

Spectra Energy Partners, LP  
Form 10-Q  
November 12, 2008  
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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, 2008

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 001-33556

**SPECTRA ENERGY PARTNERS, LP**

(Exact Name of Registrant as Specified in its Charter)

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**Delaware**  
(State or other jurisdiction of incorporation)

**41-2232463**  
(IRS Employer Identification No.)

**5400 Westheimer Court**

**Houston, Texas 77056**

(Address of principal executive offices, including zip code)

**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 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 the 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

There were 48,852,175 Common Units, 21,638,730 Subordinated Units and 1,438,291 General Partner Units outstanding as of October 31, 2008.

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**SPECTRA ENERGY PARTNERS, LP**  
**FORM 10-Q FOR THE QUARTER ENDED**

**September 30, 2008**

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**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION**

This document includes forward-looking statements that are based on management's beliefs and assumptions. 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 involve risks and uncertainties that may cause actual results to be materially different from the results predicted. Factors that could cause actual results to differ materially from those indicated in any forward-looking statement include, but are not limited to:

state and federal 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 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 interest rates;

general economic conditions, including any potential effects arising from terrorist attacks and any consequential or other hostilities;

changes in environmental, safety and other laws and regulations;

results 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;

growth in opportunities, including the timing and success of efforts to develop domestic pipeline, storage, and other infrastructure projects and the effects of competition;

the performance of natural gas transmission and storage facilities;

the effect of accounting pronouncements issued periodically by accounting standard-setting bodies;

conditions of the capital markets during the periods covered by the 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.

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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 Partners, LP has described. Spectra Energy Partners, LP 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 PARTNERS, LP

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In millions, except per-unit amounts)

|  | Three Months Ended<br>September 30, |          | Nine Months Ended<br>September 30, |          |
|--|-------------------------------------|----------|------------------------------------|----------|
|  | 2008                                | 2007     | 2008                               | 2007     |
| <b>Operating Revenues</b>                                      |                                     |          |                                    |          |
| Transportation of natural gas                                  | \$ 25.6                             | \$ 24.5  | \$ 78.6                            | \$ 74.2  |
| Storage of natural gas and other                               | 3.9                                 | 4.1      | 13.1                               | 16.2     |
| Total operating revenues                                       | 29.5                                | 28.6     | 91.7                               | 90.4     |
| <b>Operating Expenses</b>                                      |                                     |          |                                    |          |
| Operating, maintenance and other                               | 11.8                                | 8.6      | 30.2                               | 20.2     |
| Depreciation and amortization                                  | 6.5                                 | 8.8      | 19.6                               | 20.0     |
| Property and other taxes                                       | 0.9                                 | 1.0      | 2.9                                | 2.7      |
| Total operating expenses                                       | 19.2                                | 18.4     | 52.7                               | 42.9     |
| <b>Operating Income</b>  | 10.3                                | 10.2     | 39.0                               | 47.5     |
| <b>Other Income and Expenses</b>                               |                                     |          |                                    |          |
| Equity in earnings of unconsolidated affiliates                | 17.6                                | 18.5     | 45.2                               | 41.5     |
| Other income and expenses, net                                 | 0.4                                 | 0.1      | 0.8                                | 0.5      |
| Total other income and expenses                                | 18.0                                | 18.6     | 46.0                               | 42.0     |
| <b>Interest Income</b>   | 0.7                                 | 2.8      | 3.0                                | 2.8      |
| <b>Interest Expense</b>  | 4.5                                 | 6.5      | 13.3                               | 10.8     |
| <b>Earnings Before Income Taxes</b>                            | 24.5                                | 25.1     | 74.7                               | 81.5     |
| <b>Income Tax Expense (Benefit)</b>                            | 0.2                                 | (111.1)  | (1.2)                              | (99.7)   |
| <b>Net Income</b>  | \$ 24.3                             | \$ 136.2 | \$ 75.9                            | \$ 181.2 |
| <b>Calculation of Limited Partners Interest in Net Income:</b> |                                     |          |                                    |          |
| Net income   | \$ 24.3                             | \$ 136.2 | \$ 75.9                            | \$ 181.2 |
| Less:  |                                     |          |                                    |          |
| Net income attributable to predecessor operations              |                                     | 112.4    | 1.6                                | 157.4    |
| General partner's interest in net income                       | 0.5                                 | 0.5      | 2.0                                | 0.5      |
| Limited partners' interest in net income                       | \$ 23.8                             | \$ 23.3  | \$ 72.3                            | \$ 23.3  |

