ENBRIDGE GAS INC.

(a subsidiary of Enbridge Inc.)

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023

MANAGEMENT'S REPORT

TO THE SHAREHOLDERS OF ENBRIDGE GAS INC.

Financial Reporting
Management of Enbridge Gas Inc. (the Company) is responsible for the accompanying consolidated financial statements. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (US GAAP) and necessarily include amounts that reflect management's judgment and best estimates.

The Board of Directors is responsible for all aspects related to governance of the Company. The Company does not have an Audit Committee, having received an exemption from such requirement.

Internal Control over Financial Reporting
Management is also responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting includes policies and procedures to facilitate the preparation of relevant, reliable and timely information, to prepare consolidated financial statements for external reporting purposes in accordance with US GAAP and to provide reasonable assurance that assets are safeguarded.

PricewaterhouseCoopers LLP, independent auditors appointed by the shareholders of the Company, have conducted an audit of the consolidated financial statements of the Company in accordance with Canadian generally accepted auditing standards and have issued an unqualified audit report, which is accompanying the consolidated financial statements.

/s/ Michele E. Harradence	/s/ Tanya M. Ferguson
Michele E. Harradence	Tanya M. Ferguson
President	Vice President, Finance

February 9, 2024

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Independent auditor's report

To the Shareholders of Enbridge Gas Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Enbridge Gas Inc. and its subsidiaries (together, the Company) as at December 31, 2023 and 2022, 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).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of earnings for the years ended December 31, 2023 and 2022;
- the consolidated statements of comprehensive income for the years ended December 31, 2023 and 2022;
- the consolidated statements of changes in equity for the years ended December 31, 2023 and 2022;
- the consolidated statements of cash flows for the years ended December 31, 2023 and 2022;
- the consolidated statements of financial position as at December 31, 2023 and 2022; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Company'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 Company'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 consolidated 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 9, 2024

ENBRIDGE GAS INC.
CONSOLIDATED STATEMENTS OF EARNINGS

Year ended December 31,	**2023**	2022
(millions of Canadian dollars)		
Operating revenues		
Gas commodity and distribution	**4,797**	5,613
Storage, transportation and other	**1,045**	995
Total operating revenues *(Note 4)*	**5,842**	6,608
Operating expenses		
Gas commodity and distribution costs	**2,873**	3,679
Operating and administrative	**1,198**	1,227
Depreciation and amortization	**757**	690
Impairment of long-lived assets	**281**	—
Total operating expenses	**5,109**	5,596
Operating income	**733**	1,012
Other income	**48**	79
Interest expense, net *(Note 10)*	**(439)**	(423)
Earnings before income taxes	**342**	668
Income tax expense *(Note 15)*	**(1)**	(69)
Earnings	**341**	599

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

ENBRIDGE GAS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Year ended December 31,	**2023**	2022
(millions of Canadian dollars)		
Earnings	**341**	599
Other comprehensive income, net of tax		
Change in unrealized gain on cash flow hedges	**54**	68
Reclassification to earnings of loss on cash flow hedges	**4**	7
Actuarial gain/(loss) on other postretirement benefits (OPEB)	**(7)**	29
Reclassification to earnings of OPEB amounts	**(3)**	(1)
Other comprehensive income, net of tax	**48**	103
Comprehensive income	**389**	702

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

ENBRIDGE GAS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended December 31,	**2023**	2022
(millions of Canadian dollars)		
Common shares *(Note 11)*		
Balance at beginning of year	**3,659**	3,442
Capital contribution	**—**	800
Return of capital	**—**	(583)
Balance at end of year	**3,659**	3,659
Additional paid-in capital		
Balance at beginning and end of year	**7,253**	7,253
Retained earnings/(deficit)		
Balance at beginning of year	**171**	(324)
Earnings	**341**	599
Common share dividends declared	**(200)**	(104)
Balance at end of year	**312**	171
Accumulated other comprehensive income/(loss) *(Note 12)*		
Balance at beginning of year	**80**	(23)
Other comprehensive income, net of tax	**48**	103
Balance at end of year	**128**	80
Total equity	**11,352**	11,163

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

ENBRIDGE GAS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31,	**2023**	2022
(millions of Canadian dollars)		
Operating activities		
Earnings	**341**	599
Adjustments to reconcile earnings to net cash provided by operating activities:		
Depreciation and amortization	**757**	690
Impairment on long-lived assets	**281**	—
Deferred income tax recovery *(Note 15)*	**(56)**	(15)
Net defined benefit pension and OPEB costs	**(15)**	(56)
Expected credit loss	**20**	20
Other	**18**	11
Changes in operating assets and liabilities *(Note 17)*	**1,577**	(1,171)
Net cash provided by operating activities	**2,923**	78
Investing activities		
Capital expenditures	**(1,414)**	(1,482)
Additions to intangible assets	**(50)**	(39)
Proceeds from disposition	**8**	12
Net cash used in investing activities	**(1,456)**	(1,509)
Financing activities		
Net change in short-term borrowings	**(1,596)**	481
Demand loan from affiliate *(Note 18)*	**(318)**	318
Term note issuances, net of issue costs	**996**	645
Term note repayments *(Note 10)*	**(350)**	(125)
Common share dividends	**(200)**	(104)
Return of capital	**—**	(583)
Capital contribution received	**—**	800
Net cash (used in)/provided by financing activities	**(1,468)**	1,432
Net change in cash	**(1)**	1
Cash at beginning of year	**10**	9
Cash at end of year	**9**	10
Supplementary cash flow information		
Cash paid/(received) for income taxes	**(9)**	1
Cash paid for interest, net of amount capitalized	**410**	400
Property, plant and equipment and intangibles non-cash accruals *(Note 9)*	**140**	80

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

ENBRIDGE GAS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,	**2023**	2022
(millions of Canadian dollars; number of shares in millions)		
Assets		
Current assets		
Cash	**9**	10
Accounts receivable and other *(Note 6)*	**1,739**	2,346
Accounts receivable from affiliates	**111**	191
Gas inventory	**793**	1,424
	2,652	3,971
Property, plant and equipment, net *(Note 7)*	**18,489**	17,601
Intangible assets, net *(Note 8)*	**67**	175
Deferred amounts and other assets	**2,546**	2,996
Goodwill	**4,784**	4,784
Total assets	**28,538**	29,527
Liabilities and equity		
Current liabilities		
Short-term borrowings *(Note 10)*	**400**	1,996
Accounts payable and other *(Note 9)*	**1,821**	1,864
Accounts payable to affiliates	**354**	195
Current portion of long-term debt *(Note 10)*	**300**	352
Demand loan from affiliate *(Note 18)*	**—**	318
	2,875	4,725
Long-term debt *(Note 10)*	**10,305**	9,625
Other long-term liabilities	**2,105**	2,160
Deferred income taxes *(Note 15)*	**1,901**	1,854
	17,186	18,364
Commitments and contingencies *(Note 19)*		
Equity		
Share capital *(Note 11)*		
Common shares *(522 outstanding at December 31, 2023 and 2022)*	**3,659**	3,659
Additional paid-in capital	**7,253**	7,253
Retained earnings	**312**	171
Accumulated other comprehensive income *(Note 12)*	**128**	80
	11,352	11,163
Total liabilities and equity	**28,538**	29,527

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

Approved by the Board of Directors:

/s/ Michele E. Harradence
Michele E. Harradence
Director

/s/ William T. Yardley
William T. Yardley
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS OVERVIEW

The terms "we", "our", "us" and "Enbridge Gas" as used in these financial statements refer collectively to Enbridge Gas Inc. and its subsidiaries unless the context suggests otherwise. We are a wholly-owned indirect subsidiary of Enbridge Inc. (Enbridge). Enbridge provides administrative and general support services to us.

We are a rate-regulated natural gas distribution utility with storage and transmission services, which serves residential, commercial and industrial customers throughout Ontario.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). Amounts are stated in Canadian dollars unless otherwise noted.

We are permitted to prepare our consolidated financial statements in accordance with US GAAP for the purposes of meeting our Canadian continuous disclosure requirements under an exemption granted by Canadian securities regulators until the earliest of January 1, 2027, the first day of our financial year that commences if and after we cease to have activities subject to rate regulation, or the effective date prescribed by the International Accounting Standards Board for the application of a Mandatory Rate-regulated Standard specific to entities with activities subject to rate regulation.

BASIS OF PRESENTATION AND USE OF ESTIMATES

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities in the consolidated financial statements. Significant estimates and assumptions used in the preparation of the consolidated financial statements include, but are not limited to: variable consideration included in revenue *(Note 4);* carrying values of regulatory assets and liabilities *(Note 5)*; unbilled revenues; estimates of revenue; expected credit losses; depreciation rates and carrying value of property, plant and equipment *(Note 7)*; amortization rates and carrying value of intangible assets *(Note 8)*; measurement of goodwill; fair value of asset retirement obligations (ARO); fair value of financial instruments *(Note 13)*; provisions for income taxes *(Note 15)*; assumptions used to measure retirement benefits and OPEB *(Note 16)*; and commitments and contingencies *(Note 19)*. Actual results could differ from these estimates.

REGULATION

Our utility operations within Ontario are regulated by the Ontario Energy Board (OEB). Regulatory bodies exercise statutory authority over matters such as construction, rates and ratemaking, and agreements with customers. To recognize the economic effects of the actions of the regulator, the timing of recognition of certain revenues and expenses in these operations may differ from that otherwise expected under US GAAP for non-rate-regulated entities.

Regulatory assets represent amounts that are expected to be recovered from customers in future periods through rates. Regulatory liabilities represent amounts that are expected to be refunded to customers in future periods through rates and amounts collected from customers in advance of costs being incurred. If there are changes in our assessment of the probability of recovery for a regulatory asset, we reduce its carrying amount to the balance that we expect to recover from customers in future periods through rates. If a regulator later excludes from allowable costs all or a part of costs that were capitalized as a regulatory asset, we reduce the carrying amount of the asset by the excluded amounts. The recognition of regulatory assets and liabilities is based on the actions, or expected future actions, of the regulator. The regulator's future actions may differ from current expectations or future legislative changes may impact the regulatory environment in which we operate. To the extent that the regulator's actions differ from our expectations, the timing and amount of recovery or settlement of regulatory balances could differ significantly from those recorded. In the absence of rate regulation, we would generally not recognize regulatory assets or liabilities and the earnings impact would be recorded in the period the expenses are incurred or revenues are earned. A regulatory asset or liability is recognized in respect of deferred income taxes when it is expected the amounts will be recovered or settled through future regulator-approved rates. We believe that the recovery of our regulatory assets as at December 31, 2023 is probable over the periods described in *Note 5 - Regulatory Matters*.

