Spectra Energy Partners, LP
Form 10-K
March 25, 2008

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(**d**) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2007

or

o 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)

Delaware *(State or other jurisdiction of incorporation or organization)*	**41-2232463** *(I.R.S. Employer Identification No.)*
5400 Westheimer Court, Houston, Texas *(Address of principal executive offices)*	**77056** *(Zip Code)*

713-627-5400
(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Units Representing Limited Partner Interests	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No þ

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 þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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. (Check one):

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes o No þ

Estimated aggregate market value of the Common Units held by non-affiliates of the registrant at June 30, 2007: $327,000,000.

At March 06, 2008, there were 44,640,245 Common Units, 21,638,730 Subordinated Units and 1,352,421 General Partner Units outstanding.

SPECTRA ENERGY PARTNERS, LP

**FORM 10-K FOR THE YEAR ENDED
DECEMBER 31, 2007**

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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, expec continue, should, could, may, plan, project, predict, will, potential, forecast, and similar expressio 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 hostilities 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 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.

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

Item 1. *Business.*

General

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 with approximately 2,100 miles of pipelines that serve the southeastern United States, and the storage of natural gas in underground facilities with aggregate working gas storage capacity of approximately 35 billion cubic feet (Bcf) that are located in southeast Texas and in south central Louisiana. Spectra Energy Partners, LP is a Delaware master limited partnership formed on March 19, 2007.

Spectra Energy Partners transports and stores natural gas for a broad mix of customers, including local gas distribution companies, or LDCs, municipal utilities, interstate and intrastate pipelines, direct industrial users, electric power generators, marketers and producers. In addition to serving directly connected Southeastern markets, Spectra Energy Partners pipeline and storage systems have access to customers in the Mid-Atlantic, Northeastern and Midwestern regions of the United States through numerous interconnections with major pipelines. Spectra Energy Partners rates are regulated under Federal Energy Regulatory Commission (FERC) rate-making policies, and, in the case of the storage facility in Texas, by the Texas Railroad Commission (TRC).

The operations and activities of Spectra Energy Partners are managed by its general partner, Spectra Energy Partners (DE) GP, LP, which in turn is managed by its general partner, Spectra Energy Partners GP, LLC, (the General Partner). The General Partner is wholly-owned by a subsidiary of Spectra Energy Corp (Spectra Energy). Spectra Energy is a separate, publicly traded entity which trades on the New York Stock Exchange under the symbol SE.

Initial Public Offering

On July 2, 2007, immediately prior to the closing of Spectra Energy Partners initial public offering (IPO), Spectra Energy contributed to Spectra Energy Partners 100% of the ownership of East Tennessee Natural Gas, LLC (East Tennessee), 50% of the ownership of Market Hub Partners Holding (Market Hub), formerly Market Hub Partners Holding, LLC, and a 24.5% interest in Gulfstream Natural Gas System, L.L.C. (Gulfstream). Spectra Energy indirectly owned 100% of Spectra Energy Partners prior to the closing of the IPO. On July 2, 2007, Spectra Energy Partners issued 11.5 million common units to the public, representing 17% of its outstanding equity. Spectra Energy retained an 83% equity interest in Spectra Energy Partners, including common units, subordinated units and a 2% general partner interest.

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East Tennessee

General

Spectra Energy Partners owns and operates 100% of the approximately 1,400-mile East Tennessee interstate natural gas transportation system, which extends from central Tennessee eastward into southwest Virginia and northern North Carolina, and southward into northern Georgia. East Tennessee supports the energy demands of the Southeast and Mid-Atlantic regions of the United States through connections to 19 receipt points and more than 175 delivery points and market delivery capability of approximately 1.3 billion cubic feet per day (Bcf/d) of natural gas. East Tennessee also owns and operates a liquefied natural gas (LNG) storage facility in Kingsport, Tennessee with working gas storage capacity of approximately 1.1 Bcf and regasification capability of 150 million cubic feet per day (MMcf/d).

Customers and Contracts

East Tennessee s customers include LDCs, utilities, industrial companies, natural gas marketers and producers and electric power generators. East Tennessee s three largest customers in 2007 were Atmos Energy Corporation, CNX Gas Company LLC and KGen Murray I and II LLC, which accounted for approximately 13%, 11% and 11%, respectively, of East Tennessee s revenues.

