

Spectra Energy Partners, LP
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 1-33556

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

Delaware

(State or other jurisdiction of incorporation)

5400 Westheimer Court

Houston, Texas 77056

(Address of principal executive offices, including zip code)

713-627-5400

(Registrant's telephone number, including area code)

41-2232463

(IRS Employer Identification No.)

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 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

At September 30, 2014, there were 289,551,072 Common Units and 5,909,206 General Partner Units outstanding.

SPECTRA ENERGY PARTNERS, LP
FORM 10-Q FOR THE QUARTER ENDED
September 30, 2014
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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;
- 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; 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. 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		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Operating Revenues				
Transportation of natural gas	\$409	\$357	\$1,237	\$1,081
Transportation of crude oil	77	71	218	151
Storage of natural gas and other	72	66	215	213
Total operating revenues	558	494	1,670	1,445
Operating Expenses				
Operating, maintenance and other	175	163	497	432
Depreciation and amortization	73	66	216	192
Property and other taxes	30	31	120	95
Total operating expenses	278	260	833	719
Operating Income	280	234	837	726
Other Income and Expenses				
Equity in earnings of unconsolidated affiliates	36	23	93	65
Other income and expenses, net	10	22	19	50
Total other income and expenses	46	45	112	115
Interest Expense	54	105	183	299
Earnings Before Income Taxes	272	174	766	542
Income Tax Expense (Benefit)	1	(2)	29	—
Net Income	271	176	737	542
Net Income—Noncontrolling Interests	7	4	16	12
Net Income—Controlling Interests	\$264	\$172	\$721	\$530
Calculation of Limited Partners' Interest in Net Income:				
Net income—Controlling Interests	\$264	\$172	\$721	\$530
Less: General partner's interest in net income	48	14	135	38
Limited partners' interest in net income	\$216	\$158	\$586	\$492
Weighted-average limited partner units outstanding—basic and diluted	288	113	286	109
(a)				
Net income per limited partner unit—basic and diluted (a)	\$0.75	\$1.40	\$2.05	\$4.51
Distributions paid per limited partner unit	\$0.56625	\$0.50875	\$1.66875	\$1.505

Weighted average limited partners units outstanding used in the calculation of net income per limited partner unit (a) for the period prior to the November 1, 2013 U.S. Assets Dropdown have not been recast. See Note 4 for further information.

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended		Nine Months Ended		
	September 30,		September 30,		
	2014	2013	2014	2013	
Net Income	\$271	\$176	\$737	\$542	
Other comprehensive loss:					
Foreign currency translation adjustments	(9) —	(8) (2)
Total other comprehensive loss	(9) —	(8) (2)
Total Comprehensive Income	262	176	729	540	
Less: Comprehensive Income—Noncontrolling Interests	7	4	16	12	
Comprehensive Income—Controlling Interests	\$255	\$172	\$713	\$528	

See Notes to Condensed Consolidated Financial Statements.

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

	September 30, 2014	December 31, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$136	\$121
Receivables, net	259	355
Inventory	41	42
Fuel tracker	66	28
Other	34	19
Total current assets	536	565
Investments and Other Assets		
Investments in and loans to unconsolidated affiliates	1,381	1,396
Goodwill	3,247	3,215
Other	3	2
Total investments and other assets	4,631	4,613
Property, Plant and Equipment		
Cost	15,295	14,592
Less accumulated depreciation and amortization	3,397	3,229
Net property, plant and equipment	11,898	11,363
Regulatory Assets and Deferred Debits	253	253
Total Assets	\$17,318	\$16,794

See Notes to Condensed Consolidated Financial Statements.

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

	September 30, 2014	December 31, 2013
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$231	\$231
Commercial paper	813	338
Taxes accrued	69	44
Interest accrued	34	61
Current maturities of long-term debt	34	445
Other	140	216
Total current liabilities	1,321	1,335
Long-term Debt	5,161	5,178
Deferred Credits and Other Liabilities		
Deferred income taxes	36	34
Regulatory and other	112	106
Total deferred credits and other liabilities	148	140
Commitments and Contingencies		
Equity		
Partners' Capital		
Common units (289.6 million and 284.1 million units issued and outstanding at September 30, 2014 and December 31, 2013, respectively)	10,172	9,778
General partner units (5.9 million and 5.8 million units issued and outstanding at September 30, 2014 and December 31, 2013, respectively)	268	241
Accumulated other comprehensive loss	(13) (5
Total partners' capital	10,427	10,014
Noncontrolling interests	261	127
Total equity	10,688	10,141
Total Liabilities and Equity	\$17,318	\$16,794

See Notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended September 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$737	\$542
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	223	199
Deferred income tax expense (benefit)	25	(2)
Equity in earnings of unconsolidated affiliates	(93)	(65)
Distributions received from unconsolidated affiliates	92	76
Other	(71)	230
Net cash provided by operating activities	913	980
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(755)	(784)
Investments in and loans to unconsolidated affiliates	(134)	(208)
Acquisitions, net of cash acquired	—	(343)
Purchases of held-to-maturity securities	(31)	(39)
Proceeds from sales and maturities of held-to-maturity securities	24	36
Purchases of available-for-sale securities	—	(5,663)
Proceeds from sales and maturities of available-for-sale securities	—	3,801
Distributions received from unconsolidated affiliates	150	17
Other	1	1
Net cash used in investing activities	(745)	(3,182)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	—	1,887
Payments for the redemption of long-term debt	(427)	(23)
Net increase in commercial paper	475	209
Distributions to noncontrolling interests	(22)	(14)
Contributions from noncontrolling interests	139	—
Proceeds from the issuances of units	283	194
Proceeds from notes payable—affiliates	—	141
Payments on notes payable—affiliates	—	(56)
Distributions to partners	(601)	(194)
Contribution from parent	—	154
Other	—	(5)
Net cash provided by (used in) financing activities	(153)	2,293
Net increase in cash and cash equivalents	15	91
Cash and cash equivalents at beginning of period	121	48
Cash and cash equivalents at end of period	\$136	\$139
Supplemental Disclosures		
Property, plant and equipment noncash accruals	\$106	\$69

See Notes to Condensed Consolidated Financial Statements.

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

	Partners' Capital		Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
	Common	General Partner			
December 31, 2013	\$9,778	\$241	\$ (5)	\$ 127	\$10,141
Net income	586	135	—	16	737
Other comprehensive loss	—	—	(8)	—	(8)
Adjustment to purchase price under net acquired assets from dropdowns	11	—	—	—	11
Attributed deferred tax benefit	—	9	—	1	10
Issuances of units	277	6	—	—	283
Distributions to partners	(478)	(123)	—	—	(601)
Contributions from noncontrolling interests	—	—	—	139	139
Distributions to noncontrolling interests	—	—	—	(22)	(22)
Other, net	(2)	—	—	—	(2)
September 30, 2014	\$10,172	\$268	\$ (13)	\$ 261	\$10,688
December 31, 2012	\$5,483	\$141	\$ 3	\$ 107	\$5,734
Net income	492	38	—	12	542
Other comprehensive loss	—	—	(2)	—	(2)
Net transfer from parent	943	19	—	—	962
Attributed deferred tax benefit	—	28	—	—	28
Issuances of units	502	10	—	—	512
Distributions to partners	(165)	(29)	—	—	(194)
Distributions to noncontrolling interests	—	—	—	(14)	(14)
September 30, 2013	\$7,255	\$207	\$ 1	\$ 105	\$7,568

See Notes to Condensed Consolidated Financial Statements.

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SPECTRA ENERGY PARTNERS, LP

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. General

The terms “we,” “our,” “us” and “Spectra Energy Partners” as used in this report refer collectively to Spectra Energy Partners, LP 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 Partners.

Nature of Operations. Spectra Energy Partners, through its subsidiaries and equity affiliates, is engaged in the transmission, storage and gathering of natural gas, the transportation and storage of crude oil, and the transportation of natural gas liquids (NGLs) through interstate pipeline systems. We are a Delaware master limited partnership. As of September 30, 2014, Spectra Energy Corp (Spectra Energy) and its subsidiaries collectively own 82% of us and the remaining 18% is publicly owned.

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, as amended, 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.

In the third quarter of 2013, we acquired a 40% ownership interest in the U.S. portion of the Express-Platte crude oil pipeline system (Express US) and a 100% ownership interest in the Canadian portion of the pipeline system (Express Canada)(collectively, Express-Platte) from subsidiaries of Spectra Energy (the Express-Platte acquisition). In the fourth quarter of 2013, we acquired substantially all of Spectra Energy’s remaining U.S. transmission, storage and liquids assets, including Spectra Energy’s remaining 60% interest in Express US (the U.S. Assets Dropdown).

