

Spectra Energy Corp.  
Form 10-Q  
November 06, 2014  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the quarterly period ended September 30, 2014

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-33007

SPECTRA ENERGY CORP  
(Exact Name of Registrant as Specified in its Charter)

Delaware  
(State or other jurisdiction of incorporation) 20-5413139  
5400 Westheimer Court  
Houston, Texas 77056  
(Address of principal executive offices, including zip code) (IRS Employer Identification No.)  
713-627-5400  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Number of shares of Common Stock, \$0.001 par value, outstanding as of September 30, 2014: 671,000,273

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This document includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements represent management’s intentions, plans, expectations, assumptions and beliefs about future events. These forward-looking statements are identified by terms and phrases such as: anticipate, believe, intend, estimate, expect, continue, should, could, may, plan, project, predict, will, potential, forecast, and similar expressions. Forward-looking statements are subject to risks, uncertainties and other factors, many of which are outside our control and could cause actual results to differ materially from the results expressed or implied by those forward-looking statements. Factors used to develop these forward-looking statements and that could cause actual results to differ materially from those indicated in any forward-looking statement include, but are not limited to:

- state, provincial, federal and foreign legislative and regulatory initiatives that affect cost and investment recovery, have an effect on rate structure, and affect the speed at and degree to which competition enters the natural gas and oil industries;
- outcomes of litigation and regulatory investigations, proceedings or inquiries;
- weather and other natural phenomena, including the economic, operational and other effects of hurricanes and storms;
- the timing and extent of changes in commodity prices, interest rates and foreign currency exchange rates;
- general economic conditions, including the risk of a prolonged economic slowdown or decline, or the risk of delay in a recovery, which can affect the long-term demand for natural gas and oil and related services;
  - potential effects arising from terrorist attacks and any consequential or other hostilities;
- changes in environmental, safety and other laws and regulations;
- the development of alternative energy resources;
- results and costs of financing efforts, including the ability to obtain financing on favorable terms, which can be affected by various factors, including credit ratings and general market and economic conditions;
- increases in the cost of goods and services required to complete capital projects;
- declines in the market prices of equity and debt securities and resulting funding requirements for defined benefit pension plans;
- growth in opportunities, including the timing and success of efforts to develop U.S. and Canadian pipeline, storage, gathering, processing and other related infrastructure projects and the effects of competition;
- the performance of natural gas and oil transmission and storage, distribution, and gathering and processing facilities;
- the extent of success in connecting natural gas and oil supplies to gathering, processing and transmission systems and in connecting to expanding gas and oil markets;
- the effects of accounting pronouncements issued periodically by accounting standard-setting bodies;
- conditions of the capital markets during the periods covered by forward-looking statements; and
- the ability to successfully complete merger, acquisition or divestiture plans; regulatory or other limitations imposed as a result of a merger, acquisition or divestiture; and the success of the business following a merger, acquisition or divestiture.

In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than Spectra Energy Corp has described. Spectra Energy Corp undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

## SPECTRA ENERGY CORP

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In millions, except per-share amounts)

	Three Months		Nine Months	
	Ended September 30,		Ended September 30,	
	2014	2013	2014	2013
Operating Revenues				
Transportation, storage and processing of natural gas	\$789	\$758	\$2,456	\$2,324
Distribution of natural gas	205	202	1,140	1,110
Sales of natural gas liquids	81	82	308	259
Transportation of crude oil	77	71	218	151
Other	55	31	181	109
Total operating revenues	1,207	1,144	4,303	3,953
Operating Expenses				
Natural gas and petroleum products purchased	135	123	872	755
Operating, maintenance and other	404	403	1,172	1,145
Depreciation and amortization	201	195	600	577
Property and other taxes	85	90	300	283
Total operating expenses	825	811	2,944	2,760
Operating Income	382	333	1,359	1,193
Other Income and Expenses				
Equity in earnings of unconsolidated affiliates	91	163	337	345
Other income and expenses, net	24	48	39	103
Total other income and expenses	115	211	376	448
Interest Expense	167	167	521	476
Earnings Before Income Taxes	330	377	1,214	1,165
Income Tax Expense	76	85	305	277
Net Income	254	292	909	888
Net Income—Noncontrolling Interests	53	29	143	86
Net Income—Controlling Interests	\$201	\$263	\$766	\$802
Common Stock Data				
Weighted-average shares outstanding				
Basic	671	670	671	669
Diluted	673	672	672	671
Earnings per share				
Basic and Diluted	\$0.30	\$0.39	\$1.14	\$1.20
Dividends per share	\$0.335	\$0.305	\$1.005	\$0.915

See Notes to Condensed Consolidated Financial Statements.

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SPECTRA ENERGY CORP  
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(Unaudited)  
(In millions)

	Three Months		Nine Months	
	Ended September 30,		Ended September 30,	
	2014	2013	2014	2013
Net Income	\$254	\$292	\$909	\$888
Other comprehensive income (loss)				
Foreign currency translation adjustments	(304 )	150	(329 )	(290 )
Unrealized mark-to-market net gain on hedges	—	2	3	5
Reclassification of cash flow hedges into earnings	2	2	5	6
Pension and benefits impact (net of taxes of \$3, \$4, \$9 and \$13, respectively)	6	10	19	31
Other	—	1	—	1
Total other comprehensive income (loss)	(296 )	165	(302 )	(247 )
Total Comprehensive Income (Loss), net of tax	(42 )	457	607	641
Less: Comprehensive Income—Noncontrolling Interests	50	30	139	82
Comprehensive Income (Loss)—Controlling Interests	\$(92 )	\$427	\$468	\$559

See Notes to Condensed Consolidated Financial Statements.

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SPECTRA ENERGY CORP  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (Unaudited)  
 (In millions)

	September 30, 2014	December 31, 2013
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 221	\$ 201
Receivables, net	1,202	1,336
Inventory	446	263
Fuel tracker	120	28
Other	263	253
Total current assets	2,252	2,081
Investments and Other Assets		
Investments in and loans to unconsolidated affiliates	3,008	3,043
Goodwill	4,768	4,810
Other	370	385
Total investments and other assets	8,146	8,238
Property, Plant and Equipment		
Cost	29,137	28,456
Less accumulated depreciation and amortization	6,936	6,627
Net property, plant and equipment	22,201	21,829
Regulatory Assets and Deferred Debits	1,402	1,385
Total Assets	\$ 34,001	\$ 33,533



See Notes to Condensed Consolidated Financial Statements.

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CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions, except per-share amounts)

	September 30, 2014	December 31, 2013
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 478	\$ 440
Commercial paper	1,412	1,032
Taxes accrued	104	72
Interest accrued	150	201
Current maturities of long-term debt	220	1,197
Other	1,127	1,097
Total current liabilities	3,491	4,039
 Long-term Debt	 13,072	 12,488
 <b>Deferred Credits and Other Liabilities</b>		
Deferred income taxes	5,262	4,968
Regulatory and other	1,380	1,457
Total deferred credits and other liabilities	6,642	6,425
 <b>Commitments and Contingencies</b>		
 Preferred Stock of Subsidiaries	 258	 258
 <b>Equity</b>		
Preferred stock, \$0.001 par, 22 million shares authorized, no shares outstanding	—	—
Common stock, \$0.001 par, 1 billion shares authorized, 671 million and 670 million shares outstanding at September 30, 2014 and December 31, 2013, respectively	1	1
Additional paid-in capital	4,939	4,869
Retained earnings	2,473	2,383
Accumulated other comprehensive income	943	1,241
Total controlling interests	8,356	8,494
Noncontrolling interests	2,182	1,829
Total equity	10,538	10,323
 Total Liabilities and Equity	 \$ 34,001	 \$ 33,533

See Notes to Condensed Consolidated Financial Statements.

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SPECTRA ENERGY CORP  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)  
(In millions)

	Nine Months Ended September 30,	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$909	\$888
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	610	587
Deferred income tax expense	283	278
Equity in earnings of unconsolidated affiliates	(337 )	(345 )
Distributions received from unconsolidated affiliates	280	215
Other	(199 )	(223 )
Net cash provided by operating activities	1,546	1,400
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(1,429 )	(1,476 )
Investments in and loans to unconsolidated affiliates	(229 )	(224 )
Acquisitions, net of cash acquired	—	(1,254 )
Purchases of held-to-maturity securities	(584 )	(632 )
Proceeds from sales and maturities of held-to-maturity securities	576	623
Purchases of available-for-sale securities	(13 )	(5,665 )
Proceeds from sales and maturities of available-for-sale securities	7	3,810
Distributions received from unconsolidated affiliates	252	17
Other changes in restricted funds	(1 )	(1 )
Other	—	2
Net cash used in investing activities	(1,421 )	(4,800 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from the issuance of long-term debt	1,028	3,972
Payments for the redemption of long-term debt	(1,145 )	(796 )
Net increase in commercial paper	393	803
Distributions to noncontrolling interests	(128 )	(104 )
Contributions from noncontrolling interests	139	—
Dividends paid on common stock	(677 )	(616 )
Proceeds from the issuances of Spectra Energy Partners, LP common units	277	190
Other	11	18
Net cash provided by (used in) financing activities	(102 )	3,467
Effect of exchange rate changes on cash	(3 )	(1 )
Net increase in cash and cash equivalents	20	66
Cash and cash equivalents at beginning of period	201	94
Cash and cash equivalents at end of period	\$221	\$160
Supplemental Disclosures		
Property, plant and equipment non-cash accruals	\$125	\$107

See Notes to Condensed Consolidated Financial Statements.