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|  |         |         |         |         |
|--|---------|---------|---------|---------|
| Basic and diluted net income per limited partner unit                | \$ 0.34 | \$ 0.35 | \$ 1.05 | \$ 0.35 |
| Weighted average limited partner units outstanding basic and diluted | 70.5    | 66.3    | 69.0    | 66.3    |

See Notes to Condensed Consolidated Financial Statements

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## SPECTRA ENERGY PARTNERS, LP

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions)

|  | September 30,<br>2008 | December 31,<br>2007 |
|--|-----------------------|----------------------|
| <b>ASSETS</b>                                  |                       |                      |
| <b>Current Assets</b>                          |                       |                      |
| Cash and cash equivalents                      | \$ 26.5               | \$ 14.9              |
| Receivables, net                               | 16.4                  | 16.3                 |
| Other  | 5.3                   | 5.1                  |
| Total current assets                           | 48.2                  | 36.3                 |
| <b>Investments and Other Assets</b>            |                       |                      |
| Investments in unconsolidated affiliates       | 552.3                 | 495.1                |
| Goodwill                                       | 118.3                 | 118.3                |
| Other investments                              | 69.4                  | 154.8                |
| Total investments and other assets             | 740.0                 | 768.2                |
| <b>Property, Plant and Equipment</b>           |                       |                      |
| Cost   | 961.5                 | 930.0                |
| Less accumulated depreciation and amortization | 151.6                 | 133.7                |
| Net property, plant and equipment              | 809.9                 | 796.3                |
| <b>Regulatory Assets and Deferred Debits</b>   | 10.5                  | 10.5                 |
| <b>Total Assets</b>                            | <b>\$ 1,608.6</b>     | <b>\$ 1,611.3</b>    |

See Notes to Condensed Consolidated Financial Statements



**Index to Financial Statements****SPECTRA ENERGY PARTNERS, LP****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)****(In millions)**

|  | September 30,<br>2008 | December 31,<br>2007 |
|--|-----------------------|----------------------|
| <b>LIABILITIES AND PARTNERS CAPITAL</b>  |                       |                      |
| <b>Current Liabilities</b>   |                       |                      |
| Accounts payable   | \$ 11.9               | \$ 7.6               |
| Taxes accrued  | 3.4                   | 3.5                  |
| Interest accrued   | 3.0                   | 1.6                  |
| Natural gas imbalance payables   | 5.9                   | 3.4                  |
| Note payable affiliates  | 50.0                  | 50.0                 |
| Other  | 8.5                   | 7.5                  |
| Total current liabilities  | 82.7                  | 73.6                 |
| <b>Long-term Debt</b>  | 390.0                 | 400.0                |
| <b>Deferred Credits and Other Liabilities</b>  |                       |                      |
| Deferred income taxes  | 8.8                   | 10.7                 |
| Other  | 3.1                   | 3.3                  |
| Total deferred credits and other liabilities   | 11.9                  | 14.0                 |
| <b>Commitments and Contingencies</b>   |                       |                      |
| <b>Partners Capital</b>  |                       |                      |
| Predecessor equity   |                       | 98.4                 |
| Common units (48.9 million and 44.6 million units outstanding at September 30, 2008 and December 31, 2007, respectively) | 794.7                 | 699.3                |
| Subordinated units (21.6 million units outstanding)  | 304.7                 | 303.5                |
| General partner units (1.4 million units outstanding)  | 21.5                  | 19.0                 |
| Accumulated other comprehensive income   | 3.1                   | 3.5                  |
| Total partners capital   | 1,124.0               | 1,123.7              |
| <b>Total Liabilities and Partners Capital</b>  | <b>\$ 1,608.6</b>     | <b>\$ 1,611.3</b>    |