East Tennessee contracts with its customers to provide firm and interruptible transportation services. Payments under these services are based on the volume of capacity reserved on the system regardless of the capacity actually used, plus a variable charge based on the volume of natural gas actually transported. As a result, firm transportation revenues typically remain relatively constant over the term of the contract. Maximum and minimum rates for services are governed by East Tennessee s FERC-approved natural gas tariff.

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In 2005, East Tennessee entered into a rate settlement with its customers which established new base rates under the tariff. The 2005 rate settlement provides rate certainty through the settlement s expiration in 2010, at which time East Tennessee s rates will remain the same, subject to further negotiation or the filing of a rate case. Neither regulation nor the terms of the settlement require East Tennessee to file a rate case at any time.

East Tennessee also provides interruptible transportation services under which gas is transported for customers when operationally feasible and customers pay only for the actual volume of gas transported. Under all contracts, East Tennessee retains, at no cost, a fixed percentage of the natural gas it transports in order to supply the fuel needed for natural gas compression on the system.

As of December 31, 2007, East Tennessee s firm transportation and storage contracts had a weighted average remaining life of approximately nine years. For the year ended December 31, 2007, 98% of East Tennessee s revenues were derived from capacity reservation charges under firm contracts (including LNG storage services), with the remainder representing variable usage fees under firm and interruptible transportation contracts.

Source of Supply

Although East Tennessee does not own the natural gas transported or stored on its system, gas supply attachments are a critical factor for East Tennessee s customers. The majority of the gas supply benefiting East Tennessee s customers comes from the Gulf Coast region through Tennessee Gas Pipeline Company, as well as through Texas Eastern Transmission, L.P. (Texas Eastern Transmission), a subsidiary of Spectra Energy, and to a lesser degree Southern Natural Gas Company and Columbia Gulf Transmission Company. East Tennessee s customers also receive natural gas supply from the Appalachian region through several producers and also recently began to receive natural gas supply through the Jewell Ridge Lateral that connects to Appalachian supply basins. Natural gas withdrawn from East Tennessee s LNG storage facility and other on-system storage fields, including Spectra Energy s Saltville natural gas storage facility, provide East Tennessee s customers with additional supply sources used to supplement supplies during periods of peak demand.

Competition

The mountainous geography of the regions served by East Tennessee creates natural barriers to entry that make competition from new pipeline entrants difficult and expensive. As a result, East Tennessee is the sole source of interstate natural gas transportation for many of the firm capacity customers that transport natural gas on East Tennessee. At both ends of East Tennessee s system, it is subject to competition from other pipelines.

Natural gas is in direct competition with electricity for residential and commercial heating demand in East Tennessee s market area. While this competition does not directly affect its firm sales, its LDC customers growth is partially dependent upon the installation of natural gas furnaces in new home construction. Although substitution of electric heat for natural gas heat could have a long-term effect on its customers demand requirements, East Tennessee has already benefited from the addition of new natural gas fired electric generation constructed in proximity to the pipeline.

An increase in competition in the region served by East Tennessee could arise from new ventures or expanded operations from existing competitors. Other competitive factors include the quantity, location and physical flow characteristics of interconnected pipelines, the ability to offer service from multiple storage or production locations, and the cost of service and rates offered by East Tennessee s competitors.

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Gulfstream

General

Spectra Energy Partners owns a 24.5% interest in the approximate 700-mile Gulfstream interstate natural gas transportation system which extends from Pascagoula, Mississippi and Mobile, Alabama across the Gulf of Mexico and into Florida. The Gulfstream pipeline currently includes approximately 242 miles of onshore pipeline in Florida, 15 miles of onshore pipeline in Alabama and Mississippi, and 435 miles of offshore pipeline in the Gulf of Mexico. Gulfstream s facilities also include gas treatment facilities and a compressor station in Coden, Alabama. Gulfstream supports the south and central Florida markets through its connection to seven receipt points and 19 delivery points and has market delivery capability of approximately 1.1 Bcf/d of natural gas. Spectra Energy and The Williams Companies, Inc. (Williams) own the remaining 25.5% and 50% interests in Gulfstream, respectively, and jointly operate the system.