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SPECTRA ENERGY CORP  
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY  
(Unaudited)  
(In millions)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income Foreign Currency Translation Adjustments	Other	Noncontrolling Interests	Total
December 31, 2013	\$1	\$4,869	\$2,383	\$1,557	\$(316 )	\$ 1,829	\$10,323
Net income	—	—	766	—	—	143	909
Other comprehensive income (loss)	—	—	—	(325 )	27	(4 )	(302 )
Dividends on common stock	—	—	(676 )	—	—	—	(676 )
Stock-based compensation	—	10	—	—	—	—	10
Distributions to noncontrolling interests	—	—	—	—	—	(128 )	(128 )
Contributions from noncontrolling interests	—	—	—	—	—	139	139
Spectra Energy common stock issued	—	10	—	—	—	—	10
Spectra Energy Partners, LP common units issued	—	43	—	—	—	206	249
Transfer of interests in subsidiaries to Spectra Energy Partners, LP	—	—	—	—	—	(2 )	(2 )
Other, net	—	7	—	—	—	(1 )	6
September 30, 2014	\$1	\$4,939	\$2,473	\$1,232	\$(289 )	\$ 2,182	\$10,538
December 31, 2012	\$1	\$5,297	\$2,165	\$2,044	\$(535 )	\$ 871	\$9,843
Net income	—	—	802	—	—	86	888
Other comprehensive income (loss)	—	—	—	(286 )	43	(4 )	(247 )
Dividends on common stock	—	—	(615 )	—	—	—	(615 )
Stock-based compensation	—	13	—	—	—	—	13
Distributions to noncontrolling interests	—	—	—	—	—	(104 )	(104 )
Spectra Energy common stock issued	—	21	—	—	—	—	21
Spectra Energy Partners, LP common units issued	—	38	—	—	—	128	166
Transfer of interests in Express-Platte to Spectra Energy Partners, LP	—	(53 )	—	—	—	84	31
Other, net	—	(2 )	—	—	—	3	1
September 30, 2013	\$1	\$5,314	\$2,352	\$1,758	\$(492 )	\$ 1,064	\$9,997

See Notes to Condensed Consolidated Financial Statements.

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SPECTRA ENERGY CORP

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. General

The terms “we,” “our,” “us” and “Spectra Energy” as used in this report refer collectively to Spectra Energy Corp and its subsidiaries unless the context suggests otherwise. These terms are used for convenience only and are not intended as a precise description of any separate legal entity within Spectra Energy. The term “Spectra Energy Partners” refers to our Spectra Energy Partners operating segment. The term “SEP” refers to Spectra Energy Partners, LP, our master limited partnership.

**Nature of Operations.** Spectra Energy Corp, through its subsidiaries and equity affiliates, owns and operates a large and diversified portfolio of complementary natural gas-related energy assets, and owns and operates a crude oil pipeline system that connects Canadian and U.S. producers to refineries in the U.S. Rocky Mountain and Midwest regions. We currently operate in three key areas of the natural gas industry: gathering and processing, transmission and storage, and distribution. We provide transmission and storage of natural gas to customers in various regions of the northeastern and southeastern United States, the Maritime Provinces in Canada, the Pacific Northwest in the United States and Canada, and in the province of Ontario, Canada. We also provide natural gas sales and distribution services to retail customers in Ontario, and natural gas gathering and processing services to customers in western Canada. We also own a 50% interest in DCP Midstream, LLC (DCP Midstream), based in Denver, Colorado, one of the leading natural gas gatherers in the United States based on wellhead volumes, and one of the largest U.S. producers and marketers of natural gas liquids (NGLs).

**Basis of Presentation.** The accompanying Condensed Consolidated Financial Statements include our accounts and the accounts of our majority-owned subsidiaries, after eliminating intercompany transactions and balances. These interim financial statements should be read in conjunction with the consolidated financial statements included in our Annual Report on Form

10-K for the year ended December 31, 2013, and reflect all normal recurring adjustments that are, in our opinion, necessary to fairly present our results of operations and financial position. Amounts reported in the Condensed Consolidated Statements of Operations are not necessarily indicative of amounts expected for the respective annual periods due to the effects of seasonal temperature variations on energy consumption, primarily in our gas distribution operations, as well as changing commodity prices on certain of our processing operations and other factors.

**Use of Estimates.** To conform with generally accepted accounting principles (GAAP) in the United States, we make estimates and assumptions that affect the amounts reported in the Condensed Consolidated Financial Statements and Notes to Condensed Consolidated Financial Statements. Although these estimates are based on our best available knowledge at the time, actual results could differ.

2. Acquisition of Express-Platte

In March 2013, we acquired 100% of the ownership interests in the Express-Platte crude oil pipeline system for \$1.5 billion, consisting of \$1.25 billion in cash and \$260 million of acquired debt, before working capital adjustments. The Express-Platte pipeline system, which begins in Hardisty, Alberta, and terminates in Wood River, Illinois, is comprised of both the Express and Platte crude oil pipelines. The Express pipeline carries crude oil to U.S. refining markets in the Rockies area, including Montana, Wyoming, Colorado and Utah. The Platte pipeline, which interconnects with Express pipeline in Casper, Wyoming, transports crude oil predominantly from the Bakken shale and western Canada to refineries in the Midwest. In 2013, subsidiaries of Spectra Energy contributed a 100% interest in the U.S. portion of Express-Platte and sold a 100% ownership interest in the Canadian portion to SEP.





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The following table summarizes the fair values of the assets and liabilities acquired as of the date of the acquisition.

	Purchase Price Allocation (in millions)
Cash purchase price	\$ 1,250
Working capital and other purchase adjustments	71
Total	1,321
Cash	67
Receivables	25
Other current assets	9
Property, plant and equipment	1,251
Accounts payable	(18 )
Other current liabilities	(17 )
Deferred credits and other liabilities	(259 )
Long-term debt, including current portion	(260 )
Total assets acquired/liabilities assumed	798
Goodwill	\$ 523

The purchase price is greater than the sum of fair values of the net assets acquired, resulting in goodwill as noted above. The goodwill reflects the value of the strategic location of the pipeline and the opportunity to grow the business. Goodwill related to the acquisition of Express-Platte is not deductible for income tax purposes.

The allocation of the fair values of assets and liabilities acquired related to the acquisition of Express-Platte was finalized in the first quarter of 2014, resulting in the following adjustments to amounts reported as of December 31, 2013: a \$60 million decrease in Property, Plant and Equipment, a \$1 million decrease in Other Current Assets and a \$24 million decrease in Deferred Credits and Other Liabilities, resulting in a \$37 million increase in Goodwill. Pro forma results of operations that reflect the acquisition of Express-Platte as if the acquisition had occurred as of the beginning of 2013 are not presented as they do not materially differ from actual results reported in our Condensed Consolidated Statements of Operations.

### 3. Business Segments

In November 2013, Spectra Energy contributed substantially all of its remaining U.S. transmission, storage and liquids assets to SEP (the U.S. Assets Dropdown). As a result of this transaction, we realigned our reportable segments structure. Amounts presented herein for 2013 segment information have been recast to conform to our current segment reporting presentation. There were no changes to consolidated data as a result of the recast of our segment information.

We manage our business in four reportable segments: Spectra Energy Partners, Distribution, Western Canada Transmission & Processing and Field Services. The remainder of our business operations is presented as "Other," and consists of unallocated corporate costs and employee benefit plan assets and liabilities, 100%-owned captive insurance subsidiaries and other miscellaneous activities.

Our chief operating decision maker (CODM) regularly reviews financial information about each of these segments in deciding how to allocate resources and evaluate performance. There is no aggregation within our reportable business segments.

The presentation of our Spectra Energy Partners segment is reflective of the parent-level focus by our CODM, considering the resource allocation and governance provisions associated with SEP's master limited partnership

structure. SEP maintains a capital and cash management structure that is separate from Spectra Energy's, is self-funding and maintains its own lines of bank credit and cash management accounts. It is in this context that our CODM evaluates the Spectra Energy Partners segment as a whole, without regard to any of SEP's individual businesses. These factors, coupled with a different cost of capital of our other businesses, serve to differentiate how our Spectra Energy Partners segment is managed as compared to how SEP is managed.