See Notes to Condensed Consolidated Financial Statements

**Index to Financial Statements****SPECTRA ENERGY PARTNERS, LP****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)****(In millions)**

|   | <b>Nine Months Ended<br/>September 30,</b> |                |
|---|--|----------------|
|   | <b>2008</b>                                | <b>2007</b>    |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |  |                |
| Net income  | \$ 75.9                                    | \$ 181.2       |
| Adjustments to reconcile net income to net cash provided by operating activities: |  |                |
| Depreciation and amortization   | 19.6                                       | 20.0           |
| Deferred income tax benefit   | (1.9)                                      | (104.5)        |
| Equity in earnings of unconsolidated affiliates                                   | (45.2)                                     | (41.5)         |
| Distributions received from unconsolidated affiliates                             | 52.5                                       | 9.1            |
| Other   | 3.2  | (2.3)          |
| <b>Net cash provided by operating activities</b>                                  | <b>104.1</b>                               | <b>62.0</b>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |  |                |
| Capital expenditures  | (28.0)                                     | (22.3)         |
| Investment expenditures   | (64.5)                                     | (14.8)         |
| Acquisition of Saltville and P-25 pipeline  | (4.7)                                      |                |
| Proceeds from sales of assets   |  | 8.3            |
| Purchases of available-for-sale securities  | (1,006.3)                                  | (1,132.7)      |
| Proceeds from sales and maturities of available-for-sale securities               | 1,091.6                                    | 948.4          |
| <b>Net cash used in investing activities</b>                                      | <b>(11.9)</b>                              | <b>(213.1)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                       |  |                |
| Proceeds from issuance of debt under credit facilities                            | 1,200.0                                    | 319.0          |
| Payments for the redemption of debt under credit facilities                       | (1,210.0)                                  | (10.0)         |
| Proceeds from issuance of common units  |  | 230.0          |
| Distributions to partners   | (69.8)                                     |                |
| Dividends to parent   |  | (12.5)         |
| Transfers to parent, net  | (0.8)                                      | (358.1)        |
| <b>Net cash provided by (used in) financing activities</b>                        | <b>(80.6)</b>                              | <b>168.4</b>   |
| Net increase in cash and cash equivalents   | 11.6                                       | 17.3           |
| <b>Cash and cash equivalents at beginning of period</b>                           | <b>14.9</b>                                |                |
| <b>Cash and cash equivalents at end of period</b>                                 | <b>\$ 26.5</b>                             | <b>\$ 17.3</b> |

See Notes to Condensed Consolidated Financial Statements

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## SPECTRA ENERGY PARTNERS, LP

## CONDENSED CONSOLIDATED STATEMENTS OF PARTNERS CAPITAL

(Unaudited)

(In millions)