With the approval of the regulator, we can capitalize a percentage of specified operating costs. These operations are authorized to charge depreciation and earn a return on the net book value of such capitalized costs in future years. In the absence of rate regulation, a portion of such operating costs would be charged to earnings in the year incurred.

REVENUE RECOGNITION

Revenue from contracts with customers is generally recognized upon the fulfillment of the performance obligations for the distribution, storage, transportation and sale of natural gas. For distribution and transportation service arrangements, where the services are simultaneously received and consumed by the customer, revenues are recorded based on regular meter readings and estimates of customer usage from the last meter reading to the end of the reporting period. Estimates are based on historical consumption patterns and heating degree days experienced. Heating degree days is a measure of coldness that is indicative of volumetric requirements for natural gas utilized for heating purposes in our distribution franchise areas. Revenues from storage services are recognized as the storage services are provided.

A significant portion of our operations are subject to regulation and, accordingly, there are circumstances where the revenues recognized do not match the amounts billed. Revenue under such circumstances is recognized in a manner that is consistent with the underlying rate-setting mechanism as approved by the regulator. This may give rise to regulatory deferral accounts pending disposition by decisions of the regulator, which are accounted for under Accounting Standards Codification (ASC) 980 *Regulated Operations*.

PUSH-DOWN ACCOUNTING

Enbridge Gas Distribution Inc. (EGD) elected to apply push-down accounting in respect of its original acquisition by its ultimate parent, Enbridge, when it first adopted US GAAP. On the original acquisition, the fair value adjustment was recorded by Enbridge rather than by EGD. Upon adopting push-down accounting, the historical cost of EGD's property, plant and equipment and related accounts were adjusted by the remaining unamortized fair value adjustment.

We have also applied push-down accounting with respect to the accounts of Union Gas Limited (Union Gas). The carrying values of certain assets and liabilities of Union Gas transferred to EGD have been adjusted to reflect Enbridge's historical cost as at February 27, 2017, the date upon which Enbridge acquired common control of EGD and Union Gas.

DERIVATIVE INSTRUMENTS AND HEDGING

Derivatives in Qualifying Hedging Relationships

We use derivative financial instruments to manage our exposure to changes in foreign exchange rates and interest rates. Hedge accounting is optional and requires us to document the hedging relationship and test the hedging item's effectiveness in offsetting changes in fair values or cash flows of the underlying hedged item on an ongoing basis. We present the earnings effects of hedging items with the hedged transaction. Derivatives in qualifying hedging relationships are categorized as cash flow hedges, fair value hedges or net investment hedges. There were no outstanding derivative instruments relating to fair value or net investment hedges as at December 31, 2023 and 2022.

Cash Flow Hedges

We may use cash flow hedges to manage our exposure to changes in foreign exchange rates and interest rates. The change in the fair value of a cash flow hedging instrument is recorded in Other comprehensive income/(loss) (OCI) and is reclassified to earnings when the hedged item impacts earnings.

If a derivative instrument designated as a cash flow hedge ceases to be effective or is terminated, hedge accounting is discontinued and the gain or loss at that date is deferred in OCI and recognized in earnings concurrently with the related transaction. If an anticipated hedged transaction is no longer probable, the gain or loss is recognized immediately in earnings. Subsequent gains and losses from derivative instruments for which hedge accounting has been discontinued are recognized in earnings in the period in which they occur.

Classification of Derivatives

We recognize the fair value of derivative instruments in the Consolidated Statements of Financial Position as current and non-current assets or liabilities depending on the timing of settlements and the resulting cash flows associated with the instruments. Fair value amounts related to cash flows occurring beyond one year are classified as non-current.

Cash inflows and outflows related to derivative instruments are classified as Cash Flows from Operating Activities in the Consolidated Statements of Cash Flows.

Balance Sheet Offset

Assets and liabilities arising from derivative instruments may be offset in the Consolidated Statements of Financial Position when we have the legal right and intention to settle them on a net basis.

TRANSACTION COSTS

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

INCOME TAXES

Income taxes are accounted for using the liability method. Deferred income tax assets and liabilities are recorded based on temporary differences between the tax bases of assets and liabilities and their carrying values for accounting purposes. Deferred income tax assets and liabilities are measured using the tax rate that is expected to apply when the temporary differences reverse. For our regulated operations, a deferred income tax liability or asset is recognized with a corresponding regulatory asset or liability, respectively, to the extent that taxes can be recovered through rates. Any interest and/or penalty incurred related to tax is reflected in Income tax expense.

FOREIGN CURRENCY TRANSACTIONS
Foreign currency transactions are those transactions whose terms are denominated in a currency other than the currency of the primary economic environment in which Enbridge Gas operates, referred to as the functional currency. Transactions denominated in foreign currencies are translated to the functional currency using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency using the exchange rate in effect as at the balance sheet date. Exchange gains and losses resulting from the translation of monetary assets and liabilities are included in earnings in the period in which they arise.

CASH
We combine cash and bank indebtedness where the corresponding bank accounts are subject to cash pooling arrangements.

RECEIVABLES AND CURRENT EXPECTED CREDIT LOSSES
Accounts receivable and other are measured at cost. Interest income is recognized in earnings as it is earned with the passage of time. For accounts receivable, a loss allowance matrix is utilized to measure lifetime expected credit losses. The matrix contemplates historical credit losses by age of receivables, adjusted for any forward-looking information and management expectations.

NATURAL GAS IMBALANCES
The Consolidated Statements of Financial Position include balances as a result of differences in gas volumes received from, and delivered for, customers. As settlement of imbalances are in-kind, changes in the balances do not have an effect on our Consolidated Statements of Earnings or Consolidated Statements of Cash Flows. All natural gas volumes owed to or by us are valued at natural gas market index prices as at the balance sheet dates.

GAS INVENTORY
Gas inventories consist of natural gas held in storage. Natural gas held in storage is recorded at the quarterly prices approved by the OEB in the determination of distribution rates. The actual price of gas purchased may differ from the OEB approved price. The difference between the approved price and the actual cost of gas purchased is deferred as a liability for future refund, or as an asset for collection, as approved by the OEB.

PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment is recorded at historical cost, including an allowance for interest incurred during construction as authorized by the regulator. Expenditures for construction, expansion, major renewals and betterments are capitalized. Maintenance and repair costs are expensed as incurred. Expenditures for project development are capitalized if they are expected to have future benefit.

We follow the pool method of accounting for property, plant and equipment whereby similar assets with comparable useful lives are grouped and depreciated as a pool, as approved by the regulator. When group assets are retired or otherwise disposed of, gains and losses are generally not reflected in earnings but are booked as an adjustment to accumulated depreciation. Gains and losses on the disposal of assets not subject to the pool method of accounting, such as land, are reflected in earnings. Depreciation of property, plant and equipment is provided on a straight-line basis over the estimated useful lives of the assets, as approved by the regulator, commencing when the asset is placed in service. Depreciation expense includes a provision for future removal and site restoration costs at rates approved by the regulator.

LEASES

We recognize an arrangement as a lease when a customer has the right to obtain substantially all of the economic benefits from the use of an asset, as well as the right to direct the use of the asset. We recognize right-of-use (ROU) assets and the related lease liabilities in the Consolidated Statements of Financial Position for operating lease arrangements with a term of 12 months or longer. We do not separate non-lease components from the associated lease components of our lessee contracts and account for both components as a single lease component. We combine lease and non-lease components within a contract for operating lessor leases when certain conditions are met. ROU assets are assessed for impairment using the same approach applied for other long-lived assets.

Lease liabilities and ROU assets require the use of judgment and estimates which are applied in determining the term of a lease, appropriate discount rates, whether an arrangement contains a lease, whether there are any indicators of impairment for ROU assets and whether any ROU assets should be grouped with other long-lived assets for impairment testing.

DEFERRED AMOUNTS AND OTHER ASSETS

Deferred amounts and other assets primarily consists of costs that our regulatory authority has permitted, or is expected to permit, to be recovered through future rates, including: deferred income taxes; the fair value adjustment to long-term debt; the difference between the actual cost and approved cost of natural gas reflected in rates; and actuarial gains and losses arising from defined benefit pension plans.

INTANGIBLE ASSETS

Intangible assets consist primarily of certain software costs. We capitalize costs incurred during the application development stage of internal use software projects. Intangible assets are generally amortized on a straight-line basis over their expected lives, commencing when the asset is available for use.

GOODWILL

Goodwill represents the excess of the purchase price over the fair value of net identifiable assets upon acquisition of a business. The carrying value of goodwill, which is not amortized, is assessed for impairment annually or more frequently if events or changes in circumstances arise that suggest the carrying value of goodwill may be impaired. We perform our annual review of the goodwill balance on April 1.

We have the option to first assess qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment assessment. When performing a qualitative assessment, we determine the drivers of fair value and evaluate whether those drivers have been positively or negatively affected by relevant events and circumstances since the last fair value assessment. Our evaluation includes, but is not limited to, the assessment of macroeconomic trends, changes to regulatory environments, capital accessibility, operating income trends, and changes to industry conditions. Based on our assessment of qualitative factors, if we determine it is more likely than not that the fair value is less than its carrying amount, a quantitative goodwill impairment assessment is performed.

The quantitative goodwill impairment assessment involves determining the fair value of goodwill and comparing that value to its carrying value. If the carrying value, including allocated goodwill, exceeds fair value, goodwill impairment is measured at the amount by which the carrying value exceeds its fair value. This amount should not exceed the carrying amount of goodwill. Fair value is estimated using a discounted cash flow technique. The determination of fair value using the discounted cash flow technique requires the use of estimates and assumptions related to discount rates, projected operating income and rate base, rate base multiple, capital expenditures and working capital levels.

In December 2023, we received a decision from the OEB on Phase 1 of our 2024-2028 Incentive Regulation rate setting framework (Phase 1 Decision). Due to the Phase 1 Decision and changes in the macroeconomic environment which has led to a rise in interest rates, we performed a quantitative assessment as at December 1, 2023. The goodwill impairment assessment did not result in an impairment charge.

