

**NextBridge Infrastructure LP
Financial Statements as of
and for the Years Ended December 31, 2018 and 2017
and Independent Auditors' Report**

Independent Auditor's Report

To the Partners of
NextBridge Infrastructure LP

Opinion

We have audited the financial statements of NextBridge Infrastructure LP (the "Partnership"), which comprise the balance sheets as at December 31, 2018 and 2017, and the statements of income (loss), changes in partners' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2018 and 2017, 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 ("U.S. GAAP").

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

The image shows a handwritten signature in cursive script that reads "Selwite LLP". The signature is written in dark ink on a white background.

Chartered Professional Accountants
Licensed Public Accountants
March 29, 2019

NEXTBRIDGE INFRASTRUCTURE LP
BALANCE SHEETS
AS OF DECEMBER 31, 2018 AND 2017
(All amounts in Canadian dollars)

	December 31, 2018	December 31, 2017
ASSETS		
Electric utility plant and other property:		
Construction work in progress	\$ 75,237,063	\$ —
Total electric utility plant and other property	75,237,063	—
Current assets:		
Cash	4,779,978	7,125,710
Accounts receivable - other	—	51
Accounts receivable - associated companies	128,353	103,604
Accounts receivable - harmonized sales taxes	411,930	75,862
Other current assets	262,664	323,111
Total current assets	5,582,925	7,628,338
Non-current assets:		
Regulatory assets	—	45,630,181
Total non-current assets	—	45,630,181
TOTAL ASSETS	\$ 80,819,988	\$ 53,258,519
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities:		
Accounts payable - third party	\$ 2,354,674	\$ 518,434
Accounts payable - associated companies	1,252,292	552,843
Other accrued liabilities	5,963,740	1,923,301
Total current liabilities	9,570,706	2,994,578
TOTAL LIABILITIES	9,570,706	2,994,578
Additional paid-in-capital	71,499,976	48,999,976
Accumulated (loss)/earnings	(250,694)	1,263,965
PARTNERS' EQUITY	71,249,282	50,263,941
TOTAL LIABILITIES AND PARTNERS' EQUITY	\$ 80,819,988	\$ 53,258,519

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

NEXTBRIDGE INFRASTRUCTURE LP
STATEMENTS OF INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(All amounts in Canadian dollars)

	2018	2017
OTHER INCOME (EXPENSE):		
Interest income	\$ 105,731	\$ 33,677
Loss on foreign currency	(1,620)	(1,626)
Carrying charge	2,058,733	490,674
Impairment of long-lived assets	(3,677,503)	—
Total other (loss)/income	(1,514,659)	522,725
 NET (LOSS) INCOME	 \$ (1,514,659)	 \$ 522,725

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

NEXTBRIDGE INFRASTRUCTURE LP
STATEMENTS OF CHANGES IN PARTNERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(All amounts in Canadian dollars)

Balance, December 31, 2016	\$ 34,741,216
Net Income	522,725
Contributions	15,000,000
Balance, December 31, 2017	<u>50,263,941</u>
Net Loss	(1,514,659)
Contributions	22,500,000
Balance, December 31, 2018	<u><u>\$ 71,249,282</u></u>

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

NEXTBRIDGE INFRASTRUCTURE LP
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(All amounts in Canadian dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	\$ (1,514,659)	\$ 522,725
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Impairment of long-lived assets	3,677,503	—
Carrying charge	(2,058,733)	(490,674)
Net cash provided by operating activities	104,111	32,051
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures for construction and development	(24,949,843)	(12,553,726)
Net cash used in investing activities	(24,949,843)	(12,553,726)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions from partners	22,500,000	15,000,000
Net cash provided by financing activities	22,500,000	15,000,000
Net change in cash	(2,345,732)	2,478,325
Cash at the beginning of the period	7,125,710	4,647,385
Cash at the end of the period	\$ 4,779,978	\$ 7,125,710
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES		
Capital expenditures in accounts payable - third party	\$ 2,354,674	\$ 518,434
Capital expenditures in accounts payable - associated companies	\$ 1,252,292	\$ 552,843
Capital expenditures in other accrued liabilities	\$ 5,963,740	\$ 1,923,301

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

NEXTBRIDGE INFRASTRUCTURE LP
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(All amounts in Canadian dollars)

NOTE 1 - ORGANIZATION AND BUSINESS

NextBridge Infrastructure LP (NextBridge or the Partnership), formed on September 14, 2012, is a limited partnership organized under the laws of Ontario, Canada. Upper Canada Transmission, Inc., a New Brunswick corporation (UCT), holds a 100% general partnership interest of NextBridge and owns the license to transmit electricity in Ontario as established by the Ontario Energy Board (OEB).