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Spectra Energy Partners provides transmission, storage and gathering of natural gas, as well as the transportation of crude oil and natural gas liquids (NGLs) through interstate pipeline systems for customers in various regions of the midwestern, northeastern and southeastern United States and Canada. The natural gas transmission and storage operations are primarily subject to the rules and regulations of the Federal Energy Regulatory Commission (FERC). The crude oil transportation operations are primarily subject to regulation by the FERC in the U.S. and the National Energy Board (NEB) in Canada. Our Spectra Energy Partners segment is composed of the operations of SEP, less governance costs, which are included in "Other."

Distribution provides retail natural gas distribution service in Ontario, Canada, as well as natural gas transmission and storage services to other utilities and energy market participants. These services are provided by Union Gas Limited (Union Gas), and are primarily subject to the rules and regulations of the Ontario Energy Board (OEB).

Western Canada Transmission & Processing provides transmission of natural gas, natural gas gathering and processing services, and NGL extraction, fractionation, transportation, storage and marketing to customers in western Canada, the northern tier of the United States and the Maritime Provinces in Canada. This segment conducts business mostly through BC Pipeline, BC Field Services, and the NGL marketing and Canadian Midstream businesses, and Maritimes & Northeast Pipeline Limited Partnership (M&N Canada). BC Pipeline and BC Field Services operations are primarily subject to the rules and regulations of the NEB.

Field Services gathers, compresses, treats, processes, transports, stores and sells natural gas, produces, fractionates, transports, stores and sells NGLs, and recovers and sells condensate. In addition, Field Services trades and markets natural gas and NGLs. It conducts operations through DCP Midstream, which is owned 50% by us and 50% by Phillips 66. DCP Midstream gathers raw natural gas through gathering systems located in nine major conventional and non-conventional natural gas producing regions: Mid-Continent, Rocky Mountain, East Texas-North Louisiana, Barnett Shale, Gulf Coast, South Texas, Central Texas, Antrim Shale and Permian Basin. DCP Midstream Partners, LP (DCP Partners) is a publicly-traded master limited partnership, of which DCP Midstream acts as general partner. As of September 30, 2014, DCP Midstream had an approximate 22% ownership interest in DCP Partners, including DCP Midstream's limited partner and general partner interests.

Our reportable segments offer different products and services and are managed separately as business units. Management evaluates segment performance based on earnings from continuing operations before interest, taxes, and depreciation and amortization (EBITDA). Cash, cash equivalents and short-term investments are managed at the parent-company levels, so the associated gains and losses from foreign currency transactions, and interest and dividend income are excluded from the segments' EBITDA. Our segment EBITDA may not be comparable to similarly titled measures of other companies because other companies may not calculate EBITDA in the same manner. Transactions between reportable segments are accounted for on the same basis as transactions with unaffiliated third parties.

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## Business Segment Data

## Condensed Consolidated Statements of Operations

	Unaffiliated Revenues	Intersegment Revenues	Total Operating Revenues	Depreciation and Amortization	Segment EBITDA/ Consolidated Earnings before Income Taxes
(in millions)					
Three Months Ended September 30, 2014					
Spectra Energy Partners	\$558	\$—	\$558	\$73	\$422
Distribution	260	—	260	49	82
Western Canada Transmission & Processing	387	30	417	69	156
Field Services	—	—	—	—	51
Total reportable segments	1,205	30	1,235	191	711
Other	2	15	17	10	(19
Eliminations	—	(45	) (45	) —	—
Depreciation and amortization	—	—	—	—	201
Interest expense	—	—	—	—	167
Interest income and other	—	—	—	—	6
Total consolidated	\$1,207	\$—	\$1,207	\$201	\$330
Three Months Ended September 30, 2013					
Spectra Energy Partners	\$493	\$1	\$494	\$67	\$360
Distribution	264	—	264	49	83
Western Canada Transmission & Processing	386	14	400	69	174
Field Services	—	—	—	—	137
Total reportable segments	1,143	15	1,158	185	754
Other	1	16	17	10	(19
Eliminations	—	(31	) (31	) —	—
Depreciation and amortization	—	—	—	—	195
Interest expense	—	—	—	—	167
Interest income and other	—	—	—	—	4
Total consolidated	\$1,144	\$—	\$1,144	\$195	\$377
Nine Months Ended September 30, 2014					
Spectra Energy Partners	\$1,670	\$—	\$1,670	\$218	\$1,225
Distribution	1,338	—	1,338	146	420
Western Canada Transmission & Processing	1,288	95	1,383	204	504
Field Services	—	—	—	—	235
Total reportable segments	4,296	95	4,391	568	2,384
Other	7	47	54	32	(60
Eliminations	—	(142	) (142	) —	—
Depreciation and amortization	—	—	—	—	600
Interest expense	—	—	—	—	521

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Interest income and other	—	—	—	—	11
Total consolidated	\$4,303	\$—	\$4,303	\$ 600	\$ 1,214
Nine Months Ended September 30, 2013					
Spectra Energy Partners	\$1,444	\$1	\$1,445	\$ 193	\$ 1,065
Distribution	1,315	—	1,315	151	418
Western Canada Transmission & Processing	1,187	47	1,234	203	521
Field Services	—	—	—	—	271
Total reportable segments	3,946	48	3,994	547	2,275
Other	7	46	53	30	(62
Eliminations	—	(94	) (94	) —	—
Depreciation and amortization	—	—	—	—	577
Interest expense	—	—	—	—	476
Interest income and other	—	—	—	—	5
Total consolidated	\$3,953	\$—	\$3,953	\$ 577	\$ 1,165

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4. Regulatory Matters

Union Gas. In January 2014, Union Gas filed a notice of motion seeking leave to appeal to the Ontario Court of Appeal (Court of Appeal) for the unsuccessful appeal to the Ontario Divisional Court on the OEB's treatment of 2011 revenues derived from the optimization of our upstream transportation contracts. A decision from the Court of Appeal on the notice of motion was issued in April 2014 granting leave to appeal. In May 2014, Union Gas filed a notice of appeal and a hearing is scheduled for December 2014.

Union Gas filed an application with the OEB in May 2013 for the annual disposition of the 2012 non-commodity deferral account balances. A decision on that application was issued by the OEB in March 2014. Among other things, the OEB determined that revenues derived from the optimization of Union Gas' upstream transportation contracts in 2012 will be treated as revenues and included in utility earnings instead of a reduction to gas costs. The decision also denied a proposal to recover certain over-refunds to customers and reduced incentive amounts related to Union Gas' 2011 energy conservation program. As a result of this OEB decision, Union Gas recognized pre-tax income of \$10 million in the first quarter of 2014, comprised of a \$32 million increase in Transportation, Storage and Processing of Natural Gas revenues, a \$15 million decrease in Distribution of Natural Gas revenues and a \$7 million decrease in Other revenues on the Condensed Consolidated Statements of Operations. In addition, the decision approved the deferral of pension expense for recovery from customers, resulting in pre-tax income of \$7 million, recorded as a reduction in Operating, Maintenance and Other expense in the second quarter of 2014.

In May 2014, Union Gas filed an application with the OEB for the annual disposition of its 2013 non-commodity deferral account balances, excluding the energy conservation deferral accounts for 2012 and 2013 which are expected to be filed by the end of 2014. The combined impact of the 2013 non-commodity deferral account balances is a net payable to customers of approximately \$20 million which is primarily reflected as Current Liabilities—Other on the Condensed Consolidated Balance Sheets at September 30, 2014. A settlement agreement was reached on most items in August 2014. A hearing on the remaining unsettled items was held in September 2014 and a decision from the OEB is expected later this year.

5. Income Taxes

Income tax expense was \$76 million for the three months ended September 30, 2014, compared with \$85 million for the same period in 2013. The lower tax expense was primarily due to lower earnings in 2014, partially offset by favorable tax items in 2013 related to changes in Canadian provincial tax rates and the recognition of certain regulatory tax benefits.

Income tax expense was \$305 million for the nine months ended September 30, 2014, compared with \$277 million for the same period in 2013. The higher tax expense was primarily attributable to the reversal of tax reserves in the 2013 period as a result of favorable Canadian federal income tax legislation changes as well as changes in Canadian provincial tax rates and the recognition of certain regulatory tax benefits in 2013.

The effective income tax rate was 23% for both the three months ended September 30, 2014 and 2013, and 25% and 24% for the nine-month periods, respectively. The lower effective tax rate in the nine-month period in 2013 was primarily due to the reversal of tax reserves.

There was no material net change in unrecognized tax benefits recorded during the nine-month period ended September 30, 2014. Although uncertain, we believe it is reasonably possible that the total amount of unrecognized tax benefits could decrease by approximately \$20 million to \$25 million prior to September 30, 2015.

In September 2013, the U.S. Treasury and the Internal Revenue Service (IRS) issued final regulations regarding the deduction and capitalization of expenditures related to tangible property (tangible property regulations). The final IRS regulations apply to amounts paid to acquire, produce, or improve tangible property as well as dispositions of such property and are for tax years beginning on or after January 1, 2014. We are currently evaluating the tangible property regulations and awaiting the release of additional regulations and industry specific guidance. Any changes resulting from the tangible property regulations will affect the timing of deducting expenditures for tax purposes and the impact will be reflected in income tax payable or receivable, deferred taxes and cash paid for income taxes. Our earnings will not be impacted.