|  | Partners Capital<br>Limited Partners |          |              | General<br>Partner | Accumulated<br>Other<br>Comprehensive<br>Income | Total      |
|--|--------------------------------------|----------|--------------|--------------------|---|------------|
|  | Predecessor<br>Equity                | Common   | Subordinated |                    |   |            |
| <b>December 31, 2007</b>                           | \$ 98.4                              | \$ 699.3 | \$ 303.5     | \$ 19.0            | \$ 3.5  | \$ 1,123.7 |
| Net income   | 1.6                                  | 49.7     | 22.6         | 2.0                |   | 75.9       |
| Net change in parent advances                      | (0.8)                                |          |              |                    |   | (0.8)      |
| Acquisition of Saltville and P-25 pipeline         | (99.2)                               |          |              |                    |   | (99.2)     |
| Excess purchase price over net acquired assets     |                                      | (7.6)    |              | (0.2)              |   | (7.8)      |
| Issuance of units                                  |                                      | 100.2    |              | 2.1                |   | 102.3      |
| Attributed deferred tax benefit                    |                                      | 0.1      |              |                    |   | 0.1        |
| Unrealized mark-to-market net loss on hedges       |                                      |          |              |                    | (0.2)   | (0.2)      |
| Reclassification of cash flow hedges into earnings |                                      |          |              |                    | (0.2)   | (0.2)      |
| Distributions to partners                          |                                      | (47.0)   | (21.4)       | (1.4)              |   | (69.8)     |
| <b>September 30, 2008</b>                          | \$                                   | \$ 794.7 | \$ 304.7     | \$ 21.5            | \$ 3.1  | \$ 1,124.0 |
| <b>December 31, 2006</b>                           | \$ 1,093.3                           | \$       | \$           | \$                 | \$ 3.8  | \$ 1,097.1 |
| Net income   | 157.4                                | 15.7     | 7.6          | 0.5                |   | 181.2      |
| Reclassification of cash flow hedges into earnings |                                      |          |              |                    | (0.2)   | (0.2)      |
| Dividends to parent                                | (12.5)                               |          |              |                    |   | (12.5)     |
| Net change in parent advances                      | (361.9)                              |          |              |                    |   | (361.9)    |
| Conversion to Spectra Energy<br>Partners, LP       | (775.3)                              | 457.7    | 298.9        | 18.7               |   |            |
| Issuance of common units                           |                                      | 230.0    |              |                    |   | 230.0      |
| <b>September 30, 2007</b>                          | \$ 101.0                             | \$ 703.4 | \$ 306.5     | \$ 19.2            | \$ 3.6  | \$ 1,133.7 |

See Notes to Condensed Consolidated Financial Statements

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**SPECTRA ENERGY PARTNERS, LP**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**1. General**

**Nature of Operations.** Spectra Energy Partners, LP, through its subsidiaries and equity affiliates (collectively, Spectra Energy Partners) is engaged in the transportation of natural gas through interstate pipeline systems that serve the southeastern United States, and the storage of natural gas in underground facilities that are located in southeast Texas, south central Louisiana and southwest Virginia. Spectra Energy Partners, LP is a Delaware master limited partnership formed on March 19, 2007.

**Initial Public Offering.** On July 2, 2007, immediately prior to the closing of Spectra Energy Partners' initial public offering (IPO), Spectra Energy Corp (Spectra Energy) contributed to Spectra Energy Partners, LP 100% of the ownership of East Tennessee Natural Gas LLC (East Tennessee) less certain working capital balances retained as per the partnership agreements, 50% of the ownership of Market Hub Partners Holding (Market Hub) and a 24.5% interest in Gulfstream Natural Gas System, L.L.C. (Gulfstream).

On July 2, 2007, Spectra Energy Partners completed its IPO. Spectra Energy Partners issued 11.5 million common units to the public, representing 17% of its then outstanding equity. Spectra Energy retained an 83% equity interest in Spectra Energy Partners, including common units, subordinated units and a 2% general partner interest. Spectra Energy also holds incentive distribution rights.

**Acquisitions.** On April 4, 2008, Spectra Energy Partners completed the acquisition of the equity interests of Saltville Gas Storage Company L.L.C. (Saltville) and the P-25 pipeline from Spectra Energy (collectively, hereafter referred to as the Saltville acquisition). The Saltville acquisition represented a transfer of entities under common control. Accordingly, the Condensed Consolidated Financial Statements and related information presented herein have been recast to include the historical results of Saltville and the P-25 pipeline for all periods presented. See Note 2 for further discussion.