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

From August 7, 2013 (date of inception) to December 21, 2014, NextEra Energy NextBridge Holding, ULC, a British Columbia unlimited liability company (NextBridge Holding), held a 100% limited partnership interest in NextBridge. On December 22, 2014, Enbridge Inc. (Enbridge), an Alberta corporation, and Borealis NB Holdings Inc., an Ontario corporation, each acquired a 25% limited partnership interest in NextBridge and NextBridge Holding's limited partnership interest was reduced to 50%. UCT holds a 100% general partnership interest in NextBridge and UCT is owned 50% by NextEra Energy UCT Holding, Inc., a New Brunswick corporation (UCT Holding) and 25% by each of Borealis EWT, Inc. and Enbridge Transmission Holdings, Inc. UCT Holdings is a direct wholly-owned subsidiary of NextEra Energy Canada, LP (CLP). CLP is an indirect wholly-owned subsidiary of NextEra Energy, Inc. (NextEra), a company listed on the New York Stock Exchange.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Revenue Recognition - The Partnership did not receive any transmission revenue during the years ended December 31, 2018 and 2017.

Regulatory Asset - The regulatory asset in 2017 comprises the expenditures incurred for the development stage for the transmission line, which includes costs related to engineering activities, environmental and feasibility studies, land activities and acquisition excluding Aboriginal land acquisition, Aboriginal and stakeholder consultation, regulatory activities and project controls.

Impairment of Long-Lived Assets - NextBridge evaluates on an ongoing basis the recoverability of its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with guidance of ASC 980-360. As a result of the Decision discussed within Note 3, an impairment of approximately \$3.7 million was recorded for the year ended December 31, 2018. As of December 31, 2017, NextBridge concluded no impairment adjustment was necessary.

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

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

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

NOTE 3 - REGULATORY MATTERS

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

On February 11, 2019, NextBridge was awarded the LTC by the OEB. As a result, a subsequent event was recognized and all Regulatory Assets were reclassified to Construction Work in Progress (CWIP) in December 2018 and all carrying charges accrued on CWIP charges incurred since the submission of the LTC application on July 31, 2017 were revalued using the OEB prescribed interest rate for CWIP accounts. The prescribed interest equals the FTSE TMX Canada Mid Term Bond Index All Corporate Yield. The interest rate ranged from 2.53% to 3.35% from Q3 2017 to Q4 2018.

For the year ended December 31, 2017, the OEB has prescribed interest rates for approved regulatory accounts. The prescribed interest equals the Canada 3 month Bankers' Acceptance Rate plus 0.25 spread. The interest rate ranged from 1.10% to 1.50% in 2017.

For the years ended December 31, 2018 and 2017, NextBridge recorded carrying charges of \$2,058,733 and \$490,674, respectively, which are included in the other income section in the accompanying statements of income.

NOTE 4 - CASH MANAGEMENT

NextBridge's operational bank account is funded by the partners at their equity ratio based on forecasted activity for the following quarter. As of December 31, 2018, the amount contributed was \$69,785,778 (total contribution \$71,499,976, net of \$1,714,198 non-cash). The cash balance at December 31, 2018 and 2017 was \$4,779,978 and \$7,125,710, respectively.

NOTE 5 - CONSTRUCTION COMMITMENTS

NextBridge has entered into agreements with third parties for development related engineering services. The open commitments as of December 31, 2018 and 2017 were \$515,679,018 and \$531,700,582, respectively.

NOTE 6 - RELATED-PARTY TRANSACTION

On December 22, 2014, NextBridge executed an Intercorporate Service Agreement with NextEra Energy Canadian Operating Services (NEECOS), which is a NextEra subsidiary. This agreement was terminated and replaced by an Affiliated Services Agreement between NEECOS and UCT (acting on behalf of NextBridge), executed on July 31, 2017. Payables associated with NEECOS for the years ended December 31, 2018 and 2017 were \$1,252,292 and \$543,218, respectively.

In addition, a Services Agreement between NEECOS and Enbridge was signed on July 31, 2017. All activity between NextBridge and Enbridge after this date is payable through NEECOS.

NextBridge receives support from other NextEra subsidiaries (NextEra Canada Transmission Investments, Inc.; NextEra Energy Canadian Holdings, ULC; NextEra Energy Transmission, LLC and NextEra Energy Resources, LLC) in the form of payment of third party invoices, and personnel support. There are no executed agreements with these affiliates. The transactions are non-interest bearing receivables and payables and do not contain stated payment terms. The payable balance for the years ended December 31, 2018 and 2017 were \$0 and \$9,625, respectively and the receivable balance for the years ended December 31, 2018 and 2017 were \$128,353 and \$103,604, respectively.

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

NOTE 7 - SUBSEQUENT EVENTS

On March 8, 2019, an aboriginal community, the Biinjitiwaabik Zaaging Anishinaabek (BZA) filed an appeal with the Ontario Superior Court of Justice of the decision of the OEB to grant NextBridge the LTC on the grounds that BZA believes that the Duty to Consult, and associated accommodation, has not been satisfied. BZA has also filed a Judicial Review on March 1, 2019, with the same court against the Minister of Energy, Northern Development and Mines for the issuance of an Order in Council to direct the OEB to amend NextBridge's transmission license to add the construction and operation of the EWT project. BZA maintains that the Duty to Consult was not fulfilled prior to the issuance of the Order in Council. The outcome of the appeal is uncertain at this time.

On March 21, 2019, the Ministry of the Environment, Conservation and Parks approved the EWT project's Transmission Project Environmental Assessment.

The Partnership has evaluated subsequent events through March 29, 2019, which is the date the financial statements were available to be issued.