IMPAIRMENT

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

ASSET RETIREMENT OBLIGATIONS

ARO associated with the retirement of long-lived assets are measured at fair value and recognized as Accounts payable and other or Other long-term liabilities in the period in which they can be reasonably determined. Fair value approximates the cost a third party would charge to perform the tasks necessary to retire such assets and is recognized at the present value of expected future cash flows. ARO is added to the carrying value of the associated asset and depreciated over the asset's useful life. The corresponding liability is accreted over time through charges to earnings and is reduced by actual costs of decommissioning and reclamation. Our estimates of retirement costs could change as a result of changes in cost estimates and regulatory requirements. Currently, for the majority of our assets, it is not possible to make a reasonable estimate of ARO due to the indeterminate timing and scope of the asset retirements.

PENSION AND OTHER POSTRETIREMENT BENEFITS

We provide benefits through defined benefit and defined contribution pension plans, as well as defined benefit OPEB plans.

Obligations and net periodic benefit costs for defined benefit pension and OPEB plans are estimated using the projected unit credit method, which is based on years of service, as well as our best estimates of actuarial assumptions such as discount rates, future salary levels, other cost escalations, employees' retirement ages, and mortality.

We determine discount rates using market yields of high-quality corporate bonds with maturities that approximate the estimated timing of future benefit payments.

Plan assets are measured at fair value. The expected return on plan assets is determined using the long-term target asset mixes in our investment policies and long-term market expectations.

Actuarial gains and losses arise from the difference between the actual and expected return on plan assets, and changes in actuarial assumptions such as discount rates. Periodic net actuarial gains and losses and prior service costs are accumulated and presented as follows in the Consolidated Statements of Financial Position:

- as a component of Accumulated other comprehensive income/(loss) (AOCI) for our defined benefit OPEB plans; and
- as a component of Deferred amounts and other assets and/or Other long-term liabilities for our defined benefit pension plans, to the extent that the net actuarial gains and losses and prior service costs have been permitted or are expected to be permitted by the regulator to be recovered through future rates.

Net periodic benefit cost is recognized in earnings and includes:

- current service cost;
- interest cost;
- expected return on plan assets;
- amortization of prior service costs over the expected average remaining service life of the plans' active employee group; and
- amortization of net actuarial gains and losses in excess of 10% of the greater of the benefit obligation or the fair value of plan assets over the expected average remaining service life of the plans' active employee group.

We also record regulatory adjustments for the difference between net periodic benefit costs for accounting versus ratemaking purposes. Offsetting regulatory assets or liabilities are recorded to the extent net periodic benefit costs are expected to be recovered from or refunded to customers, respectively, in future rates. In the absence of rate regulation, regulatory assets or liabilities would not be recorded and net periodic benefit costs would be charged to earnings and OCI on an accrual basis.

For defined contribution plans, our contributions are expensed when the contribution occurs.

COMMITMENTS AND CONTINGENCIES
Liabilities for other commitments and contingencies are recognized when, after fully analyzing available information, we determine it is either probable that an asset has been impaired or that a liability has been incurred, and the amount of impairment or loss can be reasonably estimated. When a range of probable loss can be estimated, we recognize the most likely amount, or if no amount is more likely than another, the minimum of the range of probable loss is accrued. We expense legal costs associated with loss contingencies as such costs are incurred.

3. CHANGES IN ACCOUNTING POLICIES

CHANGES IN ACCOUNTING POLICIES
There were no changes in accounting policies during the year ended December 31, 2023.

FUTURE ACCOUNTING POLICY CHANGES
Segment Reporting
Accounting Standards Update (ASU) 2023-07 was issued in November 2023 to improve reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses and to require in interim period financial statements all disclosures about a reportable segment’s profit or loss and assets that are currently required annually. The new ASU requires entities with a single reportable segment to provide all required disclosures in ASC 280, including disclosure of the title and position of the individual or the name of the group or committee identified as the chief operating decision-maker of the segment. ASU 2023-07 is effective January 1, 2024, with interim period disclosure requirements effective after January 1, 2025 and should be applied retrospectively to all prior periods presented in the financial statements. We are currently assessing the impact of the new standard on our consolidated financial statements.

Income Tax Disclosures
ASU 2023-09 was issued in December 2023 to improve income tax disclosures by requiring specified categories in the annual rate reconciliation that meet quantitative thresholds and further disaggregation on income taxes paid by jurisdiction. ASU 2023-09 is effective January 1, 2025 and should be applied prospectively, with retrospective application being permitted. We are currently assessing the impact of the new standard on our consolidated financial statements.

4. REVENUES

REVENUE FROM CONTRACTS WITH CUSTOMERS

Major Services

Year ended December 31,	**2023**	2022
(millions of Canadian dollars)		
Gas commodity and distribution revenue - residential	**3,298**	3,771
Gas commodity and distribution revenue - commercial and industrial	**1,522**	1,832
Storage revenue	**213**	176
Transportation revenue	**812**	791
Other revenue	**79**	76
Total revenue from contracts with customers	**5,924**	6,646
Other[1]	**(82)**	(38)
Total revenues	**5,842**	6,608

1 Primarily relates to the effects of rate-regulated accounting.

We disaggregate revenues into categories which represent our principal performance obligations. These revenue categories also represent the most significant revenue streams, and consequently are considered to be the most relevant revenue information for management to consider in evaluating performance.

Contract Balances

	Contract Receivables	Contract Liabilities
(millions of Canadian dollars)		
Balance as at December 31, 2023	**953**	**76**
Balance as at December 31, 2022	1,359	—

Contract receivables represent an unconditional right to consideration where only the passage of time is required before payment of consideration is due, and consist of trade accounts receivable, unbilled revenue and other accrued receivable balances. Contract receivables also consist of trade accounts receivable and unbilled revenue balances for the collection of certain federal carbon levy unit rates, for which we act as an agent.

Contract liabilities represent payments received for performance obligations which have not been fulfilled under our equal monthly payment plan. Revenue recognized during the year ended December 31, 2023 related to obligations under the equal monthly payment plan that existed at December 31, 2022 was nil. The increase in contract liabilities from cash received, net of amounts recognized as revenue during the year ended December 31, 2023, was $76 million.

Performance Obligations

Revenue category	Nature of Performance Obligation
Gas commodity and distribution revenue	• Supply and delivery of natural gas to customers
Storage and transportation revenue	• Storage and transportation of natural gas on behalf of customers
Other revenue	• Other billing and service fees

We recognized a reduction of revenue of $16 million for the year ended December 31, 2023 from performance obligations satisfied in previous periods, primarily resulting from differences in actual and estimated consumption. The associated reduction in gas commodity and distribution costs was also recognized in the current year.

Payment Terms
Payments from distribution customers are received on a continuous basis based on established billing cycles. Our policy requires that customers settle their billings in accordance with the payment terms listed on their bill, which is generally within 20 days. Payments from storage customers are received monthly under long-term storage capacity contracts. Payments from transportation customers are received on a continuous basis based on established billing cycles or monthly under long-term transportation capacity contracts.

Revenue to be Recognized from Unfulfilled Performance Obligations
Total revenue from performance obligations expected to be fulfilled in future periods is $650 million, of which $337 million is expected to be recognized during the year ending December 31, 2024.

The performance obligations above reflect revenue expected to be recognized in future periods from unfulfilled performance obligations pursuant to contracts with customers for the purchase of natural gas distribution, storage and transportation services. Certain revenues are excluded from the amounts above under the following ASC 606 optional exemptions:

- revenues, such as flow-through costs charged to customers, which are recognized at the amount for which we have the right to invoice our customers; and
- revenue from contracts with customers that have an original expected duration of one year or less.

Variable consideration is also excluded from the amounts above due to the uncertainty of the associated consideration, which is generally resolved when actual volumes and prices are determined. For example, we consider interruptible transportation service revenues to be variable revenues since volumes cannot be reasonably estimated.

A significant portion of our operations are subject to regulation. Accordingly, the amounts above, in addition to revenues that are not regulated, only include revenue for which the underlying rate has been approved by regulation, where applicable. The revenues excluded from the amounts above could represent a significant portion of our overall revenues and revenue from contracts with customers.

SIGNIFICANT JUDGMENTS MADE IN RECOGNIZING REVENUE

Revenue Recognition
Revenue from contracts with customers is generally recognized upon the fulfillment of the performance obligations as described above. Distribution and transportation service revenues are primarily recorded on the basis of regular meter readings and estimates of customer usage from the last meter reading to the end of the reporting period. Estimates are based on historical consumption patterns and heating degree days experienced. Heating degree days is a measure of coldness that is indicative of volumetric requirements for natural gas utilized for heating purposes in our distribution franchise areas.

Due to regulatory mechanisms, there are circumstances where revenues recognized do not match the amounts billed. Under such circumstances, revenue is recognized in a manner that is consistent with the underlying rate setting mechanism as approved by the regulator. This may give rise to regulatory deferral accounts pending disposition by decisions of the regulator.

Recognition and Measurement of Revenues

Year ended December 31,	**2023**	2022
(millions of Canadian dollars)		
Revenue from products and services transferred over time[1]	**5,846**	6,571
Revenue from products transferred at a point in time[2]	**78**	75
Total revenue from contracts with customers	**5,924**	6,646

1 Revenue from distribution, storage and transportation services.
2 Primarily from Other revenues.

Performance Obligations Satisfied Over Time
For arrangements involving the distribution and transportation of natural gas, where the services are simultaneously received and consumed by the customer, we recognize revenue over time using an output method based on volumes of commodities delivered. The measurement of the volumes delivered corresponds directly to the benefits received by the customers during that period. Revenue from storage services are recognized as the services are provided.

Determination of Transaction Prices
Prices for distribution and transportation services and regulated storage services are prescribed by regulation. Fees for unregulated storage services are determined through negotiations with customers and are based on market rates.

Prices for natural gas sold are driven by market prices and the Quarterly Rate Adjustment Mechanism (QRAM) in place that allows for rates to reflect changes in natural gas prices, subject to regulatory approval.

5. REGULATORY MATTERS

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

We are regulated by the OEB pursuant to the provisions of the *Ontario Energy Board Act*, (1998), which is part of a package of legislation known as the *Energy Competition Act*, (1998). This legislation provides for different forms of regulation and competition in the energy (electricity and natural gas) industry in Ontario.