Customers, Contracts and Supply

In 2007, Florida Power & Light Company, Florida Power Corporation and Tampa Electric Company and its affiliates accounted for approximately 50%, 22% and 10%, respectively, of Gulfstream s revenues.

Gulfstream provides firm and interruptible transportation services, interruptible park and loan services, and operational balancing agreements to resolve any differences between scheduled and actual receipts and deliveries. All of Gulfstream s firm transportation contracts include negotiated rates through the life of the contract. These negotiated rates are currently less than the maximum applicable recourse rate allowed by FERC.

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As of December 31, 2007, Gulfstream s firm transportation and storage contracts had a weighted average remaining life of 19 years. For the year ended December 31, 2007, 93% of Gulfstream s revenues were derived from capacity reservation charges under firm contracts, 3% of revenues were derived from variable usage fees under firm contracts and 4% of revenues were derived from interruptible transportation contracts.

Gulfstream shippers increasingly have the option of buying natural gas supplies from a wide range of producers in the Eastern Gulf of Mexico and from onshore sites along the entire Gulf Coast. Gulfstream is interconnected to processing plants and supply pipelines in the Mobile Bay area. Currently, shippers have the ability to source supply at seven access points. In addition, anticipated increasing LNG imports along the Gulf Coast should further diversify the gas supplies available to Gulfstream s customers, potentially offsetting some of the risks associated with offshore Gulf of Mexico natural gas production.

In the summer of 2008, Gulfstream shippers expect to have access to supplies delivered by Spectra Energy s Southeast Header Supply, LLC (SESH) joint venture. SESH will originate in Perryville, LA and interconnect with Gulfstream near Coden, Alabama.

Competition

Within the Florida market for natural gas, Gulfstream competes with other pipelines that transport and supply natural gas to end-users. Gulfstream s competitors attempt to either attract new supply or attach new load to their pipelines, including those that are currently connected to markets served by Gulfstream. Gulfstream s most direct competitor is Florida Gas Transmission Company, a subsidiary of Citrus Corp.

An increase in competition in the market could arise from new ventures or expanded operations from existing competitors. Other competitive factors include the quantity, location and physical flow characteristics of interconnected pipelines, access to natural gas storage, the cost of service and rates, and the terms of service offered.

Market Hub

General

Spectra Energy Partners owns a 50% interest in Market Hub, which owns and operates two high-deliverability salt cavern natural gas storage facilities the Egan facility and the Moss Bluff facility. These storage facilities are capable of being fully or partially filled and depleted, or cycled, multiple times per year. Market Hub s storage facilities offer access to natural gas supplies from Texas, Louisiana and growing imports of LNG to the Gulf Coast, and each facility interconnects with Spectra Energy s Texas Eastern Transmission system. Spectra Energy owns the remaining 50% interest in Market Hub and operates the system.

The Egan storage facility, located in Acadia Parish, Louisiana, has a working gas capacity of approximately 20 Bcf, and includes a 38-mile pipeline system that interconnects with seven major pipeline systems. Egan offers access to Gulf Coast, Midwest, Southeast and Northeast markets.

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The Moss Bluff storage facility, located in Liberty County, Texas, has a working gas capacity of approximately 15 Bcf, and includes a 20-mile pipeline system that interconnects with five major pipeline systems. Moss Bluff offers access to Texas, Northeast and Midwest markets.

Customer, Contracts and Supply

Market Hub provides storage services to a broad mix of customers including marketers, electric power generators, gas producers, pipelines and LDCs. In 2007, Spectra Energy accounted for 11% of Market Hub s revenues.

Market Hub provides firm storage, park and loan services and wheeling. Under firm storage contracts, customers pay a reservation rate for the right to inject, withdraw and store a specified volume of natural gas. Under park and loan contracts, customers pay for the interruptible right to park (store) or loan (borrow) gas for a specific period of time. Customers who desire to wheel gas through a Market Hub facility pay for the interruptible right to receive natural gas at one interconnecting pipeline on the storage facility header system and have it simultaneously delivered to a different interconnecting pipeline on the storage facility header system.

