Operating Services, Inc. (NEECOS) and UCT (acting on behalf of NextBridge), have an Affiliated Services Agreement (ASA), whereby NEECOS will supervise, coordinate, and manage all aspects of the EWT including administrative, procurement and construction, legal, and environmental support services. Payables associated with NEECOS for the years ended December 31, 2020 and 2019 were approximately \$0.8 million and \$1.6 million, respectively.

In addition, NEECOS and Enbridge have a Services Agreement and all activity between NextBridge and Enbridge is payable through NEECOS.

NextBridge receives support from other NextEra subsidiaries (NextEra Canada Transmission Investments, Inc.; NextEra Energy Canadian Holdings, ULC; NextEra Energy Transmission, LLC and NextEra Energy Resources, LLC) in the form of payment of third party invoices, and personnel support. There are no executed agreements with these affiliates. The transactions are non-interest bearing receivables and payables and do not contain stated payment terms. The payable and receivable balances for the years ended December 31, 2020 and 2019 were \$2,758 and \$14,948, and \$90,840 and \$392,269, respectively.

NextBridge has not recorded any expenses originated in transactions with related parties.

NOTE 7 - SUBSEQUENT EVENTS

The Partnership has evaluated subsequent events through March 22, 2021, which is the date the financial statements were available to be issued.