#### 6. Earnings per Common Share

Basic earnings per common share (EPS) is computed by dividing net income from controlling interests by the weighted-average number of common shares outstanding during the period. Diluted EPS is computed by dividing net income from controlling interests by the diluted weighted-average number of common shares outstanding during the period. Diluted EPS



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reflects the potential dilution that could occur if securities or other agreements to issue common stock, such as stock options, stock-based performance unit awards and phantom stock awards, were exercised, settled or converted into common stock.

The following table presents our basic and diluted EPS calculations:

	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2013	
	2014	2013	2014	2013
	(in millions, except per-share amounts)			
Net income—controlling interests	\$201	\$263	\$766	\$802
Weighted-average common shares outstanding				
Basic	671	670	671	669
Diluted	673	672	672	671
Basic and diluted earnings per common share (a)	\$0.30	\$0.39	\$1.14	\$1.20

(a) Quarterly earnings-per-share amounts are stand-alone calculations and may not be additive to full-year amounts due to rounding.

## 7. Accumulated Other Comprehensive Income

The following table presents the net of tax changes in Accumulated Other Comprehensive Income (AOCI) by component and amounts reclassified out of AOCI to Net Income, excluding amounts attributable to noncontrolling interests:

	Foreign Currency Translation Adjustments	Pension and Post-retirement Benefit Plan Obligations	Gas Purchase Contract Hedges	Other	Total Accumulated Other Comprehensive Income
	(in millions)				
June 30, 2014	\$ 1,533	\$ (291 )	\$(6 )	\$—	\$ 1,236
Reclassified to net income	—	—	2	—	2
Other AOCI activity	(301 )	6	—	—	(295 )
September 30, 2014	\$ 1,232	\$ (285 )	\$(4 )	\$—	\$ 943
June 30, 2013	\$ 1,609	\$ (486 )	\$(17 )	\$(4 )	\$ 1,102
Reclassified to net income	—	—	2	—	2
Other AOCI activity	149	10	1	2	162
September 30, 2013	\$ 1,758	\$ (476 )	\$(14 )	\$(2 )	\$ 1,266
December 31, 2013	\$ 1,557	\$ (304 )	\$(11 )	\$(1 )	\$ 1,241
Reclassified to net income	—	—	4	1	5
Other AOCI activity	(325 )	19	3	—	(303 )
September 30, 2014	\$ 1,232	\$ (285 )	\$(4 )	\$—	\$ 943
December 31, 2012	\$ 2,044	\$ (507 )	\$(23 )	\$(5 )	\$ 1,509
Reclassified to net income	—	—	5	1	6
Other AOCI activity	(286 )	31	4	2	(249 )

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September 30, 2013

\$ 1,758      \$ (476    )      \$(14    )      \$(2    )      \$ 1,266

Reclassifications to Net Income are primarily included in Other Income and Expenses, Net on our Condensed Consolidated Statements of Operations.

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## 8. Inventory

Inventory consists of natural gas and NGLs held in storage for transmission and processing, and also includes materials and supplies. Natural gas inventories primarily relate to the Distribution segment in Canada and are valued at costs approved by the OEB. The difference between the approved price and the actual cost of gas purchased is recorded as either a receivable or a current liability, as appropriate, for future disposition with customers, subject to approval by the OEB. The remaining inventory is recorded at the lower of cost or market, primarily using average cost. The components of inventory are as follows:

	September 30, 2014	December 31, 2013
	(in millions)	
Natural gas	\$310	\$ 155
NGLs	58	30
Materials and supplies	78	78
Total inventory	\$446	\$ 263

## 9. Investments in and Loans to Unconsolidated Affiliates

Our most significant investment in unconsolidated affiliates is our 50% investment in DCP Midstream, which is accounted for under the equity method of accounting. The following represents summary financial information for DCP Midstream, presented at 100%:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(in millions)			
Operating revenues	\$3,480	\$3,068	\$10,936	\$8,541
Operating expenses	3,281	2,823	10,313	7,944
Operating income	199	245	623	597
Net income	154	177	449	439
Net income attributable to members' interests	81	191	335	360

DCP Partners issues, from time to time, limited partner units to the public, which are recorded by DCP Midstream directly to its equity. Our proportionate share of gains from those issuances, totaling \$11 million and \$41 million in the third quarters of 2014 and 2013, respectively, and \$68 million and \$91 million during the nine-month periods ended September 30, 2014 and 2013, respectively, are reflected in Equity in Earnings of Unconsolidated Affiliates in the Condensed Consolidated Statements of Operations.

## 10. Goodwill

We perform our goodwill impairment test annually and evaluate goodwill when events or changes in circumstances indicate that its carrying value may not be recoverable. We completed our annual goodwill impairment test as of April 1, 2014 and no impairments were identified.

We perform our annual review for goodwill impairment at the reporting unit level, which is identified by assessing whether the components of our operating segments constitute businesses for which discrete financial information is available, whether segment management regularly reviews the operating results of those components and whether the economic and regulatory characteristics are similar. We determined that our reporting units are equivalent to our reportable segments, except for the reporting units of our Western Canada Transmission & Processing reportable segment and our Spectra Energy Partners reportable segment, which are one level below.

As permitted under accounting guidance on testing goodwill for impairment, we perform either a qualitative assessment or a quantitative assessment of each of our reporting units based on management's judgment. With respect to our qualitative assessments, we consider events and circumstances specific to us, such as macroeconomic conditions, industry and market considerations, cost factors and overall financial performance, when evaluating whether it is more likely than not that the fair values of our reporting units are less than their respective carrying amounts.

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The following presents changes in goodwill during 2014:

	Goodwill (in millions)
December 31, 2013	\$ 4,810
Acquisition of Express-Platte	37
Foreign currency translation	(79 )
September 30, 2014	\$ 4,768

See Note 2 for discussion of the acquisition of Express-Platte and an adjustment to Goodwill recorded in the first quarter of 2014 related to the acquisition.

#### 11. Marketable Securities and Restricted Funds

We routinely invest excess cash and various restricted balances in securities such as commercial paper, bankers acceptances, corporate debt securities, treasury bills and money market funds in the United States and Canada. We do not purchase marketable securities for speculative purposes, therefore we do not have any securities classified as trading securities. While we do not routinely sell marketable securities prior to their scheduled maturity dates, some of our investments may be held and restricted for insurance purposes, so these investments are classified as available-for-sale (AFS) marketable securities as they may occasionally be sold prior to their scheduled maturity dates due to the unexpected timing of cash needs. Initial investments in securities are classified as purchases of the respective type of securities (AFS marketable securities or held-to-maturity (HTM) marketable securities). Maturities of securities are classified within proceeds from sales and maturities of securities in the Condensed Consolidated Statements of Cash Flows.

AFS Securities. AFS securities are as follows:

	Estimated Fair Value	
	September	December
	30, 2014	31, 2013
	(in millions)	
Corporate debt securities	\$24	\$18
Money market funds	1	1
Total available-for-sale securities	\$25	\$19

Our AFS securities are classified on the Condensed Consolidated Balance Sheets as follows:

	Estimated Fair Value	
	September	December
	30, 2014	31, 2013
	(in millions)	
Restricted funds		
Investments and other assets—other	\$1	\$1
Non-restricted funds		
Current assets—other	—	7
Investments and other assets—other	24	11
Total available-for-sale securities	\$25	\$19

At September 30, 2014, the weighted-average contractual maturity of outstanding AFS securities was two years.

There were no material gross unrealized holding gains or losses associated with investments in AFS securities at September 30, 2014 or December 31, 2013.



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HTM Securities. All of our HTM securities are restricted funds and are as follows:

Description	Condensed Consolidated Balance Sheet Caption	Estimated Fair Value	
		September 30, 2014	December 31, 2013
		(in millions)	
Bankers acceptances	Current assets—other	\$50	\$35
Canadian government securities	Current assets—other	32	34
Money market funds	Current assets—other	10	3
Canadian government securities	Investments and other assets—other	119	131
Bankers acceptances	Investments and other assets—other	—	10
Total held-to-maturity securities		\$211	\$213

All of our HTM securities are restricted funds pursuant to certain M&N Canada and Express-Platte debt agreements. The funds restricted for M&N Canada, plus future cash from operations that would otherwise be available for distribution to the partners of M&N Canada, are required to be placed in escrow until the balance in escrow is sufficient to fund all future debt service on the M&N Canada 6.90% senior secured notes. There are sufficient funds held in escrow to fund all future debt service on these M&N Canada notes.

At September 30, 2014, the weighted-average contractual maturity of outstanding HTM securities was one year.

There were no material gross unrecognized holding gains or losses associated with investments in HTM securities at September 30, 2014 or December 31, 2013.