As of December 31, 2007, Market Hub s firm storage contracts had an average remaining life of approximately three years, which is typical of the shorter contract life of storage systems as compared to transportation systems. For the year ended December 31, 2007, approximately 83% of Market Hub s revenues were derived from capacity reservation fees under firm storage contracts, with the remaining 17% primarily from interruptible storage contracts, including park and loan services, and wheeling.

Egan has aggregate receipt capacity from major interconnecting pipelines of approximately 3.5 Bcf/d compared to an injection capability of 1.3 Bcf/d. Moss Bluff has aggregate receipt capacity from major interconnecting pipelines of approximately 1.7 Bcf/d compared to an injection capability of 0.6 Bcf/d. Egan has access to major interstate pipelines, while Moss Bluff has access to major interstate and intrastate pipelines. This level of supply connectivity gives customers access to a broad range of natural gas supply sources from existing onshore and offshore Gulf Coast and Mid-Continent production areas as well as future LNG supplies.

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Competition

Market Hub competes with several regional storage facilities along the Gulf Coast as well as the storage services offered by interstate and intrastate pipelines that serve the same markets as Market Hub. The principal elements of competition among storage facilities are rates, terms of service, types of service, deliverability, supply and market access, and flexibility and reliability of service. An increase in competition in the market could arise from new ventures or expanded operations from existing competitors.

Contract Mix Summary

Spectra Energy Partners competes for transportation and storage customers based on the specific type of service a customer needs, operating flexibility, available capacity and price. As noted previously, Spectra Energy Partners provides a significant portion of its transportation and storage services through firm contracts and derives a smaller portion of revenues through interruptible contracts, seeking to maximize the portion of physical capacity sold under firm contracts. To the extent that physical capacity that is contracted for firm service is not being fully utilized, Spectra Energy Partners can contract such capacity for interruptible service. The table below summarizes certain information regarding contracts and revenues as of and for the year ended December 31, 2007:

	Revenue Composition%			% of Physical Capacity	
	Firm Contracts			Subscribed	Weighted Average Remaining Contract
Asset	Capacity Reservation Fees	Variable Fees	Interruptible Contracts	Under Firm Contracts	Life (in years)(a)
East Tennessee	98%	1%	1%	96%	9
Gulfstream	93	3	4	68	19
Market Hub	83		17	100	3

(a) The average life of each contract is calculated based on contract revenues.

Pending Acquisition

In December 2007, Spectra Energy Partners announced an agreement to acquire Virginia-based Saltville Gas Storage Company, L.L.C. (Saltville) and the P-25 Pipeline from Spectra Energy for $107 million, consisting of newly issued partnership units and approximately $5 million in cash. Saltville assets include three separate natural gas storage facilities with approximately 5.5 Bcf of working capacity. The P-25 Pipeline is a 72-mile, eight-inch natural gas pipeline with a capacity of 40 Mmcf/d. The transaction is expected to close during the second quarter of 2008, pending required regulatory approvals.

Supplies and Raw Materials

Spectra Energy Partners purchases a variety of manufactured equipment and materials for use in operations and expansion projects. The primary equipment and materials utilized in operations and project execution processes are steel pipe, compression engines, valves, fittings, gas meters and other consumables.

Spectra Energy Partners utilizes Spectra Energy s supply chain management function which operates a North American supply chain management network with employees dedicated to this function in the United States and Canada. The supply chain management group uses the scale of Spectra Energy to maximize the efficiency of supply networks where applicable.

Global growth in the energy sector, particularly in North America, and rising international demand have led to increased demand levels and increased costs of steel used in certain of the manufactured equipment required by Spectra Energy Partners operations. While some of these increases in price and supplier capacity will be offset through the use of strategic supplier contracts, Spectra Energy Partners expects stable to rising prices and constant to extended lead times for many of these products in 2008 through 2010 compared to the previous three year period. The increasing costs and extended lead times are expected to primarily affect Spectra Energy Partners expansion project program. There can be no assurance that the ability to obtain sufficient equipment and materials will not be adversely affected by unforeseen developments. In addition, the price of equipment and materials may vary, perhaps substantially, from year to year.