**Basis of Presentation.** For periods prior to the closing of the IPO, the combined financial statements were prepared from the separate records maintained by Spectra Energy for the entities that were originally contributed to Spectra Energy Partners and for the operations included in the Saltville acquisition, and are based on Spectra Energy's historical ownership percentages of those operations. The combined financial results of these entities are treated as the historical results of Spectra Energy Partners for financial statement reporting purposes. Both the combined financial statements of East Tennessee, Saltville, Market Hub and Gulfstream, as well as the consolidated financial statements of Spectra Energy Partners for the periods post-IPO, are hereafter referred to as the Condensed Consolidated Financial Statements. The historical data for periods prior to the closing of the IPO and for periods prior to the Saltville acquisition may not necessarily be indicative of the actual results of operations had those entities been operated separately during those periods. Because a direct ownership relationship did not exist among the entities comprising Spectra Energy Partners prior to July 2, 2007 and prior to the Saltville acquisition on April 4, 2008, the net investment in Spectra Energy Partners is shown as Predecessor Equity in the applicable Condensed Consolidated Financial Statements.

Spectra Energy Partners generally accounts for investments in 20% to 50%-owned affiliates, and investments in less than 20%-owned affiliates where it has the ability to exercise significant influence, under the equity method. Accordingly, the consolidated historical financial statements for Spectra Energy Partners reflect the consolidation of East Tennessee and Saltville, and the investments in Market Hub and Gulfstream using the equity method of accounting. All intercompany balances and transactions have been eliminated in consolidation.

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These interim financial statements should be read in conjunction with the consolidated financial statements included in Spectra Energy Partners Annual Report on Form 10-K for the year ended December 31, 2007 and reflect all normal recurring adjustments that are, in the opinion of management, necessary to fairly present Spectra Energy Partners' 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.

**Use of Estimates.** To conform with generally accepted accounting principles (GAAP) in the United States, management makes 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 management's best available knowledge at the time, actual results could differ.

## **2. Acquisitions**

On April 4, 2008, Spectra Energy Partners completed the Saltville acquisition from Spectra Energy at a purchase price of \$107.0 million, which included the issuance of 4,207,641 common units and 85,870 general partner units, and a cash payment of \$4.7 million to Spectra Energy. Saltville assets include three separate natural gas storage facilities adjacent to the East Tennessee system in southwest Virginia with approximately 5.5 billion cubic feet of working capacity. The P-25 pipeline, now part of the operations of East Tennessee, is a 72-mile, eight-inch natural gas pipeline with a capacity of 40 million cubic feet per day that runs parallel to the East Tennessee system in Virginia. The Saltville storage assets and the P-25 pipeline are strategically integrated with Spectra Energy Partners' East Tennessee system. The completion of the Saltville acquisition allows for a streamlined regulatory structure under Federal Energy Regulatory Commission (FERC) jurisdiction, an enhanced operational flexibility that will benefit both East Tennessee and Saltville customers and a broader array of organic expansion opportunities for Spectra Energy Partners' pipeline and storage assets.

Spectra Energy's ownership of Spectra Energy Partners increased from 83% to 84% as a result of receipt of the new common and general partner units. The \$7.8 million excess purchase price over the book value of net assets acquired was recorded as a reduction to Partners' Capital, and the \$102.3 million of common and general partner units issued were recorded as increases to Partners' Capital.

As discussed in Note 1, the Saltville acquisition represented a transfer of entities under common control, which requires that the assets and liabilities acquired be recorded at historical book value and that Spectra Energy Partners' financial statements be presented on a basis similar to the pooling method of accounting, whereby all historical periods are retroactively adjusted to furnish comparative financial information as if the transaction had occurred immediately prior to the earliest period presented.