Other Restricted Funds. In addition to the portions of the AFS and HTM securities that were restricted funds as described above, we had other restricted funds totaling \$20 million at September 30, 2014 and \$19 million at December 31, 2013 classified as Current Assets—Other. These restricted funds are related to additional amounts for the M&N Canada debt service requirements and insurance.

Changes in restricted funds' balances are presented within Cash Flows from Investing Activities on our Condensed Consolidated Statements of Cash Flows.

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## 12. Debt and Credit Facilities

## Available Credit Facilities and Restrictive Debt Covenants

	Expiration Date	Total Credit Facilities Capacity	Commercial Paper Outstanding at September 30, 2014	Available Credit Facilities Capacity
		(in millions)		
Spectra Energy Capital, LLC (a)	2018	\$1,000	\$377	\$623
SEP (b)	2018	2,000	813	1,187
Westcoast Energy Inc. (c)	2016	268	103	165
Union Gas (d)	2016	357	119	238
Total		\$3,625	\$1,412	\$2,213

Revolving credit facility contains a covenant requiring the Spectra Energy Corp consolidated debt-to-total (a) capitalization ratio, as defined in the agreement, to not exceed 65%. Per the terms of the agreement, collateralized debt is excluded from the calculation of the ratio. This ratio was 57% at September 30, 2014.

Revolving credit facility contains a covenant that requires SEP to maintain a ratio of total Consolidated (b) Indebtedness-to-Consolidated EBITDA, as defined in the credit agreement, of 5.0 to 1 or less. As of September 30, 2014, this ratio was 3.9 to 1.

U.S. dollar equivalent at September 30, 2014. The revolving credit facility is 300 million Canadian dollars and (c) contains a covenant that requires the Westcoast Energy Inc. non-consolidated debt-to-total capitalization ratio to not exceed 75%. The ratio was 48% at September 30, 2014.

U.S. dollar equivalent at September 30, 2014. The revolving credit facility is 400 million Canadian dollars and (d) contains a covenant that requires the Union Gas debt-to-total capitalization ratio to not exceed 75% and a provision which requires Union Gas to repay all borrowings under the facility for a period of two days during the second quarter of each year. The ratio was 66% at September 30, 2014.

The issuances of commercial paper, letters of credit and revolving borrowings reduce the amount available under the credit facilities. As of September 30, 2014, there were no letters of credit issued or revolving borrowings outstanding under the credit facilities.

Our credit agreements and term loans contain various covenants, including the maintenance of certain financial ratios. Failure to meet those covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the agreements. As of September 30, 2014, we were in compliance with those covenants. In addition, our credit agreements and term loans allow for acceleration of payments or termination of the agreements due to nonpayment, or in some cases, due to the acceleration of other significant indebtedness of the borrower or some of its subsidiaries. Our debt and credit agreements do not contain provisions that trigger an acceleration of indebtedness based solely on the occurrence of a material adverse change in our financial condition or results of operations.

Debt Issuances. On September 12, 2014, Westcoast Energy Inc. (Westcoast) issued 350 million Canadian dollars (approximately \$316 million as of the issuance date) of 3.43% unsecured notes due 2024. Net proceeds from the offering were used for general corporate purposes.

On June 2, 2014, Union Gas issued 200 million Canadian dollars (approximately \$183 million as of the issuance date) of 2.76% unsecured notes due 2021 and 250 million Canadian dollars (approximately \$229 million as of the issuance date) of 4.20% unsecured notes due 2044. Net proceeds from the offerings were used for general corporate purposes. In January 2014, Spectra Energy Capital, LLC (Spectra Capital) borrowed the full \$300 million available under its unsecured term loan agreement. Interest on the borrowing is based on LIBOR (London Interbank Offered Rate) and



the borrowing is due in 2018. Net proceeds from the borrowing were used for general corporate purposes.

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## 13. Fair Value Measurements

The following presents, for each of the fair value hierarchy levels, assets and liabilities that are measured and recorded at fair value on a recurring basis:

		September 30, 2014			
Description	Condensed Consolidated Balance Sheet Caption	Total	Level 1	Level 2	Level 3
		(in millions)			
Corporate debt securities	Cash and cash equivalents	\$82	\$—	\$82	\$—
Commodity derivatives	Current assets—other	1	—	—	1
Corporate debt securities	Investments and other assets—other	24	—	24	—
Interest rate swaps	Investments and other assets—other	14	—	14	—
Money market funds	Investments and other assets—other	1	1	—	—
<b>Total Assets</b>		<b>\$122</b>	<b>\$1</b>	<b>\$120</b>	<b>\$1</b>
Natural gas purchase contracts	Deferred credits and other liabilities—regulatory and other	\$1	\$—	\$—	\$1
Commodity derivatives	Deferred credits and other liabilities—regulatory and other	1	—	—	1
Interest rate swaps	Deferred credits and other liabilities—regulatory and other	1	—	1	—
<b>Total Liabilities</b>		<b>\$3</b>	<b>\$—</b>	<b>\$1</b>	<b>\$2</b>
		December 31, 2013			
Description	Condensed Consolidated Balance Sheet Caption	Total	Level 1	Level 2	Level 3
		(in millions)			
Corporate debt securities	Cash and cash equivalents	\$49	\$—	\$49	\$—
Corporate debt securities	Current assets—other	7	—	7	—
Interest rate swaps	Current assets—other	8	—	8	—
Corporate debt securities	Investments and other assets—other	11	—	11	—
Interest rate swaps	Investments and other assets—other	15	—	15	—
Money market funds	Investments and other assets—other	1	1	—	—
<b>Total Assets</b>		<b>\$91</b>	<b>\$1</b>	<b>\$90</b>	<b>\$—</b>
Natural gas purchase contracts	Deferred credits and other liabilities—regulatory and other	\$3	\$—	\$—	\$3
Interest rate swaps	Deferred credits and other liabilities—regulatory and other	6	—	6	—
<b>Total Liabilities</b>		<b>\$9</b>	<b>\$—</b>	<b>\$6</b>	<b>\$3</b>

The following presents changes in Level 3 assets and liabilities that are measured at fair value on a recurring basis using significant unobservable inputs:

	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2014	
	2014	2013	2014	2013
(in millions)				
Derivative assets (liabilities)				
Fair value, beginning of period	\$(9 )	\$(6 )	\$(3 )	\$(9 )
Total realized/unrealized gains (losses):				
Included in earnings	7	(1 )	(2 )	(2 )

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Included in other comprehensive income	1	2	5	6
Settlements	—	—	(1 )	—
Fair value, end of period	\$(1 )	\$(5 )	\$(1 )	\$(5 )
Total gains (losses) for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets and liabilities held at the end of the period	\$5	\$(1 )	\$(2 )	\$(2 )

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## Level 1

Level 1 valuations represent quoted unadjusted prices for identical instruments in active markets.

## Level 2 Valuation Techniques

Fair values of our financial instruments that are actively traded in the secondary market, including our long-term debt, are determined based on market-based prices. These valuations may include inputs such as quoted market prices of the exact or similar instruments, broker or dealer quotations, or alternative pricing sources that may include models or matrix pricing tools, with reasonable levels of price transparency.

For interest rate swaps, we utilize data obtained from a third-party source for the determination of fair value. Both the future cash flows for the fixed-leg and floating-leg of our swaps are discounted to present value. In addition, credit default swap rates are used to develop the adjustment for credit risk embedded in our positions. We believe that since some of the inputs and assumptions for the calculations of fair value are derived from observable market data, a Level 2 classification is appropriate.

## Level 3 Valuation Techniques

We do not have significant amounts of assets or liabilities measured and reported using Level 3 valuation techniques, which include the use of pricing models, discounted cash flow methodologies or similar techniques where at least one significant model assumption or input is unobservable. Level 3 financial instruments also include those for which the determination of fair value requires significant management judgment or estimation.

For natural gas purchases contracts and commodity derivatives, we utilize data obtained from third-party sources for the determination of fair value. The expected future cash flows arising from our swaps are discounted to present value. In addition, credit default swap rates or historical average credit default rates by credit rating are used to develop the adjustment for credit risk embedded in our positions. As these transactions are limited, we believe a Level 3 classification is appropriate.

## Financial Instruments

The fair values of financial instruments that are recorded and carried at book value are summarized in the following table. Judgment is required in interpreting market data to develop the estimates of fair value. These estimates are not necessarily indicative of the amounts we could have realized in current markets.

	September 30, 2014		December 31, 2013	
	Book Value (in millions)	Approximate Fair Value	Book Value	Approximate Fair Value
Note receivable, noncurrent (a)	\$71	\$71	\$71	\$71
Long-term debt, including current maturities (b)	13,289	14,801	13,668	14,701

(a) Included within Investments in and Loans to Unconsolidated Affiliates.

(b) Excludes unamortized items and fair value hedge carrying value adjustments.

The fair value of our long-term debt is determined based on market-based prices as described in the Level 2 valuation technique described above and is classified as Level 2.

