

Spectra Energy Partners, LP  
Form 10-Q  
August 03, 2018

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 June 30, 2018

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 1-33556

SPECTRA ENERGY PARTNERS, LP  
(Exact Name of Registrant as Specified in its Charter)

Delaware 41-2232463  
(State or other jurisdiction of incorporation) (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 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer

Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

At July 31, 2018, there were 484,890,253 common units outstanding.



SPECTRA ENERGY PARTNERS, LP  
FORM 10-Q FOR THE QUARTER ENDED  
June 30, 2018  
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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 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;

interruption of our operations due to social, civil or political events or unrest;

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;

growth in opportunities, including the timing and success of efforts to develop U.S. and Canadian pipeline, storage, gathering and other related infrastructure projects and the effects of competition;

the performance of natural gas transmission, storage and gathering facilities, and crude oil transportation and storage;

- the extent of success in connecting natural gas and oil supplies to transmission and gathering 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;

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;

the negotiation and execution, and the terms and conditions, of a definitive agreement relating to the proposed transaction and the timing and ability of Enbridge Inc. or Spectra Energy Partners, LP to enter into or consummate such agreement; and

the focus of management time and attention on the proposed transaction and other disruptions arising from the proposed transaction.

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 (Unaudited).

## SPECTRA ENERGY PARTNERS, LP

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited; in millions, except per-unit amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Operating revenues				
Transportation of natural gas	\$575	\$538	\$1,189	\$1,076
Transportation of crude oil	97	100	195	201
Storage of natural gas and other	54	57	121	118
Total operating revenues	726	695	1,505	1,395
Operating expenses				
Operating, maintenance and other	191	209	379	436
Depreciation and amortization	90	87	179	172
Property and other taxes	59	56	119	112
Total operating expenses	340	352	677	720
Operating income	386	343	828	675
Other income and expenses				
Earnings from equity investments	71	40	129	78
Other income and expenses, net	26	49	34	94
Total other income and expenses	97	89	163	172
Interest expense	85	60	170	116
Earnings before income taxes	398	372	821	731
Income tax expense	7	5	12	10
Net income	391	367	809	721
Net income attributable to noncontrolling interests	10	39	21	76
Net income attributable to controlling interests	\$381	\$328	\$788	\$645
Net income attributable to controlling interests	\$381	\$328	\$788	\$645
Net income attributable to general partner	—	94	—	183
Net income attributable to limited partners	\$381	\$234	\$788	\$462
Weighted average limited partner units outstanding—basic and diluted	485	310	465	310
Net income per limited partner unit—basic and diluted	\$0.78	\$0.75	\$1.69	\$1.49
Distributions paid per limited partner unit	\$0.75125	\$0.70125	\$1.49000	\$1.39000

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

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SPECTRA ENERGY PARTNERS, LP  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (Unaudited; in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income	\$391	\$367	\$809	\$721
Other comprehensive income:				
Foreign currency translation adjustments	(7 )	6	(14 )	7
General partner units restructuring	—	—	(3 )	—
Change in unrealized gain on cash flow hedges	9	—	35	—
Other comprehensive income	2	6	18	7
Comprehensive income	393	373	827	728
Comprehensive income attributable to noncontrolling interests	10	39	21	76
Comprehensive income attributable to controlling interests	\$383	\$334	\$806	\$652

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

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SPECTRA ENERGY PARTNERS, LP  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (Unaudited; in millions)