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*Condensed Consolidated Statements of Operations.* The historical Condensed Consolidated Statements of Operations for the three and nine-month periods ended September 30, 2007 have been recast to retroactively reflect the Saltville acquisition, as presented below.

|   | Three Months Ended<br>September 30, 2007 |           |              | Nine Months Ended<br>September 30, 2007 |                        |           |              |              |
|---|--|-----------|--------------|---|------------------------|-----------|--------------|--------------|
|   | Previously<br>Reported                   | Saltville | Eliminations | As<br>Recast<br>(in millions)           | Previously<br>Reported | Saltville | Eliminations | As<br>Recast |
| <b>Operating Revenues</b>                       |  |           |              |   |                        |           |              |              |
| Transportation of natural gas                   | \$ 23.8                                  | \$ 0.7    | \$           | \$ 24.5                                 | \$ 72.4                | \$ 2.1    | \$ (0.3)     | \$ 74.2      |
| Storage of natural gas and other                |  | 4.1       |              | 4.1                                     | 1.5                    | 15.8      | (1.1)        | 16.2         |
| Total operating revenues                        | 23.8                                     | 4.8       |              | 28.6                                    | 73.9                   | 17.9      | (1.4)        | 90.4         |
| <b>Operating Expenses</b>                       |  |           |              |   |                        |           |              |              |
| Operating, maintenance and other                | 6.6                                      | 2.0       |              | 8.6                                     | 13.4                   | 8.2       | (1.4)        | 20.2         |
| Depreciation and amortization                   | 7.5                                      | 1.3       |              | 8.8                                     | 17.5                   | 2.5       |              | 20.0         |
| Property and other taxes                        | 0.7                                      | 0.3       |              | 1.0                                     | 1.6                    | 1.1       |              | 2.7          |
| Total operating expenses                        | 14.8                                     | 3.6       |              | 18.4                                    | 32.5                   | 11.8      | (1.4)        | 42.9         |
| <b>Operating Income</b>                         | 9.0                                      | 1.2       |              | 10.2                                    | 41.4                   | 6.1       |              | 47.5         |
| <b>Other Income and Expenses</b>                |  |           |              |   |                        |           |              |              |
| Equity in earnings of unconsolidated affiliates | 18.5                                     |           |              | 18.5                                    | 41.5                   |           |              | 41.5         |
| Other income and expenses, net                  | 0.1                                      |           |              | 0.1                                     | 0.4                    | 0.1       |              | 0.5          |
| Total other income and expenses                 | 18.6                                     |           |              | 18.6                                    | 41.9                   | 0.1       |              | 42.0         |
| <b>Interest Income</b>                          | 2.8                                      |           |              | 2.8                                     | 2.8                    |           |              | 2.8          |
| <b>Interest Expense</b>                         | 6.5                                      |           |              | 6.5                                     | 10.8                   |           |              | 10.8         |
| <b>Earnings Before Income Taxes</b>             | 23.9                                     | 1.2       |              | 25.1                                    | 75.3                   | 6.2       |              | 81.5         |
| <b>Income Tax Expense (Benefit)</b>             | (110.4)                                  | (0.7)     |              | (111.1)                                 | (99.8)                 | 0.1       |              | (99.7)       |
| <b>Net Income</b>                               | \$ 134.3                                 | \$ 1.9    | \$           | \$ 136.2                                | \$ 175.1               | \$ 6.1    | \$           | \$ 181.2     |

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*Condensed Consolidated Balance Sheet.* The historical Condensed Consolidated Balance Sheet as of December 31, 2007 has been recast to retroactively reflect the Saltville acquisition, as presented below.

|                           | Previously<br>Reported | December 31, 2007 |                               | As<br>Recast |
|---------------------------|------------------------|-------------------|-------------------------------|--------------|
|                           |                        | Saltville         | Eliminations<br>(in millions) |              |
| <b>ASSETS</b>             |                        |                   |                               |              |
| <b>Current Assets</b>     |                        |                   |                               |              |
| Cash and cash equivalents | \$ 14.9                | \$                | \$                            | \$ 14.9      |
| Receivables, net          | &nbs                   |                   |                               |              |