The fair values of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, note receivable-noncurrent, accounts payable and commercial paper are not materially different from their carrying amounts because of the short-term nature of these instruments or because the stated rates approximate market rates.

During the 2014 and 2013 periods, there were no material adjustments to assets and liabilities measured at fair value on a nonrecurring basis.

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## 14. Risk Management and Hedging Activities

We are exposed to the impact of market fluctuations in the prices of NGLs and natural gas purchased as a result of our investment in DCP Midstream, the ownership of the NGL marketing operations in western Canada and processing associated with our U.S. pipeline assets. Exposure to interest rate risk exists as a result of the issuance of variable and fixed-rate debt and commercial paper. We are exposed to foreign currency risk from our Canadian operations. We employ established policies and procedures to manage our risks associated with these market fluctuations, which may include the use of derivatives, mostly around interest rate and commodity exposures.

DCP Midstream manages their direct exposure to market prices separate from Spectra Energy, and utilizes various risk management strategies, including the use of commodity derivatives.

Other than interest rate swaps and commodity derivatives described below, we did not have any significant derivatives outstanding during the nine months ended September 30, 2014.

## Interest Rate Swaps

At September 30, 2014, we had “pay floating—receive fixed” interest rate swaps outstanding with a total notional amount of \$1,212 million to hedge against changes in the fair value of our fixed-rate debt that arise as a result of changes in market interest rates. These swaps also allow us to transform a portion of the underlying interest payments related to our long-term fixed-rate debt securities into variable-rate interest payments in order to achieve our desired mix of fixed and variable-rate debt.

Information about our interest rate swaps that had netting or rights of offset arrangements are as follows:

Description	September 30, 2014			December 31, 2013		
	Gross Amounts Presented in the Condensed Consolidated Balance Sheets (in millions)	Amounts Not Offset in the Condensed Consolidated Balance Sheets	Net Amount	Gross Amounts Presented in the Condensed Consolidated Balance Sheets	Amounts Not Offset in the Condensed Consolidated Balance Sheets	Net Amount
Assets	\$ 14	\$ —	\$ 14	\$ 23	\$ 3	\$ 20
Liabilities	1	—	1	6	3	3

## Commodity Derivatives

Effective January 2014, we instituted a commodity price risk management program at Western Canada Transmission & Processing’s Empress NGL business and elected to not apply cash flow hedge accounting.

At September 30, 2014, we had commodity mark-to-market derivatives outstanding with a total notional amount of 163 million gallons. The longest dated commodity derivative contract we currently have expires in 2017.

Information about our commodity derivatives that had netting or rights of offset arrangements are as follows:

September 30, 2014		
Gross Amounts	Gross Amounts Offset	Net Amount Presented in the Condensed

Description	(in millions)		Consolidated Balance Sheets
Assets	\$177	\$176	\$1
Liabilities	177	176	1

Substantially all of our commodity derivative agreements outstanding at September 30, 2014 have provisions that require collateral to be posted in the amount of the net liability position if one of our credit ratings falls below investment grade.

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Information regarding the impacts of commodity derivatives on our Condensed Consolidated Statements of Operations are as follows:

Derivatives	Condensed Consolidated Statement of Operations Caption	Periods Ended September 30, 2014	
		Three Months	Nine Months
		(in millions)	
Commodity derivatives	Sales of natural gas liquids	\$7	\$—

## 15. Commitments and Contingencies

## Environmental

We are subject to various U.S. federal, state and local laws and regulations, as well as Canadian federal and provincial laws, regarding air and water quality, hazardous and solid waste disposal and other environmental matters. These laws and regulations can change from time to time, imposing new obligations on us.

Like others in the energy industry, we and our affiliates are responsible for environmental remediation at various contaminated sites. These include some properties that are part of our ongoing operations, sites formerly owned or used by us, and sites owned by third parties. Remediation typically involves management of contaminated soils and may involve groundwater remediation. Managed in conjunction with relevant federal, state/provincial and local agencies, activities vary with site conditions and locations, remedial requirements, complexity and sharing of responsibility. If remediation activities involve statutory joint and several liability provisions, strict liability, or cost recovery or contribution actions, we or our affiliates could potentially be held responsible for contamination caused by other parties. In some instances, we may share liability associated with contamination with other potentially responsible parties, and may also benefit from contractual indemnities that cover some or all cleanup costs. All of these sites generally are managed in the normal course of business or affiliated operations. We believe there are no matters outstanding that upon resolution will have a material effect on our consolidated results of operations, financial position or cash flows.

## Litigation

Litigation and Legal Proceedings. We are involved in legal, tax and regulatory proceedings in various forums arising in the ordinary course of business, including matters regarding contract and payment claims, some of which involve substantial monetary amounts. We have insurance coverage for certain of these losses should they be incurred. We believe that the final disposition of these proceedings will not have a material effect on our consolidated results of operations, financial position or cash flows.

Legal costs related to the defense of loss contingencies are expensed as incurred. We had no material reserves for legal matters recorded as of September 30, 2014 or December 31, 2013 related to litigation.

## Other Commitments and Contingencies

See Note 16 for a discussion of guarantees and indemnifications.

## 16. Guarantees and Indemnifications

We have various financial guarantees and indemnifications which are issued in the normal course of business. As discussed below, these contracts include financial guarantees, stand-by letters of credit, debt guarantees, surety bonds and indemnifications. We enter into these arrangements to facilitate a commercial transaction with a third party by enhancing the value of the transaction to the third party. To varying degrees, these guarantees involve elements of performance and credit risk, which are not included on our Condensed Consolidated Balance Sheets. The possibility 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 have issued performance guarantees to customers and other third parties that guarantee the payment and performance of other parties, including certain non-100%-owned entities. In connection with our spin-off from Duke Energy Corporation (Duke Energy) in 2007, certain guarantees that were previously issued by us were assigned to, or replaced by, Duke Energy as guarantor in 2006. For any remaining guarantees of other Duke Energy obligations,



Duke Energy has indemnified us against any losses incurred under these guarantee arrangements. The maximum potential amount of future payments we could have been required to make under these performance guarantees as of September 30, 2014 was approximately \$406 million, which has been indemnified by Duke Energy as discussed above. One of these outstanding performance guarantees, which has a

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maximum potential amount of future payment of \$201 million, expires in 2028. The remaining guarantees have no contractual expirations.

We have also issued joint and several guarantees to some of the Duke/Fluor Daniel (D/FD) project owners, guaranteeing the performance of D/FD under its engineering, procurement and construction contracts and other contractual commitments in place at the time of our spin-off from Duke Energy. D/FD is one of the entities transferred to Duke Energy in connection with our spin-off. Substantially all of these guarantees have no contractual expiration and no stated maximum amount of future payments that we could be required to make. Fluor Enterprises Inc., as 50% owner in D/FD, issued similar joint and several guarantees to the same D/FD project owners.

Westcoast, a 100%-owned subsidiary, has issued performance guarantees to third parties guaranteeing the performance of unconsolidated entities, such as equity method investments, and of entities previously sold by Westcoast to third parties. Those guarantees require Westcoast to make payment to the guaranteed third party upon the failure of such unconsolidated or sold entity to make payment under some of its contractual obligations, such as debt agreements, purchase contracts and leases. Certain guarantees that were previously issued by Westcoast for obligations of entities that remained a part of Duke Energy are considered guarantees of third party performance; however, Duke Energy has indemnified us against any losses incurred under these guarantee arrangements.

We have entered into various indemnification agreements related to purchase and sale agreements and other types of contractual agreements with vendors and other third parties. These agreements typically cover environmental, litigation and other matters, as well as breaches of representations, warranties and covenants. Typically, claims may be made by third parties for various periods of time depending on the nature of the claim. Our potential exposure under these indemnification agreements can range from a specified amount, such as the purchase price, to an unlimited dollar amount, depending on the nature of the claim and the particular transaction. We are unable to estimate the total potential amount of future payments under these indemnification agreements due to several factors, such as the unlimited exposure under certain guarantees.

As of September 30, 2014, the amounts recorded for the guarantees and indemnifications described above are not material, both individually and in the aggregate.

#### 17. Issuances of SEP Units

During the nine months ended September 30, 2014, SEP issued 5.5 million common units to the public under its at-the-market program, representing limited partner interests, and 113,000 general partner units to Spectra Energy. Total net proceeds to SEP were \$283 million (net proceeds to Spectra Energy were \$277 million). In connection with the issuances of the units, a \$71 million gain (\$43 million net of tax) to Additional Paid-in Capital and a \$206 million increase in Equity-Noncontrolling Interests were recorded during the nine months ended September 30, 2014. The issuances decreased Spectra Energy's ownership in SEP from 84% to 82% at September 30, 2014.