RATE APPROVALS
Our distribution rates, commencing in 2019, were set under a five-year Incentive Regulation (IR) framework using a price cap mechanism that ended December 31, 2023. The price cap mechanism established new rates each year through an annual base rate escalation at inflation less a 0.3% stretch factor, annual updates for certain costs to be passed through to customers, and where applicable, provided for the recovery of material discrete incremental capital investments beyond those that could be funded through base rates. The IR framework included the continuation and establishment of certain deferral and variance accounts, as well as an earnings sharing mechanism that required us to share equally with customers any earnings in excess of 150 basis points over the annual OEB approved return on equity.

Under the OEB-authorized rate structure for our business, income tax costs are recovered in rates based on the current income tax payable and do not include accruals for deferred income tax. However, as income taxes become payable as a result of the reversal of temporary differences that created the deferred income taxes, it is expected that rates will be adjusted to recover these taxes. Since most of these temporary differences are related to property, plant and equipment costs, this recovery is expected to occur over the life of the related assets. In the absence of rate-regulated accounting, this regulatory Deferred income taxes balance and the related earnings impact would not be recorded.

In the Phase 1 Decision we received on December 21, 2023 for our 2024-2028 Incentive Regulation rate setting framework, the OEB did not approve recovery of the residual deferred balance pertaining to the unamortized accumulated pension actuarial gains/losses and past service costs incurred by Union Gas, relating to the period up to Enbridge's merger with Spectra Energy Corp. (Spectra Energy), which were previously recorded in AOCI. At December 31, 2023, we wrote off the regulatory asset of $156 million to Impairment of long-lived assets. See *Note 7 - Property, Plant and Equipment* and *Note 8 - Intangible Assets* for other items also impaired as a result of the Phase 1 Decision.

PURCHASE GAS VARIANCE

The Purchase Gas Variance Account captures the difference between actual and forecasted natural gas prices reflected in rates. Account balances are typically recovered or refunded over a prospective 12-month period through QRAM applications.

FINANCIAL STATEMENT EFFECTS

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

December 31,	**2023**	2022	Recovery/Refund Period Ends
(millions of Canadian dollars)			
Current regulatory assets			
Purchase gas variance	**15**	190	2024
Other current regulatory assets	**334**	266	2024
Total current regulatory assets[1] *(Note 6)*	**349**	456	
Long-term regulatory assets			
Deferred income taxes	**1,819**	1,696	Various
Long-term debt[2] *(Note 10)*	**261**	283	2046
Purchase gas variance	**—**	244	2024
Accounting policy changes[3]	**—**	219	2024
Transition impact of accounting changes[4]	**—**	40	2024
Other long-term regulatory assets	**4**	2	Various
Total long-term regulatory assets[1]	**2,084**	2,484	
Total regulatory assets	**2,433**	2,940	
Current regulatory liabilities			
Purchase gas variance	**31**	—	2024
Other current regulatory liabilities	**252**	128	2024
Total current regulatory liabilities[6] *(Note 9)*	**283**	128	
Long-term regulatory liabilities			
Future removal and site restoration reserves[7]	**1,693**	1,615	Various
Pension plan payable[5]	**143**	230	Various
Other long-term regulatory liabilities	**7**	90	Various
Total long-term regulatory liabilities[6]	**1,843**	1,935	
Total regulatory liabilities	**2,126**	2,063	

1 *Current regulatory assets are included in Accounts receivable and other, while long-term regulatory assets are included in Deferred amounts and other assets.*

2 *Represents our regulatory offset to the fair value adjustment to debt acquired in Enbridge's merger with Spectra Energy and pushed down to Enbridge Gas. The offset is viewed as a proxy for the regulatory asset that would be recorded in the event such debt was extinguished at an amount higher than the carrying value.*

3 *In 2022, this balance primarily consists of pre-2017 unamortized accumulated actuarial gains/losses and past service costs incurred by Union Gas, relating to the period up to Enbridge's merger with Spectra Energy, which were previously recorded in AOCI. The amortization of this balance was recognized as a component of accrual-based pension expenses, which are included in Other income and recovered in rates, as previously approved by the OEB. The Phase 1 Decision disallowed recovery of the remaining balance related to pre-2017 pension amounts and was impaired with a nil balance as at December 31, 2023. The residual balance in this account pertains to the impact of other accounting changes during the deferred rebasing period and were approved for disposition in 2024 in the Phase 1 Decision and subsequently transferred to Other current regulatory assets as at December 31, 2023.*

4 *Represents our right to recover costs resulting from the adoption of the accrual basis of accounting for pension and OPEB costs upon transition to US GAAP in 2012. Pursuant to the 2019 OEB rate order, the balance as at December 31, 2012 was to be collected in rates over a 20 year period, commencing in 2013. In the Phase 1 Decision, the OEB approved for the disposition of the remaining balance in 2024 and the balance was reclassified to Other current regulatory assets as at December 31, 2023.*
5 *Represents the regulatory offset to our pension liability/asset to the extent that it is expected to be included in regulator-approved future rates and refunded to or recovered from customers. The settlement period for this balance is not determinable. In the absence of rate-regulated accounting, this regulatory balance and the related pension expense/income would be recorded in earnings and OCI.*
6 *Current regulatory liabilities are included in Accounts payable and other, while long-term regulatory liabilities are included in Other long-term liabilities.*
7 *Future removal and site restoration reserves consists of amounts collected from customers, with the approval of the OEB, to fund future costs of removal and site restoration relating to property, plant and equipment. These costs are collected as part of the depreciation expense charged on property, plant and equipment that is reflected in rates. The settlement of this balance will occur over the long-term as costs are incurred. In the absence of rate-regulated accounting, depreciation rates would not include a charge for removal and site restoration and costs would be charged to earnings as incurred with recognition of revenue for amounts previously collected.*

6. ACCOUNTS RECEIVABLE AND OTHER

December 31,	**2023**	2022
(millions of Canadian dollars)		
Trade receivables and unbilled revenues, net[1]	**1,167**	1,550
Regulatory assets *(Note 5)*	**349**	456
Gas imbalances	**91**	177
Rebillables receivable	**67**	61
Other	**65**	102
	1,739	2,346

1 *Net of allowance for expected credit losses of $79 million as at December 31, 2023 (2022 - $71 million).*

7. PROPERTY, PLANT AND EQUIPMENT

December 31,	Weighted Average Depreciation Rate	**2023**	2022
(millions of Canadian dollars)			
Regulated property, plant and equipment			
Gas transmission	2.4%	**1,993**	1,960
Gas mains, services and other	2.5%	**15,087**	14,219
Compressors, meters and other operating equipment	4.1%	**3,897**	3,538
Storage	2.6%	**1,239**	1,145
Land and right-of-way[1]	0.7%	**433**	413
Vehicles, office furniture, equipment and other buildings and improvements	11.2%	**473**	511
Under construction	—%	**394**	319
		23,516	22,105
Accumulated depreciation		**(5,463)**	(4,954)
		18,053	17,151
Unregulated property, plant and equipment			
Gas mains, services and other	30.8%	**13**	13
Compressors, meters and other operating equipment	2.1%	**48**	46
Storage	2.6%	**445**	413
Land and right-of-way[1]	5.0%	**40**	40
Vehicles, office furniture, equipment and other buildings and improvements	—%	**13**	13
Under construction	—%	**23**	48
		582	573
Accumulated depreciation		**(146)**	(123)
		436	450
Property, plant and equipment, net		**18,489**	17,601

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

Depreciation expense, including amounts collected for future removal and site restoration costs, was $680 million for the year ended December 31, 2023 (2022 - $638 million).

Included within depreciation expense is $22 million in incremental depreciation resulting from push-down accounting for the years ended December 31, 2023 and 2022 *(Note 2)*.

IMPAIRMENT

As a result of the OEB's Phase 1 Decision, we have recognized an impairment loss of $37 million on property, plant and equipment for the year ended December 31, 2023, which is included in Impairment of long-lived assets in the Consolidated Statements of Earnings.

8. INTANGIBLE ASSETS

December 31,	**2023**	2022
(millions of Canadian dollars)		
Software and customer information system[1]	**290**	466
Less: Accumulated amortization	**(223)**	(291)
Intangible assets, net	**67**	175

1 The weighted average amortization rate for the years ended December 31, 2023 and 2022 was 21.8% and 11.3%, respectively.

Intangible assets include $24 million of work-in-progress as at December 31, 2023 (2022 - $21 million). Amortization expense for intangible assets for the years ended December 31, 2023 and 2022 was $77 million and $52 million, respectively. The following table presents our expected amortization expense associated with existing intangible assets for the years indicated as follows:

	2024	2025	2026	2027	2028
(millions of Canadian dollars)					
Forecast of amortization expense	13	13	10	6	6

IMPAIRMENT

As a result of the OEB's Phase 1 Decision, we have recognized an impairment loss of $88 million on intangibles assets for the year ended December 31, 2023, which is included in Impairment of long-lived assets in the Consolidated Statements of Earnings.

9. ACCOUNTS PAYABLE AND OTHER

December 31,	**2023**	2022
(millions of Canadian dollars)		
Trade payables and accrued liabilities	**476**	742
Federal carbon program liability	**376**	333
Gas imbalances	**105**	199
Taxes payable	**110**	169
Construction payables and contractor holdbacks	**140**	80
Interest payable	**102**	96
Regulatory liabilities *(Note 5)*	**283**	128
Other	**229**	117
	1,821	1,864

10. DEBT

December 31,	Weighted Average Interest Rate[2]	Maturity	**2023**	2022
(millions of Canadian dollars)				
Medium-term notes	4.2%	2024 - 2053	**10,185**	9,535
Debentures	9.1%	2024 - 2025	**210**	210
Commercial paper and credit facility draws	5.2%	2025	**400**	2,000
Other[1]			**(51)**	(55)
Fair value adjustment from push down accounting *(Note 2)*			**261**	283
Total debt			**11,005**	11,973
Current maturities			**(300)**	(352)
Short-term borrowings			**(400)**	(1,996)
Long-term debt			**10,305**	9,625

1 Other consists of unamortized discounts, premiums and debt issuance costs.

2 Calculated based on term notes, debentures, commercial paper and credit facility draws outstanding as at December 31, 2023.

As at December 31, 2023, all outstanding debt was unsecured.

CREDIT FACILITIES

We actively manage our bank funding sources to ensure adequate liquidity and to optimize pricing and other terms. The following table provides details of our external credit facility at December 31, 2023:

	Maturity	Total Facility	Draws[2]	Available
(millions of Canadian dollars)				
364-day extendible credit facility	2025[1]	2,500	400	**2,100**

1 Maturity date is inclusive of the one-year term out provision.
2 Includes facility draws and commercial paper issuances, net of discount, that are back-stopped by the credit facility.