Regulations

Spectra Energy Partners interstate gas transmission pipeline and storage operations, with the exception of Moss Bluff, are regulated by the FERC. The FERC regulates natural gas transportation in U.S. interstate commerce including the establishment of rates for services. The FERC also regulates the construction of U.S. interstate pipelines and storage facilities including extension, enlargement and abandonment of facilities. In addition, the Moss Bluff intrastate storage operations are subject to oversight by the TRC.

FERC regulations restrict U.S. interstate pipelines from sharing transmission or customer information with marketing affiliates and require that U.S. interstate pipelines function independently of their marketing affiliates.

The FERC may propose and implement new rules and regulations affecting interstate natural gas transmission companies, which remain subject to the FERC s jurisdiction. These initiatives may also affect certain transportation of gas by intrastate pipelines.

Spectra Energy Partners gas transmission operations are subject to the jurisdiction of various federal, state and local environmental agencies. See Environmental Matters for a discussion of environmental regulation. Spectra Energy Partners interstate natural gas pipelines are also subject to the regulations of the Department of Transportation (DOT) concerning pipeline safety.

Under current policy, the FERC permits pipelines and storage companies to include a tax allowance in the cost-of-service used as the basis for calculating their regulated rates. For pipelines and storage companies owned by partnerships or limited liability company interests, the tax allowance will reflect the actual or potential income tax liability on FERC jurisdictional income attributable to all partnership or limited liability company interests, if the ultimate owner of the interest has an actual or potential income tax liability on such income. This policy was recently upheld by the Court of Appeals for the District of Columbia Circuit. Whether the owners of a pipeline or storage company have such actual or potential income tax liability will be reviewed by the FERC on a case-by-case basis. In a future rate case, the pipelines and storage companies in which Spectra Energy Partners owns an interest may be required to demonstrate the extent to which inclusion of an income tax allowance in the company s cost-of-service is permitted under the current income tax allowance policy. Egan and Moss Bluff have authority to charge market-based rates and therefore this tax allowance issue does not affect the rates that they charge their customers.

Environmental Matters

Spectra Energy Partners is subject to federal, state and local laws and regulations with regard to air and water quality, hazardous and solid waste disposal and other environmental matters. These regulations often impose substantial testing and certification requirements.

Environmental laws and regulations affecting Spectra Energy Partners include, but are not limited to:

The Clean Air Act, or CAA, and the 1990 amendments to the CAA, as well as state laws and regulations affecting air emissions (including State Implementation Plans related to existing and new national ambient air quality standards), which may limit new sources of air emissions. Spectra Energy Partners natural gas transmission and storage assets are considered sources of air emissions and thus are subject to the CAA. Owners and/or operators of air emission sources, such as Spectra Energy Partners, are responsible for obtaining permits for existing and new sources of air emissions and for annual compliance and reporting.

The Federal Water Pollution Control Act, which requires permits for facilities that discharge wastewaters into the environment. The Oil Pollution Act (OPA), was enacted in 1990 and amends parts of the Clean Water Act and other statutes as they pertain to the prevention of and response to oil spills. OPA imposes certain spill prevention, control and countermeasure requirements. Although Spectra Energy Partners is primarily a natural gas business, OPA affects its business primarily because of the presence of liquid hydrocarbons (condensate) in its offshore pipeline.

The Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act, which requires certain solid wastes, including hazardous wastes, to be managed pursuant to a comprehensive regulatory regime. As part of its business, Spectra Energy Partners generates solid waste within the scope of these regulations and therefore must comply with such regulations.

The National Environmental Policy Act, which requires federal agencies to consider potential environmental effects in their decisions, including siting approvals. Many of Spectra Energy Partners projects require federal agency review, and therefore the environmental effect of proposed projects is a factor in determining whether Spectra Energy Partners will be permitted to complete proposed projects.

For more information on environmental matters involving Spectra Energy Partners, including possible liability and capital costs, see Item 8. Financial Statements and Supplementary Data, Note 12 of Notes to Consolidated Financial Statements.

Except to the extent discussed in Note 12, compliance with federal, state and local provisions regulating the discharge of materials into the environment, or otherwise protecting the environment, is incorporated into the routine cost structure of Spectra Energy Partners and is not expected to have a material adverse effect on Spectra Energy Partners competitive position, consolidated results of operations, financial position or cash flows.