	June 30, 2018	December 31, 2017
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$96	\$107
Receivables (net of allowance for doubtful accounts of \$13 million and \$10 million at June 30, 2018 and December 31, 2017, respectively)	326	372
Inventory	62	40
Fuel Tracker	101	19
Other assets, net	36	23
Total current assets	621	561
Investments in and loans to unconsolidated affiliates	2,789	3,302
Goodwill	2,953	2,957
Property, plant and equipment, net	15,128	14,899
Regulatory and other assets	352	337
Total assets	\$21,843	\$22,056
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Accounts payable	\$286	\$259
Taxes payable	112	84
Interest payable	85	68
Current portion of long-term debt	500	500
Other	144	194
Total current liabilities	1,127	1,105
Long-term debt	7,651	7,963
Deferred income taxes	46	46
Regulatory and other liabilities	1,018	1,041
Total liabilities	9,842	10,155
Commitments and contingencies		
Partners' capital		
Common units (484.9 and 312.4 units issued and outstanding at June 30, 2018 and December 31, 2017, respectively)	11,655	11,183
General partner units (no units and 6.4 units issued and outstanding at June 30, 2018 and December 31, 2017, respectively)	—	386
Accumulated other comprehensive loss	(15 )	(33 )
Total partners' capital	11,640	11,536
Noncontrolling interests	361	365
Total equity	12,001	11,901
Total liabilities and equity	\$21,843	\$22,056

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

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SPECTRA ENERGY PARTNERS, LP  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Unaudited; in millions)

	Six Months Ended June 30, 2018 2017	
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 809	\$ 721
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	184	175
Deferred income tax expense	—	2
Earnings from equity investments	(129 )	(78 )
Distributions from equity investments	99	57
Regulatory liability - deferred income taxes	(25 )	—
Change in operating assets and liabilities	(55 )	(69 )
Net cash provided by operating activities	883	808
<b>INVESTING ACTIVITIES</b>		
Capital expenditures	(385 )	(1,361)
Investments in and loans to unconsolidated affiliates	(232 )	(158 )
Distributions from equity investments	36	21
Distribution from Sabal Trail debt proceeds	744	—
Other	—	2
Net cash provided by (used in) investing activities	163	(1,496)
<b>FINANCING ACTIVITIES</b>		
Proceeds from the issuance of long-term debt	794	400
Payments for the redemption of long-term debt	—	(416 )
Net change in credit facility draws and commercial paper borrowings	(1,093)	750
Distributions to noncontrolling interests	(28 )	(25 )
Contributions from noncontrolling interests	1	416
Proceeds from the issuances of units	—	87
Distributions to partners	(722 )	(597 )
Other	(11 )	(1 )
Net cash provided by (used in) financing activities	(1,059)	614
Net decrease in Cash, cash equivalents and restricted cash	(13 )	(74 )
Cash, cash equivalents and restricted cash at beginning of period	114	233
Cash, cash equivalents and restricted cash at end of period	\$ 101	\$ 159

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



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SPECTRA ENERGY PARTNERS, LP  
 CONDENSED CONSOLIDATED STATEMENTS OF EQUITY  
 (Unaudited; in millions)

	Partners' Capital			Noncontrolling Interests	Total
	Common	General Partner	Accumulated Other Comprehensive Income (Loss)		
December 31, 2017	\$ 11,183	\$ 386	\$ (33 )	\$ 365	\$ 11,901
Net income	788	—	—	21	809
General partner units restructuring	389	(386 )	(3 )	—	—
Other comprehensive income	—	—	21	—	21
Attributed deferred tax benefit	21	—	—	2	23
Incentive distribution rights restructuring legal fees	(4 )	—	—	—	(4 )
Distributions to partners	(722 )	—	—	—	(722 )
Contributions from noncontrolling interests	—	—	—	1	1
Distributions to noncontrolling interests	—	—	—	(28 )	(28 )
June 30, 2018	\$ 11,655	\$ —	\$ (15 )	\$ 361	\$ 12,001
December 31, 2016	\$ 11,650	\$ 452	\$ (45 )	\$ 1,347	\$ 13,404
Net income	462	183	—	76	721
Other comprehensive income	—	—	7	—	7
Attributed deferred tax benefit	—	42	—	23	65
Issuances of units	85	2	—	—	87
Distributions to partners	(430 )	(167 )	—	—	(597 )
Contributions from noncontrolling interests	—	—	—	416	416
Distributions to noncontrolling interests	—	—	—	(25 )	(25 )
June 30, 2017	\$ 11,767	\$ 512	\$ (38 )	\$ 1,837	\$ 14,078

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