In March 2023, we increased our 364-day extendible credit facility from $2.0 billion to $2.5 billion. In July 2023, the facility's maturity date was extended to July 2025, which includes a one-year term out provision from July 2024.

The credit facility carries a standby fee of 0.1% on the unused portion and the draws bear interest at market rates.

In addition to this committed credit facility, we had access to Enbridge's demand letter of credit facilities totaling $825 million as at December 31, 2023 (2022 - $1.0 billion). As at December 31, 2023, $6 million (2022 - $7 million) of letters of credit were issued by us.

On August 1, 2023, we entered into a revolving term credit facility for $50 million with Enbridge pursuant to the *Canadian Energy Regulator Act* and its related Pipelines Financial Requirements Regulation. As at December 31, 2023, no draws have been made on this facility.

LONG-TERM DEBT ISSUANCES

During the year ended December 31, 2023, we completed the following long-term debt issuances totaling $1.0 billion:

Issue Date	Description		Principal Amount
(millions of Canadian dollars)			
October 2023	5.46%	medium-term notes due October 2028	$250
October 2023	5.70%	medium-term notes due October 2033	$400
October 2023	5.67%	medium-term notes due October 2053	$350

LONG-TERM DEBT REPAYMENTS

During the year ended December 31, 2023, we completed the following long-term debt repayments totaling $350 million:

Repayment Date	Description		Principal Amount
(millions of Canadian dollars)			
July 2023	6.05%	medium-term notes	$100
July 2023	3.79%	medium-term notes	$250

DEBT COVENANTS

Our credit facility agreements and term debt indentures include standard events of default and covenant provisions whereby accelerated repayment and/or termination of the agreements may result if we were to default on payment or violate certain covenants. We are in compliance with all terms and conditions of our committed credit facility agreement and our Trust Indenture as at December 31, 2023.

ANNUAL DEBT MATURITIES

As at December 31, 2023, we have commitments as detailed below:

	Total	Less than 1 year	2 years	3 years	4 years	5 years	Thereafter
(millions of Canadian dollars)							
Annual debt maturities[1]	10,395	300	745	650	350	350	8,000

1 Includes debentures and term notes, and excludes short-term borrowings, debt discounts, debt issuance costs and the fair value adjustment from push-down accounting. Changes to the planned funding requirements are dependent on the terms of any debt refinancing agreements. Therefore, the actual timing of future cash repayments could be materially different than presented above.

INTEREST EXPENSE

Year ended December 31,	**2023**	2022
(millions of Canadian dollars)		
Debentures and term notes	**403**	389
Commercial paper and credit facility draws	**56**	47
Interest on loan from affiliate[1]	**—**	2
Capitalized interest	**(20)**	(15)
	439	423

1 Interest on loan from affiliate is with Enbridge Inc.

11. SHARE CAPITAL

As at December 31, 2023, our authorized share capital consisted of an unlimited number of common shares with no par value and an unlimited number of preference shares. Our Class A and Class B common shares are held by Enbridge Energy Distribution Inc. and Great Lakes Basin Energy LP, respectively. Both classes of common shares are identical in every respect, and dividends cannot be paid to one class without paying dividends to the other. As at December 31, 2023 and 2022, no preference shares were issued and outstanding.

COMMON SHARES

	2023		2022	
December 31,	Number of shares	Amount	Number of shares	Amount
(millions of Canadian dollars; number of shares in millions)				
Class A				
Balance at beginning of year	**282**	**2,713**	282	2,596
Capital contribution	**—**	**—**	—	432
Return of capital	**—**	**—**	—	(315)
	282	**2,713**	282	2,713
Class B				
Balance at beginning of year	**240**	**946**	240	846
Capital contribution	**—**	**—**	—	368
Return of capital	**—**	**—**	—	(268)
	240	**946**	240	946
Balance at end of year	**522**	**3,659**	522	3,659

The capital contribution and return of capital transactions in 2022 to the stated capital of Class A and Class B common shares had no impact on the total shares outstanding.

12. COMPONENTS OF AOCI

Changes in AOCI for the year ended December 31, 2023 and 2022 are as follows:

	2023		
(millions of Canadian dollars)	Cash Flow Hedges	OPEB Adjustment	Total
Balance at January 1, 2023	**44**	**36**	**80**
Other comprehensive income/(loss) retained in AOCI	**73**	**(9)**	**64**
Other comprehensive (income)/loss reclassified to earnings	**5**	**(4)**	**1**
	122	**23**	**145**
Tax impact			
Income tax on amounts retained in AOCI	**(19)**	**2**	**(17)**
Income tax on amounts reclassified to earnings	**(1)**	**1**	**—**
	(20)	**3**	**(17)**
Balance at December 31, 2023	**102**	**26**	**128**

	2022		
(millions of Canadian dollars)	Cash Flow Hedges	OPEB Adjustment	Total
Balance at January 1, 2022	(31)	8	(23)
Other comprehensive income retained in AOCI	93	39	132
Other comprehensive (income)/loss reclassified to earnings	10	(1)	9
	72	46	118
Tax impact			
Income tax on amounts retained in AOCI	(25)	(10)	(35)
Income tax on amounts reclassified to earnings	(3)	—	(3)
	(28)	(10)	(38)
Balance at December 31, 2022	44	36	80

13. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

MARKET RISK

Our earnings, cash flows and other OCI are subject to movements in natural gas prices, foreign exchange rates and interest rates (collectively, market risk). Portions of these risks are borne by customers through certain regulatory mechanisms. Formal risk management policies, processes and systems have been designed to mitigate these risks.

The following summarizes the types of market risks to which we are exposed and the risk management instruments used to mitigate them. We use a combination of qualifying and non-qualifying derivative instruments to manage the risks noted below.

Natural Gas Price Risk

Natural gas price risk is the risk of gain or loss due to changes in the market price of natural gas. In compliance with the directive of the OEB, fluctuations in natural gas prices are borne by our customers.

Foreign Exchange Risk

Foreign exchange risk is the risk of gain or loss due to the volatility of currency exchange rates. We generate certain revenues, incur expenses and hold cash balances that are denominated in United States (US) dollars. As a result, our earnings and cash flows are exposed to fluctuations resulting from US dollar exchange rate variability.

We have implemented a program to hedge a portion of our US dollar denominated unregulated storage revenue exposures. Qualifying derivative instruments may be used to hedge anticipated US dollar denominated revenues and to manage variability in cash flows. As at December 31, 2023, we do not have any foreign exchange hedges outstanding.

A portion of our natural gas purchases are denominated in US dollars and, as a result, there is exposure to fluctuations in the exchange rate of the US dollar against the Canadian dollar. Realized foreign exchange gains or losses relating to natural gas purchases are passed on to customers, therefore, we have no net exposure to movements in the foreign exchange rate on natural gas purchases.

Interest Rate Risk

Our earnings and cash flows are exposed to short-term interest rate variability due to the regular repricing of our variable rate debt, primarily commercial paper. We primarily use qualifying derivative instruments to manage interest rate risk. Pay fixed-receive floating interest rate swaps may be used to hedge against the effect of future interest rate movements. As at December 31, 2023, we do not have any floating-to-fixed interest rate swaps outstanding for short-term debt.

Our earnings and cash flows are also exposed to variability in longer term interest rates ahead of anticipated fixed rate debt issuances. Forward starting interest rate swaps are used to hedge against the effect of future interest rate movements. We have implemented a program to mitigate our exposure to long-term interest rate variability on select forecast term debt issuances via execution of floating-to-fixed interest rate swaps with an average swap rate of 2.7%.

TOTAL DERIVATIVE INSTRUMENTS

We generally have a policy of entering into individual International Swaps and Derivatives Association, Inc. agreements, or other similar derivative agreements, with the majority of our derivative counterparties. These agreements provide for the net settlement of derivative instruments outstanding with specific counterparties in the event of bankruptcy or other significant credit events and reduce our credit risk exposure on financial derivative asset positions outstanding with the counterparties in those particular circumstances.

The following table summarizes the Consolidated Statements of Financial Position location and carrying value of our derivative instruments, as well as the maximum potential settlement amounts, in the event of the specific circumstances described above. All amounts are presented gross in the Consolidated Statements of Financial Position.

December 31, 2023	Derivative Instruments Used as Cash Flow Hedges	Non-Qualifying Derivative Instruments	Total Gross Derivative Instruments as Presented	Amounts Available for Offset	Total Net Derivative Instruments
(millions of Canadian dollars)					
Accounts receivable from affiliates					
Interest rate contracts	**6**	**—**	**6**	**—**	**6**
	6	**—**	**6**	**—**	**6**
Total net derivative asset					
Interest rate contracts	**6**	**—**	**6**	**—**	**6**
	6	**—**	**6**	**—**	**6**

December 31, 2022	Derivative Instruments Used as Cash Flow Hedges	Non-Qualifying Derivative Instruments	Total Gross Derivative Instruments as Presented	Amounts Available for Offset	Total Net Derivative Instruments
(millions of Canadian dollars)					
Accounts receivable from affiliates					
Interest rate contracts	79	—	79	—	79
	79	—	79	—	79
Total net derivative asset					
Interest rate contracts	79	—	79	—	79
	79	—	79	—	79

The following table summarizes the maturity and notional principal or quantity outstanding related to our derivative instruments:

	2023							2022
As at December 31,	2024	2025	2026	2027	2028	Thereafter	Total	Total
(millions of Canadian dollars)								
Interest rate contracts - long-term pay fixed rate debt *(millions of Canadian dollars)*	**300**	**—**	**—**	**—**	**—**	**—**	**300**	900

The Effect of Derivative Instruments on the Statements of Earnings and Comprehensive Income

The following table presents the effect of cash flow hedges on our consolidated earnings and consolidated comprehensive income, before the effect of income taxes:

Year ended December 31,	**2023**	2022
(millions of Canadian dollars)		
Amount of unrealized gain recognized in OCI		
Cash flow hedges		
Interest rate contracts	**73**	93
	73	93
Amount of loss reclassified from AOCI to earnings		
Interest rate contracts[1]	**5**	10
	5	10

1 Reported within Interest expense, net in the Consolidated Statements of Earnings.

We estimate that a gain of $1 million from AOCI related to cash flow hedges will be reclassified to earnings in the next 12 months. Actual amounts reclassified to earnings depend on the interest rates in effect when derivative contracts that are currently outstanding mature. For all forecasted transactions, the maximum term over which we are hedging exposures to the variability of cash flows is 12 months as at December 31, 2023.