Employees

Spectra Energy Partners does not have any employees. Spectra Energy Partners is managed by the directors and officers of its general partner. Spectra Energy Partners general partner or its affiliates currently employ 62 people who spend at least a majority of their time operating the East Tennessee facilities and 5 people who are primarily dedicated to Spectra Energy Partners. Market Hub is operated by Spectra Energy pursuant to an operating and maintenance agreement and the employees who operate the Market Hub assets are therefore not included in the above numbers. Gulfstream is operated by Spectra Energy (with respect to business functions) and Williams (with respect to technical functions) pursuant to an operating and maintenance agreement, and therefore, the employees who operate the Gulfstream assets are not included in the above numbers.

Additional Information

Spectra Energy Partners was formed on March 19, 2007 as a Delaware master limited partnership. Its principal executive offices are located at 5400 Westheimer Court, Houston, Texas 77056 and its telephone number is 713-627-5400. Spectra Energy Partners electronically files reports with the Securities and Exchange Commission (SEC), including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports. The public may read and copy any materials that Spectra Energy Partners files with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet site that contains reports and information statements, and other information regarding issuers that file electronically with the SEC at *http://www.sec.gov.* Additionally, information about Spectra Energy Partners, including its reports filed with the SEC, is available through Spectra Energy Partners web site at *http://www.spectraenergypartners.com.* Such reports are accessible at no charge through Spectra Energy Partners web site and are made available as soon as reasonably practicable after such material is filed with or furnished to the SEC. Spectra Energy Partners website and the information contained on that site, or connected to that site, are not incorporated by reference into this report.

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Glossary

Terms used to describe Spectra Energy Partners business are defined below.

Allowance for Funds Used During Construction (AFUDC). An accounting convention of regulators that represents the estimated composite interest costs of debt and a return on equity funds used to finance construction. The allowance is capitalized in the property accounts and included in income.

Available Cash: For any quarter ending prior to liquidation:

(a) the sum of:

(1) all cash and cash equivalents of Spectra Energy Partners and its subsidiaries on hand at the end of that quarter; and

(2) if Spectra Energy Partners general partner so determines all or a portion of any additional cash or cash equivalents of Spectra Energy Partners and its subsidiaries on hand on the date of determination of Available Cash for that quarter;

(b) less the amount of cash reserves established by Spectra Energy Partners general partner to:

(1) provide for the proper conduct of the business of Spectra Energy Partners and its subsidiaries (including reserves for future capital expenditures and for future credit needs of Spectra Energy Partners and its subsidiaries) after that quarter;

(2) comply with applicable law or any debt instrument or other agreement or obligation to which Spectra Energy Partners or any of its subsidiaries is a part or its assets are subject; and

(3) provide funds for minimum quarterly distributions and cumulative common unit arrearages for any one or more of the next four quarters; provided, however, that Spectra Energy Partners general partner may not establish cash reserves pursuant to clause (b)(3) immediately above unless Spectra Energy Partners general partner has determined that the establishment of reserves will not prevent Spectra Energy Partners from distributing the minimum quarterly distribution on all common units and any cumulative common unit arrearages thereon for that quarter; and provided, further, that disbursements made by Spectra Energy Partners or any of Spectra Energy Partners subsidiaries or cash reserves established, increased or reduced after the end of that quarter but on or before the date of determination of Available Cash for that quarter shall be deemed to have been made, established, increased or reduced, for purposes of determining Available Cash, within that quarter if Spectra Energy Partners general partner so determines.

British Thermal Unit (Btu). A standard unit for measuring thermal energy or heat commonly used as a gauge for the energy content of natural gas and other fuels.

Cubic Foot (cf). The most common unit of measurement of gas volume; the amount of natural gas required to fill a volume of one cubic foot under stated conditions of temperature, pressure and water vapor.

Derivative. A financial instrument or contract in which the price is based on the value of underlying securities, equity indices, debt instruments, commodities or other benchmarks or variables. Often used to hedge risk, derivatives involve the trading of rights or obligations, but not the direct transfer of property.

Cumulative Common Unit Arrearage. The amount by which the minimum quarterly distribution for a quarter during the subordination period exceeds the distribution of Available Cash from operating surplus actually made for that quarter on a common unit, cumulative for that quarter and all prior quarters during the subordination period.