The following table presents the effects of the issuances of SEP units:

	Three Months		Nine Months	
	Ended September 30, 2014		Ended September 30, 2014	
	2013	2013	2013	2013
	(in millions)			
Net income-controlling interests	\$201	\$263	\$766	\$802
Increase in additional paid-in capital resulting from issuances of SEP units	14	—	43	38
Total net income-controlling interests and changes in equity-controlling interests	\$215	\$263	\$809	\$840

#### 18. Employee Benefit Plans

**Retirement Plans.** We have a qualified non-contributory defined benefit (DB) retirement plan for most U.S. employees and non-qualified, non-contributory, unfunded defined benefit plans which cover certain current and former U.S.

executives. Our Westcoast subsidiary maintains qualified and non-qualified, contributory and non-contributory, DB and defined contribution (DC) retirement plans covering substantially all employees of our Canadian operations.

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Our policy is to fund our retirement plans, where applicable, on an actuarial basis to provide assets sufficient to meet benefits to be paid to plan participants or as required by legislation or plan terms. We made contributions of \$16 million to our U.S. retirement plans in the nine months ended September 30, 2014 and \$21 million in the same period in 2013. We made total contributions to the Canadian DC and DB plans of \$34 million in the nine months ended September 30, 2014 and \$62 million in the same period in 2013. We anticipate that we will make total contributions of approximately \$22 million to the U.S. plans and approximately \$45 million to the Canadian plans in 2014.

## Qualified and Non-Qualified Pension Plans—Components of Net Periodic Pension Cost

	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2014	
	2013		2013	
	(in millions)			
U.S.				
Service cost benefit earned	\$5	\$5	\$14	\$14
Interest cost on projected benefit obligation	7	5	19	16
Expected return on plan assets	(10)	(9)	(29)	(25)
Amortization of loss	3	5	9	15
Net periodic pension cost	\$5	\$6	\$13	\$20
Canada				
Service cost benefit earned	\$7	\$9	\$22	\$25
Interest cost on projected benefit obligation	13	13	39	38
Expected return on plan assets	(17)	(17)	(52)	(50)
Amortization of loss	6	9	17	27
Amortization of prior service cost	—	—	1	1
Net periodic pension cost	\$9	\$14	\$27	\$41

Other Post-Retirement Benefit Plans. We provide certain health care and life insurance benefits for retired employees on a contributory and non-contributory basis. Employees are eligible for these benefits if they have met age and service requirements at retirement, as defined in the plans.

## Other Post-Retirement Benefit Plans—Components of Net Periodic Benefit Cost

	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2014	
	2013		2013	
	(in millions)			
U.S.				
Service cost benefit earned	\$1	\$1	\$1	\$1
Interest cost on accumulated post-retirement benefit obligation	2	2	6	6
Expected return on plan assets	(1)	(1)	(3)	(3)
Amortization of loss	—	—	—	1
Net periodic other post-retirement benefit cost	\$2	\$2	\$4	\$5
Canada				
Service cost benefit earned	\$1	\$1	\$3	\$3
Interest cost on accumulated post-retirement benefit obligation	1	2	4	5

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Net periodic other post-retirement benefit cost	\$2	\$3	\$7	\$8
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## Retirement/Savings Plan

In addition to the retirement plans described above, we also have defined contribution employee savings plans available to both U.S. and Canadian employees. Employees may participate in a matching contribution where we match a certain percentage of before-tax employee contributions of up to 6% of eligible pay per pay period for U.S. employees and up to 5% of eligible pay per pay period for Canadian employees. We expensed pre-tax employer matching contributions of \$4 million and \$3 million in the three-month periods ended September 30, 2014 and 2013, respectively, and \$11 million and \$10 million in the nine-month periods ended September 30, 2014 and 2013, respectively, for U.S. employees. We expensed pre-tax employer matching contributions of \$4 million in both the three-month periods ended September 30, 2014 and 2013 and \$10 million in both the nine-month periods ended September 30, 2014 and 2013 for Canadian employees.

## 19. Consolidating Financial Information

Spectra Energy Corp has agreed to fully and unconditionally guarantee the payment of principal and interest under all series of notes outstanding under the Senior Indenture of Spectra Capital, a 100%-owned, consolidated subsidiary. In accordance with Securities and Exchange Commission (SEC) rules, the following condensed consolidating financial information is presented. The information shown for Spectra Energy Corp and Spectra Capital is presented utilizing the equity method of accounting for investments in subsidiaries, as required. The non-guarantor subsidiaries column represents all consolidated subsidiaries of Spectra Capital. This information should be read in conjunction with our accompanying Condensed Consolidated Financial Statements and notes thereto.

## Spectra Energy Corp

## Condensed Consolidating Statements of Operations

(Unaudited)

(In millions)

	Spectra Energy Corp	Spectra Capital	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Three Months Ended September 30, 2014					
Total operating revenues	\$—	\$—	\$ 1,209	\$ (2 )	\$ 1,207
Total operating expenses	1	—	826	(2 )	825
Operating income (loss)	(1 )	—	383	—	382
Equity in earnings of unconsolidated affiliates	—	—	91	—	91
Equity in earnings of consolidated subsidiaries	194	329	—	(523 )	—
Other income and expenses, net	(2 )	5	20	1	24
Interest expense	—	64	102	1	167
Earnings before income taxes	191	270	392	(523 )	330
Income tax expense (benefit)	(10 )	76	10	—	76
Net income	201	194	382	(523 )	254
Net income—noncontrolling interests	—	—	53	—	53
Net income—controlling interests	\$201	\$194	\$ 329	\$ (523 )	\$201
Three Months Ended September 30, 2013					
Total operating revenues	\$—	\$—	\$ 1,146	\$ (2 )	\$ 1,144
Total operating expenses	4	—	809	(2 )	811
Operating income (loss)	(4 )	—	337	—	333
Equity in earnings of unconsolidated affiliates	—	—	163	—	163
Equity in earnings of consolidated subsidiaries	263	403	—	(666 )	—
Other income and expenses, net	2	10	36	—	48
Interest expense	—	56	111	—	167

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Earnings before income taxes	261	357	425	(666	)	377
Income tax expense (benefit)	(2	)	94	(7	)	85
Net income	263	263	432	(666	)	292
Net income—noncontrolling interests	—	—	29	—		29
Net income—controlling interests	\$263	\$263	\$ 403	\$ (666	)	\$263

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Spectra Energy Corp  
Condensed Consolidating Statements of Operations  
(Unaudited)  
(In millions)

	Spectra Energy Corp	Spectra Capital	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Nine Months Ended September 30, 2014					
Total operating revenues	\$—	\$—	\$ 4,306	\$ (3 )	\$ 4,303
Total operating expenses	5	1	2,941	(3 )	2,944
Operating income (loss)	(5 )	(1 )	1,365	—	1,359
Equity in earnings of unconsolidated affiliates	—	—	337	—	337
Equity in earnings of consolidated subsidiaries	734	1,228	—	(1,962 )	—
Other income and expenses, net	(4 )	6	36	1	39
Interest expense	—	195	325	1	521
Earnings before income taxes	725	1,038	1,413	(1,962 )	1,214
Income tax expense (benefit)	(41 )	304	42	—	305
Net income	766	734	1,371	(1,962 )	909
Net income—noncontrolling interests	—	—	143	—	143
Net income—controlling interests	\$766	\$734	\$ 1,228	\$ (1,962 )	\$766
Nine Months Ended September 30, 2013					
Total operating revenues	\$—	\$—	\$ 3,956	\$ (3 )	\$ 3,953
Total operating expenses	7	—	2,756	(3 )	2,760
Operating income (loss)	(7 )	—	1,200	—	1,193
Equity in earnings of unconsolidated affiliates	—	—	345	—	345
Equity in earnings of consolidated subsidiaries	794	1,229	—	(2,023 )	—
Other income and expenses, net	(1 )	14	90	—	103
Interest expense	—	155	321	—	476
Earnings before income taxes	786	1,088	1,314	(2,023 )	1,165
Income tax expense (benefit)	(16 )	294	(1 )	—	277
Net income	802	794	1,315	(2,023 )	888
Net income—noncontrolling interests	—	—	86	—	86
Net income—controlling interests	\$802	\$794	\$ 1,229	\$ (2,023 )	\$802



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Spectra Energy Corp  
Condensed Consolidating Statements of Comprehensive Income  
(Unaudited)  
(In millions)