LIQUIDITY RISK

Liquidity risk is the risk that we will not be able to meet our financial obligations, including commitments, as they become due. In order to mitigate this risk, we forecast cash requirements over a 12-month rolling time period to determine whether sufficient funds will be available. Our primary sources of liquidity and capital resources are funds generated from operations, the issuance of commercial paper, draws under the committed credit facility and long-term debt, which includes debentures and medium-term notes and, if necessary, additional liquidity is available through intercompany transactions with our ultimate parent, Enbridge, and other related entities. These sources are expected to be sufficient to enable us to fund all anticipated requirements. We maintain a current medium-term note shelf prospectus with securities regulators, which enables ready access to the Canadian public capital markets, subject to market conditions. We also maintain a committed credit facility with a diversified group of banks and institutions. We were in compliance with all of the terms and conditions of our committed credit facility as at December 31, 2023. As a result, the credit facility is available to us and the banks are obligated to fund us under the terms of the facility.

CREDIT RISK

Credit risk arises from the possibility that a counterparty will default on its contractual obligations. We are primarily exposed to credit risk from accounts receivable and derivative financial instruments. Exposure to credit risk is mitigated by our large and diversified customer base and the ability to recover an estimate for expected credit losses for utility operations through the rate-making process. We actively monitor the financial strength of large industrial customers and, in select cases, have obtained additional security to minimize the risk of default of receivables. Generally, we classify receivables older than 20 days as past due. The maximum exposure to credit risk related to non-derivative financial assets is their carrying value.

Our policy requires that customers settle their billings in accordance with the payment terms listed on their bill, which generally require payment in full within 20 days. A provision for credit and recovery risk associated with accounts receivable has been made through the expected credit loss, which totaled $79 million and $71 million as at December 31, 2023 and 2022, respectively.

Our expected credit loss is determined based on historical credit losses by age of receivables, adjusted for any forward-looking information and management expectations, using a loss allowance matrix. This estimate is revised each reporting period to reflect current expectations. When we have determined that collection efforts are unlikely to be successful, amounts charged to the expected credit loss account are applied against the impaired accounts receivable.

Entering into derivative financial instruments may also result in exposure to credit risk. We enter into risk management transactions primarily with institutions that possess investment grade credit ratings. Credit risk relating to derivative counterparties is mitigated by credit exposure limits and contractual requirements, frequent assessment of counterparty credit ratings and netting arrangements. As at December 31, 2023, we have $6 million (2022 - $79 million) in credit concentrations and credit exposure with Enbridge and its affiliates.

Derivative assets are adjusted for non-performance risk of our counterparties using their credit default swap spread rates and are reflected at fair value. For derivative liabilities, our non-performance risk is considered in the valuation.

FAIR VALUE MEASUREMENTS

Our financial assets and liabilities measured at fair value on a recurring basis include derivative instruments. We also disclose the fair value of other financial instruments not measured at fair value. The fair value of financial instruments reflect our best estimates of market value based on generally accepted valuation techniques or models and is supported by observable market prices and rates. When such values are not available, we use discounted cash flow analysis from applicable yield curves based on observable market inputs to estimate fair value.

FAIR VALUE OF FINANCIAL INSTRUMENTS

We categorize our derivative instruments measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement.

Level 1

Level 1 includes derivatives measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date. An active market for a derivative is considered to be a market where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. We do not have any derivative instruments classified as Level 1.

Level 2

Level 2 includes derivative valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivatives in this category are valued using models or other industry standard valuation techniques derived from observable market data. Such valuation techniques include inputs such as quoted forward prices, time value, volatility factors and broker quotes that can be observed or corroborated in the market for the entire duration of the derivative. Derivatives valued using Level 2 inputs include non-exchange traded derivatives such as over-the-counter interest rate swaps for which observable inputs can be obtained.

As at December 31, 2023 and 2022, we had Level 2 derivative assets with a fair value of $6 million and $79 million, respectively.

We have also categorized the fair value of our long-term debt as Level 2. The fair value of our long-term debt is based on quoted market prices for instruments of similar yield, credit risk and tenor.

Level 3

Level 3 includes derivative valuations based on inputs which are less observable, unavailable, or where the observable data does not support a significant portion of the derivative's fair value. Generally, Level 3 derivatives are longer dated transactions, occur in less active markets, occur at locations where pricing information is not available or have no binding broker quote to support Level 2 classification. We have developed methodologies, benchmarked against industry standards, to determine fair value for these derivatives based on the extrapolation of observable future prices and rates. We do not have any derivative classified as Level 3.

We use the most observable inputs available to estimate the fair value of our derivatives. When possible, we estimate the fair value of our derivatives based on quoted market prices. If quoted market prices are not available, we use estimates from third party brokers. For non-exchange traded derivatives classified in Levels 2 and 3, we use standard valuation techniques to calculate the estimated fair value, including discounted cash flows for forwards and swaps. Depending on the type of derivative and nature of the underlying risk, we use observable market prices (interest, foreign exchange and natural gas) and volatility as primary inputs to these valuation techniques. Finally, we consider our own credit default swap spread, as well as the credit default swap spreads associated with our counterparties, in our estimation of fair value.

Fair Value of Other Financial Instruments

As at December 31, 2023, our long-term debt, including the current portion, had a carrying value of $10.4 billion (December 31, 2022 - $9.7 billion) before debt issuance costs and a fair value adjustment from push down accounting, and a fair value of $10.1 billion (December 31, 2022 - $8.9 billion).

The fair value of financial assets and liabilities, other than derivative instruments and long-term debt described above approximate their carrying value due to the short period to maturity.

14. LEASES

LESSEE

We incur operating lease payments related to natural gas transportation, storage and real estate assets. These lease agreements have remaining lease terms of three months to 14 years, some of which include options to terminate at our discretion.

We incurred operating lease expenses of $9 million for the years ended December 31, 2023 and 2022, respectively. Operating lease expenses are reported within Operating and administrative expense in the Consolidated Statements of Earnings.

Operating lease payments made to settle lease liabilities were $9 million for the years ended December 31, 2023 and 2022, respectively. Operating lease payments are reported within Operating activities in the Consolidated Statements of Cash Flows.

Supplemental Consolidated Statements of Financial Position Information

December 31,	**2023**	2022
(millions of Canadian dollars, except lease term and discount rate)		
Operating leases		
Operating lease right-of-use assets, net[1]	**42**	48
Operating lease liabilities - current[2]	**7**	8
Operating lease liabilities - long-term[3]	**35**	40
Total operating lease liabilities	**42**	48
Weighted average remaining lease term		
Operating leases	**6 years**	7 years
Weighted average discount rate		
Operating leases	**3.2%**	3.1%

1 Right-of-use assets are reported within Deferred amounts and other assets in the Consolidated Statements of Financial Position.
2 Current lease liabilities are reported within Accounts payable and other and Accounts payable to affiliates in the Consolidated Statements of Financial Position.
3 Long-term lease liabilities are reported within Other long-term liabilities in the Consolidated Statements of Financial Position.

As at December 31, 2023, we have lease commitments as detailed below:

	Operating leases
(millions of Canadian dollars)	
2024	**9**
2025	**8**
2026	**8**
2027	**7**
2028	**7**
Thereafter	**7**
Total undiscounted lease payments	**46**
Less imputed interest	**(4)**
Total operating lease liabilities	**42**

LESSOR

We receive revenues from operating and sales-type leases primarily related to natural gas equipment and real estate assets. Our lease agreements have remaining lease terms of three to 20 years as at December 31, 2023.

As at December 31, 2023, the following table sets out future lease payments to be received under operating lease and sales-type lease contracts where we are the lessor:

	Operating leases	Sales-type leases
(millions of Canadian dollars)		
2024	**1**	**2**
2025	**2**	**2**
2026	**1**	**2**
2027	**—**	**2**
2028	**—**	**2**
Thereafter	**1**	**19**
Future lease payments to be received	**5**	**29**

15. INCOME TAXES

INCOME TAX RATE RECONCILIATION

Year ended December 31,	**2023**	2022
(millions of Canadian dollars)		
Earnings before income taxes	**342**	668
Canadian federal statutory income tax rate	**15%**	15%
Expected federal taxes at statutory rate	**51**	100
Increase/(decrease) resulting from:		
Provincial income taxes	**1**	(39)
Effects of rate-regulated accounting[1]	**(45)**	(62)
Part VI.1 tax, net of federal Part I deduction[1]	**—**	76
Other[2]	**(6)**	(6)
Income tax expense	**1**	69
Effective income tax rate	**0.3%**	10.3%

1 The provincial tax component of these items is included in Provincial income taxes above.

2 Includes miscellaneous permanent differences and other adjustments. These include the tax effect of items such as non-deductible meals and entertainment and true-up to prior year estimates to reflect the filing of tax returns in respect of the prior year, as well as movement in unrecognized tax benefits.

COMPONENTS OF PRETAX EARNINGS AND INCOME TAXES

For 2023 and 2022, our earnings before income tax are exclusively from Canadian operations. We are subject to taxation in Canada only.

Year ended December 31,	**2023**	2022
(millions of Canadian dollars)		
Current income tax expense	**57**	84
Deferred income tax recovery	**(56)**	(15)
Income tax expense	**1**	69

COMPONENTS OF DEFERRED INCOME TAXES

Deferred tax assets and liabilities are recognized for the future tax consequences of differences between carrying amounts of assets and liabilities and their respective tax bases. Major components of deferred income tax assets and liabilities are as follows:

December 31,	**2023**	2022
(millions of Canadian dollars)		
Deferred income tax liabilities		
Property, plant and equipment	**(1,916)**	(1,823)
Regulatory assets	**(482)**	(452)
Pension and OPEB plans	**(2)**	(42)
Deferrals	**—**	(27)
Financial instruments	**—**	(16)
Other	**(2)**	(4)
Total deferred income tax liabilities	**(2,402)**	(2,364)
Deferred income tax assets		
Future removal and site restoration reserves	**454**	433
Minimum tax credits	**42**	71
Deferrals	**3**	—
Financial instruments	**2**	—
Loss carryforwards	**—**	6
Total deferred income tax assets	**501**	510
Net deferred income tax liabilities	**(1,901)**	(1,854)

The material jurisdictions in which we are subject to potential examinations are within Canada (Federal and Ontario). We are open to examination by Canadian tax authorities for 2019 to 2023 tax years and are currently under examination for income tax matters in Canada for the 2019 tax year.