Environmental Protection Agency (EPA). The U.S. agency that is responsible for researching and setting national standards for a variety of environmental programs, and delegates to states the responsibility for issuing permits and for monitoring and enforcing compliance.

Federal Energy Regulatory Commission (FERC). The U.S. agency that regulates the transportation of electricity and natural gas in interstate commerce and authorizes the buying and selling of energy commodities at market-based rates.

Liquefied Natural Gas (LNG). Natural gas that has been converted to a liquid by cooling it to minus 260 degrees Fahrenheit.

Local Distribution Company (LDC). A company that obtains the major portion of its revenues from the operations of a retail distribution system for the delivery of gas for ultimate consumption.

Operating Expenditures. All of Spectra Energy Partners expenditures and expenditures of Spectra Energy Partners subsidiaries, including, but not limited to, taxes, payments to the general partner for reimbursements of expenses incurred by the general partner on Spectra Energy Partners behalf, non-pro rata purchases of units, interest payments, payments made in the ordinary course of business under interest rate swap agreements and commodity hedge contracts and maintenance capital expenditures, subject to the following:

(a) Payments (including prepayments) of principal of and premium on indebtedness will not constitute operating expenditures.

(b) Operating expenditures will not include:

(1) expansion capital expenditures;

(2) payment of transaction expenses (including taxes) relating to interim capital transactions;

(3) distributions to unitholders; and

(4) non-pro rata purchases of units of any class made with the proceeds of an interim capital transaction.

Where capital expenditures consist of both maintenance capital expenditures and expansion capital expenditures, the general partner, with the concurrence of the Board of Directors of the General Partner s conflicts committee (the Conflicts Committee), shall determine the allocation between the amounts paid for each.

Operating Surplus. For any period prior to liquidation, on a cumulative basis and without duplication:

(a) the sum of:

(1) all cash receipts of Spectra Energy Partners, LP and Spectra Energy Partners subsidiaries for the period beginning on the closing date of Spectra Energy Partners initial public offering and ending with the last day of the period, other than cash receipts from interim capital transactions; and

(2) an amount equal to the sum of (A) two times the amount needed for any one quarter for Spectra Energy Partners to pay the minimum quarterly distribution on all units (including the general partner units) and (B) two times the amount in excess of the minimum quarterly distribution for any quarter to pay a distribution on all Common Units at the same per unit amount as was distributed on the Common Units in excess of the minimum quarterly distribution in the immediately preceding quarter, provided the amount in (B) will be deemed to be Operating Surplus only to the extent that the distribution paid in respect of such amounts is paid on Common Units, less

(b) the sum of:

(1) operating expenditures for the period beginning on the closing date of Spectra Energy Partners initial public offering and ending with the last day of that period; and

(2) the amount of cash reserves (or Spectra Energy Partners proportionate share of cash reserves in the case of subsidiaries that are not wholly owned) established by Spectra Energy Partners general partner to provide funds for future operating expenditures; provided however, that disbursements made (including contributions to Spectra Energy Partners or Spectra Energy Partners subsidiaries or disbursements on behalf of Spectra Energy Partners or Spectra Energy Partners subsidiaries) or cash reserves established, increased or reduced after the end of that period but on or before the date of determination of Available Cash for that period shall be deemed to have been made, established, increased or reduced for purposes of determining operating surplus, within that period if Spectra Energy Partners general partner so determines.

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Subordination Period. The subordination period began with the closing of the initial public offering on July 2, 2007, and will last until the first to occur of the following dates:

(a) The first day of any quarter beginning after June 30, 2010 in respect of which each of the following tests are met:

(1) distribution of Available Cash from operating surplus on each of the outstanding common units and subordinated units equaled or exceeded the sum of the minimum quarterly distributions on all of the outstanding common units and subordinated units for each of the three consecutive, non-overlapping four-quarter periods immediately preceding that date;

(2) the adjusted operating surplus generated during each of the three consecutive, non-overlapping four-quarter periods immediately preceding that date equaled or exceeded the sum of the minimum quarterly distributions on all of the outstanding common units, subordinated units and general partner units during those periods on a fully diluted basis; and

(3) there are no outstanding cumulative common units arrearages.