	Spectra Energy Corp	Spectra Capital	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Three Months Ended September 30, 2014					
Net income	\$201	\$194	\$382	\$(523)	) \$254
Other comprehensive income (loss)	2	1	(299)	) —	(296)
Total comprehensive income (loss), net of tax	203	195	83	(523)	) (42)
Less: comprehensive income—noncontrolling interests	—	—	50	—	50
Comprehensive income (loss)—controlling interests	\$203	\$195	\$33	\$(523)	) \$(92)
Three Months Ended September 30, 2013					
Net income	\$263	\$263	\$432	\$(666)	) \$292
Other comprehensive income	4	1	160	—	165
Total comprehensive income, net of tax	267	264	592	(666)	) 457
Less: comprehensive income—noncontrolling interests	—	—	30	—	30
Comprehensive income—controlling interests	\$267	\$264	\$562	\$(666)	) \$427
Nine Months Ended September 30, 2014					
Net income	\$766	\$734	\$1,371	\$(1,962)	) \$909
Other comprehensive income (loss)	6	1	(309)	) —	(302)
Total comprehensive income, net of tax	772	735	1,062	(1,962)	) 607
Less: comprehensive income—noncontrolling interests	—	—	139	—	139
Comprehensive income—controlling interests	\$772	\$735	\$923	\$(1,962)	) \$468
Nine Months Ended September 30, 2013					
Net income	\$802	\$794	\$1,315	\$(2,023)	) \$888
Other comprehensive income (loss)	11	2	(260)	) —	(247)
Total comprehensive income, net of tax	813	796	1,055	(2,023)	) 641
Less: comprehensive income—noncontrolling interests	—	—	82	—	82
Comprehensive income—controlling interests	\$813	\$796	\$973	\$(2,023)	) \$559

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Spectra Energy Corp  
Condensed Consolidating Balance Sheet  
September 30, 2014  
(Unaudited)  
(In millions)

	Spectra Energy Corp	Spectra Capital	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	\$—	\$1	\$ 220	\$—	\$ 221
Receivables—consolidated subsidiaries	14	—	14	(28 )	—
Receivables—other	1	—	1,201	—	1,202
Other current assets	13	7	809	—	829
Total current assets	28	8	2,244	(28 )	2,252
Investments in and loans to unconsolidated affiliates	—	—	3,008	—	3,008
Investments in consolidated subsidiaries	14,487	20,711	—	(35,198 )	—
Advances receivable—consolidated subsidiaries—	—	4,448	914	(5,362 )	—
Notes receivable—consolidated subsidiaries	—	—	3,224	(3,224 )	—
Goodwill	—	—	4,768	—	4,768
Other assets	37	26	307	—	370
Property, plant and equipment, net	—	—	22,201	—	22,201
Regulatory assets and deferred debits	2	15	1,385	—	1,402
Total Assets	\$14,554	\$25,208	\$ 38,051	\$ (43,812 )	\$ 34,001
Accounts payable—other	\$3	\$—	\$ 475	\$—	\$ 478
Accounts payable—consolidated subsidiaries	—	16	12	(28 )	—
Commercial paper	—	377	1,035	—	1,412
Short-term borrowings—consolidated subsidiaries	—	424	—	(424 )	—
Taxes accrued	3	21	80	—	104
Current maturities of long-term debt	—	—	220	—	220
Other current liabilities	77	47	1,153	—	1,277
Total current liabilities	83	885	2,975	(452 )	3,491
Long-term debt	—	2,893	10,179	—	13,072
Advances payable—consolidated subsidiaries	5,362	—	—	(5,362 )	—
Notes payable—consolidated subsidiaries	—	2,800	—	(2,800 )	—
Deferred credits and other liabilities	753	4,143	1,746	—	6,642
Preferred stock of subsidiaries	—	—	258	—	258
Equity					
Controlling interests	8,356	14,487	20,711	(35,198 )	8,356
Noncontrolling interests	—	—	2,182	—	2,182
Total equity	8,356	14,487	22,893	(35,198 )	10,538
Total Liabilities and Equity	\$14,554	\$25,208	\$ 38,051	\$ (43,812 )	\$ 34,001



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Spectra Energy Corp  
Condensed Consolidating Balance Sheet  
December 31, 2013  
(Unaudited)  
(In millions)

	Spectra Energy Corp	Spectra Capital	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	\$—	\$12	\$ 189	\$—	\$ 201
Receivables—consolidated subsidiaries	176	394	—	(570 )	—
Receivables—other	1	—	1,335	—	1,336
Other current assets	40	15	489	—	544
Total current assets	217	421	2,013	(570 )	2,081
Investments in and loans to unconsolidated affiliates	—	—	3,043	—	3,043
Investments in consolidated subsidiaries	13,244	19,403	—	(32,647 )	—
Advances receivable—consolidated subsidiaries—	—	4,038	677	(4,715 )	—
Notes receivable—consolidated subsidiaries	—	—	3,215	(3,215 )	—
Goodwill	—	—	4,810	—	4,810
Other assets	39	30	316	—	385
Property, plant and equipment, net	—	—	21,829	—	21,829
Regulatory assets and deferred debits	3	17	1,365	—	1,385
Total Assets	\$13,503	\$23,909	\$ 37,268	\$ (41,147 )	\$ 33,533
Accounts payable—other	\$4	\$—	\$ 436	\$—	\$ 440
Accounts payable—consolidated subsidiaries	89	—	481	(570 )	—
Commercial paper	—	344	688	—	1,032
Short-term borrowings—consolidated subsidiaries	—	415	—	(415 )	—
Taxes accrued	4	—	68	—	72
Current maturities of long-term debt	—	557	640	—	1,197
Other current liabilities	81	75	1,142	—	1,298
Total current liabilities	178	1,391	3,455	(985 )	4,039
Long-term debt	—	2,605	9,883	—	12,488
Advances payable—consolidated subsidiaries	4,715	—	—	(4,715 )	—
Notes payable—consolidated subsidiaries	—	2,800	—	(2,800 )	—
Deferred credits and other liabilities	116	3,869	2,440	—	6,425
Preferred stock of subsidiaries	—	—	258	—	258
Equity					
Controlling interests	8,494	13,244	19,403	(32,647 )	8,494
Noncontrolling interests	—	—	1,829	—	1,829
Total equity	8,494	13,244	21,232	(32,647 )	10,323
Total Liabilities and Equity	\$13,503	\$23,909	\$ 37,268	\$ (41,147 )	\$ 33,533



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Spectra Energy Corp  
Condensed Consolidating Statement of Cash Flows  
Nine Months Ended September 30, 2014  
(Unaudited)  
(In millions)

	Spectra Energy Corp	Spectra Capital	Non-Guarantor Subsidiaries	Eliminations	Consolidated
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net income	\$ 766	\$ 734	\$ 1,371	\$ (1,962 )	\$ 909
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation and amortization	—	—	610	—	610
Equity in earnings of unconsolidated affiliates	—	—	(337 )	—	(337 )
Equity in earnings of consolidated subsidiaries	(734 )	(1,228 )	—	1,962	—
Distributions received from unconsolidated affiliates	—	—	280	—	280
Other	(16 )	259	(159 )	—	84
Net cash provided by (used in) operating activities	16	(235 )	1,765	—	1,546
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Capital expenditures	—	—	(1,429 )	—	(1,429 )
Investments in and loans to unconsolidated affiliates	—	—	(229 )	—	(229 )
Purchases of held-to-maturity securities	—	—	(584 )	—	(584 )
Proceeds from sales and maturities of held-to-maturity securities	—	—	576	—	576
Purchases of available-for-sale securities	—	—	(13 )	—	(13 )
Proceeds from sales and maturities of available-for-sale securities	—	—	7	—	7
Distributions received from unconsolidated affiliates	—	—	252	—	252
Advances from affiliates	93	433	—	(526 )	—
Other changes in restricted funds	—	—	(1 )	—	(1 )
Net cash provided by (used in) investing activities	93	433	(1,421 )	(526 )	(1,421 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from the issuance of long-term debt	—	300	728	—	1,028
Payments for the redemption of long-term debt	—	(557 )	(588 )	—	(1,145 )
Net increase in commercial paper	—	33	360	—	393
Distributions to noncontrolling interests	—	—	(128 )	—	(128 )
Contributions from noncontrolling interests	—	—	139	—	139
Dividends paid on common stock	(677 )	—	—	—	(677 )
Proceeds from the issuance of SEP common units	—	—	277	—	277
Distributions and advances from (to) affiliates	558	15	(1,099 )	526	—
Other	10	—	1	—	11
Net cash used in financing activities	(109 )	(209 )	(310 )	526	(102 )

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Effect of exchange rate changes on cash	—	—	(3	)	—	(3	)
Net increase (decrease) in cash and cash equivalents	—	(11	)	31	—	20	
Cash and cash equivalents at beginning of period	—	12	189		—	201	
Cash and cash equivalents at end of period	\$—	\$1	\$ 220		\$—	\$ 221	

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Spectra Energy Corp  
Condensed Consolidating Statement of Cash Flows  
Nine Months Ended September 30, 2013  
(Unaudited)  
(In millions)

	Spectra Energy Corp	Spectra Capital	Non-Guarantor Subsidiaries	Eliminations	Consolidated
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net income	\$ 802	\$ 794	\$ 1,315	\$ (2,023 )	\$ 888
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation and amortization	—	—	587	—	587
Equity in earnings of unconsolidated affiliates	—	—	(345 )	—	(345 )
Equity in earnings of consolidated subsidiaries	(794 )	(1,229 )	—	2,023	—
Distributions received from unconsolidated affiliates	—	—	215	—	215
Other	(18 )	812	(739 )	—	