UNRECOGNIZED TAX BENEFITS

Year ended December 31,	**2023**	2022
(millions of Canadian dollars)		
Unrecognized tax benefits at beginning of year	**6**	15
Gross decreases for tax positions of prior year	**(3)**	(6)
Lapses of statute of limitations	**(3)**	(3)
Unrecognized tax benefits at end of year	**—**	6

We do not anticipate further adjustments to the unrecognized tax benefits during the next 12 months that would have a material impact on our consolidated financial statements.

We recognize accrued interest and penalties related to unrecognized tax benefits as a component of income taxes. Income taxes for the years ended December 31, 2023 and 2022 included no amounts of interest and penalties. As at December 31, 2023 and 2022, the accrued interest and penalties were nil and $1 million, respectively.

16. PENSION AND OTHER POSTRETIREMENT BENEFITS

PENSION PLANS

We provide pension benefits, covering substantially all employees, through contributory and non-contributory registered defined benefit and defined contribution pension plans. We also provide non-registered pension benefits for certain employees through supplemental non-contributory defined benefit pension plans.

Defined Benefit Pension Plan Benefits
Benefits payable from the defined benefit pension plans are based on each plan participant's years of service and final average remuneration. Some benefits are partially inflation-indexed after a plan participant's retirement. Our contributions are made in accordance with independent actuarial valuations. Participant contributions to contributory defined benefit pension plans are based upon each plan participant's current eligible remuneration.

Defined Contribution Pension Plan Benefits
Our contributions are based on each plan participant's current eligible remuneration. Our contributions for some defined contribution pension plans are also based on age and years of service. Our defined contribution pension benefit costs are equal to the amount of contributions required to be made by us.

OTHER POSTRETIREMENT BENEFIT PLANS
We provide non-contributory supplemental health, dental, life and health spending account benefit coverage for certain qualifying retired employees, through unfunded defined benefit OPEB plans.

BENEFIT OBLIGATIONS, PLAN ASSETS AND FUNDED STATUS
The following table details the changes in the benefit obligation, the fair value of plan assets and the recorded assets or liabilities for our defined benefit pension and OPEB plans:

	Pension		OPEB	
December 31,	**2023**	2022	**2023**	2022
(millions of Canadian dollars)				
Change in benefit obligation				
Benefit obligation at beginning of year	**1,886**	2,386	**119**	157
Service cost	**36**	60	**1**	2
Interest cost	**95**	64	**6**	4
Participant contributions	**15**	13	**—**	—
Actuarial (gain)/loss[1]	**173**	(528)	**9**	(39)
Benefits paid	**(110)**	(109)	**(5)**	(5)
Benefit obligation at end of year[2]	**2,095**	1,886	**130**	119
Change in plan assets				
Fair value of plan assets at beginning of year	**2,227**	2,415	**—**	—
Actual return/(loss) on plan assets	**225**	(129)	**—**	—
Employer contributions[3]	**5**	37	**5**	5
Participant contributions	**15**	13	**—**	—
Benefits paid	**(110)**	(109)	**(5)**	(5)
Fair value of plan assets at end of year	**2,362**	2,227	**—**	—
Overfunded/(underfunded) status at end of year	**267**	341	**(130)**	(119)
Presented as follows:				
Deferred amounts and other assets	**345**	387	**—**	—
Accounts payable and other	**(3)**	(3)	**(7)**	(7)
Other long-term liabilities	**(75)**	(43)	**(123)**	(112)
	267	341	**(130)**	(119)

1 Primarily due to decrease in the discount rate used to measure the obligations (2022 - primarily due to increase in the discount rate used to measure the benefit obligations).
2 For pension plans, the benefit obligation is the projected benefit obligation. For OPEB plans, the benefit obligation is the accumulated postretirement benefit obligation. The accumulated benefit obligation for our pension plans was $2.0 billion and $1.8 billion as at December 31, 2023 and 2022, respectively.
3 Employer contributions have been made in accordance with the Pension Plans Funding Policy and are reduced from prior year due to more plans in an overfunded status.

Certain of our pension plans have accumulated benefit obligations in excess of the fair value of plan assets. For these plans, the accumulated benefit obligation and fair value of plan assets were as follows:

December 31,	**2023**	2022
(millions of Canadian dollars)		
Accumulated benefit obligation	**66**	42
Fair value of plan assets	**18**	—

Certain of our pension plans have projected benefit obligations in excess of the fair value of plan assets. For these plans, the projected benefit obligation and fair value of plan assets were as follows:

December 31,	**2023**	2022
(millions of Canadian dollars)		
Projected benefit obligation	**69**	61
Fair value of plan assets	**18**	17

AMOUNT RECOGNIZED IN ACCUMULATED OTHER COMPREHENSIVE INCOME

The amount of pre-tax AOCI relating to our OPEB plans are as follows:

December 31,	**2023**	2022
(millions of Canadian dollars)		
Net actuarial gain	**(38)**	(51)
Total amount recognized in AOCI	**(38)**	(51)

NET PERIODIC BENEFIT COST AND OTHER AMOUNTS RECOGNIZED IN COMPREHENSIVE INCOME

The components of net periodic benefit cost and other amounts recognized in pre-tax Comprehensive income related to our pension and OPEB plans are as follows:

	Pension		OPEB	
Year ended December 31,	**2023**	2022	**2023**	2022
(millions of Canadian dollars)				
Service cost	**36**	60	**1**	2
Interest cost[1]	**95**	64	**6**	4
Expected return on plan assets[1]	**(139)**	(151)	**—**	—
Amortization of net actuarial (gain)/loss[1,2]	**—**	8	**(4)**	(1)
Net periodic benefit (credit)/cost	**(8)**	(19)	**3**	5
Defined contribution benefit cost	**4**	3	**—**	—
Net pension and OPEB (credit)/cost recognized in Earnings	**(4)**	(16)	**3**	5
Amount recognized in OCI:				
Amortization of net actuarial gain	**—**	—	**4**	1
Net actuarial (gain)/loss arising during the year	**—**	—	**9**	(39)
Total amount recognized in OCI	**—**	—	**13**	(38)
Total amount recognized in Comprehensive income	**(4)**	(16)	**16**	(33)

1 Reported within Other income in the Consolidated Statements of Earnings.

2 Reflects amortization of net actuarial gain arising from pension plans that are recognized as long-term regulatory liabilities (2022 - Reflects amortization of net actuarial loss arising from pension plans that are recognized as long-term regulatory assets) (Note 5).

ACTUARIAL ASSUMPTIONS

The weighted average assumptions made in the measurement of the benefit obligation and net periodic benefit cost of our defined benefit pension and OPEB plans are as follows:

	Pension		OPEB	
	2023	2022	**2023**	2022
Benefit obligations				
Discount rate	**4.6%**	5.3%	**4.6%**	5.3%
Rate of salary increase	**3.0%**	2.8%	**2.5%**	3.0%
Net benefit cost				
Discount rate	**5.3%**	3.2%	**5.3%**	3.2%
Rate of return on plan assets	**6.4%**	6.3%	**N/A**	N/A
Rate of salary increase	**2.8%**	2.9%	**3.0%**	3.0%

ASSUMED HEALTH CARE COST TREND RATES

The assumed rates for the next year used to measure the expected cost of benefits are as follows:

	2023	2022
Health care cost trend rate assumed for next year	**4.0%**	4.0%
Rate to which the cost trend is assumed to decline (ultimate trend rate)	**4.0%**	4.0%

PLAN ASSETS

We manage the investment risk of our pension funds by setting a long-term asset mix policy for each plan after consideration of: (i) the nature of pension plan liabilities; (ii) the investment horizon of the plan; (iii) the going concern and solvency funded status and cash flow requirements of the plan; (iv) our operating environment and financial situation and our ability to withstand fluctuations in pension contributions; and (v) the future economic and capital markets outlook with respect to investment returns, volatility of returns and correlation between assets.

The overall expected rate of return on plan assets is based on the asset allocation targets with estimates for returns based on long-term expectations.

The asset allocation targets and major categories of plan assets are as follows:

	Target	December 31,	
Asset Category	**Allocation**	**2023**	2022
Equity securities	**42.0%**	**37.1%**	36.9%
Fixed income securities	**27.2%**	**31.4%**	34.3%
Alternatives[1]	**30.8%**	**31.5%**	28.8%

1 *Alternatives include investments in private debt, private equity, infrastructure and real estate funds. Fund values are based on the net asset value of the funds that invest directly in the aforementioned underlying investments. The values of the investments have been estimated using the capital accounts representing the plan's ownership interest in the funds.*

The following table summarizes the fair value of plan assets for our pension plans recorded at each fair value hierarchy level:

	2023				2022			
December 31,	Level 1[1]	Level 2[2]	Level 3[3]	Total	Level 1[1]	Level 2[2]	Level 3[3]	Total
(millions of Canadian dollars)								
Cash and cash equivalents	**66**	**—**	**—**	**66**	77	—	—	77
Equity securities[4]								
Canada	**—**	**3**	**—**	**3**	—	191	—	191
Global	**—**	**872**	**—**	**872**	—	632	—	632
Fixed income securities[4]								
Government	**—**	**271**	**—**	**271**	112	285	—	397
Corporate	**—**	**405**	**—**	**405**	—	289	—	289
Alternatives[5]	**—**	**—**	**731**	**731**	—	—	649	649
Forward currency contracts	**—**	**14**	**—**	**14**	—	(8)	—	(8)
Total pension plan assets at fair value	**66**	**1,565**	**731**	**2,362**	189	1,389	649	2,227

1 Level 1 assets include assets with quoted prices in active markets for identical assets.
2 Level 2 assets include assets with significant observable inputs.
3 Level 3 assets include assets with significant unobservable inputs.
4 Pension plan assets include $36 million (2022 - $19 million) of equity and fixed income securities investments held with related parties.
5 Alternatives include investments in private debt, private equity, infrastructure and real estate funds.

Changes in the net fair value of plan assets classified as Level 3 in the fair value hierarchy were as follows:

December 31,	2023	2022
(millions of Canadian dollars)		
Balance at beginning of year	**649**	552
Unrealized and realized gains	**114**	103
Purchases and settlements, net	**(32)**	(6)
Balance at end of year	**731**	649

EXPECTED BENEFIT PAYMENTS

Year ending December 31,	2024	2025	2026	2027	2028	2029-2033
(millions of Canadian dollars)						
Pension	119	121	123	125	127	658
OPEB	7	7	7	8	8	40

EXPECTED EMPLOYER CONTRIBUTIONS
In 2024, we expect to contribute approximately $1 million and $7 million to the pension plans and OPEB plans, respectively.

17. CHANGES IN OPERATING ASSETS AND LIABILITIES

Year ended December 31,	**2023**	2022
(millions of Canadian dollars)		
Accounts receivable and other	**397**	(681)
Accounts receivable from affiliates	**145**	69
Regulatory assets	**537**	(597)
Gas inventory	**566**	(586)
Deferred amounts and other assets	**2**	(2)
Accounts payable and other	**(210)**	275
Accounts payable to affiliates	**159**	82
Regulatory liabilities	**(11)**	275
Other long-term liabilities	**(8)**	(6)
	1,577	(1,171)

18. RELATED PARTY TRANSACTIONS

All related party transactions are provided in the normal course of business and, unless otherwise noted, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Affiliates refer to Enbridge and companies that are either directly or indirectly owned by Enbridge.

Enbridge and its affiliates perform centralized corporate functions for us pursuant to applicable agreements, including legal, accounting, compliance, treasury, employee benefits, information technology and other areas, as well as certain engineering and other services. We reimburse Enbridge for the expenses incurred to provide these services as well as for other expenses incurred on our behalf. In addition, we perform services and incur expenses on behalf of our affiliates, which are subsequently reimbursed. Our expenses and recoveries for these services are recorded in Operating and administrative expense in the Consolidated Statements of Earnings, and are based on the cost of actual services provided or using various allocation methodologies.

Our transactions with entities related through common or joint control and significantly influenced investees are as follows:

Years ended December 31,	**2023**	2022
(millions of Canadian dollars)		
Operating revenues[1]	**44**	**57**
Gas commodity and distribution costs[2, 3]	**174**	**170**
Operating and administrative expenses[4]	**405**	**401**

1 Includes wholesale gas procurement and transportation services provided to Gazifère Inc. of $37 million (2022 - $43 million), pursuant to a contract negotiated between us and approved by the OEB and Régie de l'énergie.

2 Includes the purchase of gas transportation services of $116 million (2022 - $112 million) from NEXUS Gas Transmission, LLC.

3 Includes the purchase of natural gas, storage, and transportation services of $29 million (2022 - $30 million) from Tidal Energy Marketing Inc. and Tidal Energy Marketing (U.S.) LLC.

4 Includes centralized corporate function transaction costs of $368 million (2022 - $370 million) from Enbridge and its affiliates.

Amounts due from/(to) related parties are as follows:

December 31,	**2023**	2022
(millions of Canadian dollars)		
Enbridge Inc.[1,2]	**(260)**	(345)
Enbridge Employee Services Canada Inc.	**(50)**	(49)
Enbridge Pipelines Inc.	**33**	33
Gazifère Inc.	**9**	13
Tidal Energy Marketing Inc.[3]	**13**	20
Other affiliates, net[4]	**12**	6
	(243)	(322)

1 Includes net derivative receivable balances from affiliate.
2 Balance includes Demand loan from affiliate.
3 Includes affiliate gas imbalance receivable. As at December 31, 2023 total affiliate gas imbalance receivable was $15 million (2022 - $22 million).
4 Includes current portion of operating lease liabilities to affiliates.

SHARE CAPITAL

During the year ended December 31, 2023, common share dividends declared on our Class A and Class B common shares were $108 million (2022 - $56 million) and $92 million (2022 - $48 million), respectively. Refer to *Note 11 - Share Capital* for discussion of the return of capital and capital contributions transactions.

CAPITALIZED SERVICE COSTS

We purchase gas meter services from Lakeside Performance Gas Services Ltd. (Lakeside), such as ongoing meter exchanges and inspections for customers in our franchise area. During the year ended December 31, 2023, we purchased gas meter services from Lakeside totaling $73 million, of which a portion of these costs was expensed to Operating and administrative expense and the remainder capitalized in Property, plant and equipment, net. We will continue purchasing these services at prevailing market prices under normal trade terms.

LEASES

We incur operating lease payments related to natural gas transportation and storage services from various affiliates. As at December 31, 2023 and 2022, affiliate right-of-use assets and lease liabilities were $36 million and $43 million, respectively. See *Note 14 - Leases* for further discussion.

AFFILIATE LOANS

December 31,	**2023**	2022
(millions of Canadian dollars)		
Enbridge Inc.[1]	**—**	318

1 During the year ended December 31, 2023, we repaid $318 million on the demand loan. The demand loan bears an interest rate of the Canadian Dollar Offered Rate plus a margin of 100 basis points.

See *Note 10 - Debt* for total interest on our loan from affiliate.

19. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

As at December 31, 2023, we have commitments as detailed below:

	Total	Less than 1 year	2 years	3 years	4 years	5 years	Thereafter
(millions of Canadian dollars)							
Purchase of services, pipe and other materials, including transportation[1]	4,422	1,374	582	499	408	395	1,164
Right-of-way commitments[2]	691	12	12	12	12	12	631
Total	5,113	1,386	594	511	420	407	1,795

1 *Includes capital and operating commitments. Consists primarily of firm capacity payments that provide us with uninterrupted firm access to natural gas transportation and storage; contractual obligations to purchase physical quantities of natural gas; and customer care services.*

2 *Our right-of-way obligations primarily consist of non-lease agreements that existed at the time of adopting Topic 842 Leases, at which time we elected a practical expedient that allowed us to continue our historical treatment.*

ENVIRONMENTAL

We are subject to various Canadian federal, provincial and local laws relating to the protection of the environment. These laws and regulations can change from time to time, imposing new obligations on us.

Environmental risk is inherent to natural gas pipeline operations, and we and our affiliates are, at times, subject to environmental remediation obligations at various sites where we operate. We manage this environmental risk through appropriate environmental policies, programs and practices to minimize any impact our operations may have on the environment. To the extent that we are unable to recover payment for environmental liabilities from insurance or other potentially responsible parties, we will be responsible for payment of costs arising from environmental incidents associated with our operating activities.

Former Manufactured Coal Gas Plant Sites

The remediation of discontinued manufactured gas plant (MGP) sites may result in future costs. We were named as a defendant in ten lawsuits issued in 1991 and 1993 in the Ontario Court of Justice (General Division), commenced by the Corporation of the City of Toronto (the City). Two additional actions were commenced by the Toronto Board of Education (the School Board) in 1991. In these actions, the City and the School Board claimed damages totaling approximately $79 million for alleged contamination of lands acquired by the City for the purposes of its Ataratiri housing project. The City alleges that these lands are contaminated by coal tar deposited on the properties during a time when all or a portion of such lands were utilized by us for the operation of our MGP.

While these Statements of Claim were filed by the City and the School Board, they were never formally served on us. It was and remains our understanding that these lawsuits were initiated, at least in part, because of concerns that the passage of time might give rise to limitation period defences. Rather than litigate, we entered into an agreement with the City (known as a Tolling Agreement) pursuant to which the City and the School Board agreed to forbear from serving the Statements of Claim pending further discussions with us. To our knowledge, neither the City nor the School Board has taken any steps to advance the lawsuits.

Given the novel nature of such environmental claims, the law as it relates to such claims is not settled. Should remediation of former MGP sites be required, it may result in future costs, the quantum of which cannot be determined at this time, as there are a number of potential alternative remediation, isolation and containment approaches which could vary widely in cost.

Although there are no known regulatory precedents in Canada, there are precedents in the US for the recovery in rates of costs relating to the remediation of former MGP sites. From 2006 to 2018, the OEB approved the establishment of deferral accounts to record the costs of investigating, defending and dealing with ongoing MGP-related claims. We expect that if it is found that we must contribute to any remediation costs, either as a result of a lawsuit or government order, we may be generally allowed to recover in rates those substantial costs not recovered through insurance or by other means. Accordingly, we believe that the ultimate outcome of these matters will not have a significant impact on our financial position.

OTHER LITIGATION

We are subject to various legal and regulatory actions and proceedings which arise in the normal course of business, including interventions in regulatory proceedings and challenges to regulatory approvals and permits. While the final outcome of such actions and proceedings cannot be predicted with certainty, management believes that the resolution of such actions and proceedings will not have a material impact on our consolidated financial position or results of operations.

20. GUARANTEES

In the normal course of conducting business, we may enter into agreements which indemnify third parties and affiliates. We may also be a party to agreements with subsidiaries, jointly owned entities, unconsolidated entities such as equity method investees, or entities with other ownership arrangements that require us to provide financial and performance guarantees. Financial guarantees include stand-by letters of credit, debt guarantees, surety bonds and indemnifications. To varying degrees, these guarantees involve elements of performance and credit risk, which are not included in our Consolidated Statements of Financial Position. Performance guarantees require us to make payments to a third party if the guaranteed entity does not perform on its contractual obligations, such as debt agreements, purchase or sale agreements, and construction contracts and leases.

We typically enter into these arrangements to facilitate commercial transactions with third parties. Examples include indemnifying counterparties pursuant to sale agreements for assets or businesses in matters such as breaches of representations, warranties or covenants, loss or damages to property, environmental liabilities and litigation and contingent liabilities. We may indemnify third parties for certain liabilities relating to environmental matters arising from operations prior to the purchase or transfer of certain assets and interests. Similarly, we may indemnify the purchaser of assets for certain tax liabilities incurred while we owned the assets, a misrepresentation related to taxes that result in a loss to the purchaser or other certain tax liabilities related to those assets.

The likelihood of having to perform under these guarantees and indemnifications is largely dependent upon future operations of various subsidiaries, investees and other third parties, or the occurrence of certain future events. We cannot reasonably estimate the total maximum potential amounts that could become payable to third parties and affiliates under such agreements described above; however, historically, we have not made any significant payments under guarantee or indemnification provisions. While these agreements may specify a maximum potential exposure, or a specified duration to the guarantee or indemnification obligation, there are circumstances where the amount and duration are unlimited. As at December 31, 2023, guarantees and indemnifications have not had, and are not reasonably likely to have, a material effect on our financial condition, changes in financial condition, earnings, liquidity, capital expenditures or capital resources.