As the Express-Platte acquisition and the U.S. Assets Dropdown represented transfers of entities under common control, the Condensed Consolidated Financial Statements for the periods prior to these transactions and related information presented herein have been recast to include the historical results of Express-Platte since March 14, 2013, the date of Spectra Energy’s acquisition of Express-Platte, and the U.S. Assets Dropdown for all periods presented. See Note 2 for further discussion of the transactions.

Spectra Energy and its affiliates are solely responsible for providing the employees and other personnel necessary to conduct our operations. Our costs of doing business have been reflected in our financial accounting records for the periods presented. These costs include direct charges and allocations from Spectra Energy and its affiliates for business services, such as payroll, accounts payable and facilities management; corporate services, such as finance and accounting, legal, human resources, investor relations, public and regulatory policy, and senior executives; and pension and other post-retirement benefit costs.

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. Acquisitions

U.S. Assets Dropdown. On November 1, 2013, we completed the closing of the U.S. Assets Dropdown. Consideration to Spectra Energy included \$2.3 billion in cash, assumption (indirectly by acquisition of the contributed entities) of approximately \$2.4 billion of third-party indebtedness of the contributed entities, 167.6 million newly issued limited partner units and 3.4 million newly issued general partner units.

Express-Platte. On August 2, 2013, we acquired a 40% ownership interest in Express US and a 100% ownership interest in Express Canada from subsidiaries of Spectra Energy for \$410 million in cash and 7.2 million of newly issued common and general partner units (valued at \$319 million). 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 the Express pipeline in Casper, Wyoming, transports crude oil predominantly from the Bakken shale and western Canada to refineries in the Midwest.

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The following table summarizes the fair values of the assets and liabilities as of the acquisition date of Express-Platte from third-parties by Spectra Energy.

	Purchase Price Allocation (in millions)	
Cash	\$67	
Receivables	25	
Other current assets	9	
Goodwill	523	
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	\$1,321	

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 \$24 million decrease in Deferred Credits and Other Liabilities, and a \$1 million decrease in Other Current Assets, resulting in a \$37 million increase in Goodwill.

In the first quarter of 2014, we recorded \$23 million of income tax expense due to the adjustment to deferred income tax liabilities (eliminated and recorded as an income tax benefit in 2013 in connection with the U.S. Assets Dropdown and resulting changes in tax status of certain entities) as a result of the final purchase price allocation adjustments.

The following table presents pro forma results of operations information that reflect the acquisition of Express-Platte as if the acquisition had occurred as of January 1, 2013, adjusted for items that are directly attributable to the acquisition. This information has been compiled from historical financial statements, and is not necessarily indicative of the results that actually would have been achieved had the transaction occurred at the beginning of 2013 or that may be achieved in the future.

	Nine Months Ended September 30, 2013 (in millions, except per-unit amount)
Operating revenues	\$1,503
Earnings before income taxes	555
Net income	555
Net income—controlling interests	543
Net income per limited partner unit—basic and diluted	4.41

3. Business Segments

As a result of the Express-Platte acquisition and the U.S. Assets Dropdown, which represented transfers of entities under common control, we realigned our reportable segments structure. Amounts presented herein for 2013 segment information have been recast to conform to our current segment reporting presentation.

We manage our business in two reportable segments: U.S. Transmission and Liquids. The remainder of our business operations is presented as “Other,” and consists of direct corporate costs as well as those costs charged by Spectra Energy.

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

The U.S. Transmission segment provides interstate transmission and storage of natural gas. Substantially all of our operations are subject to the Federal Energy Regulatory Commission (FERC) and the Department of Transportation’s (DOT’s) rules and regulations. Our investments in Gulfstream Natural Gas System, LLC (Gulfstream), Southeast

Supply Header, LLC (SESH) and Steckman Ridge, LP (Steckman Ridge) are included in U.S. Transmission.

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Liquids provides transportation of crude oil and NGLs. The Express-Platte pipeline system is a crude oil pipeline system that connects Canadian and U.S. producers to refineries in the U.S. Rocky Mountain and Midwest regions. These operations are primarily subject to the rules and regulations of the FERC and the National Energy Board (NEB). DCP Sand Hills Pipeline, LLC (Sand Hills) and DCP Southern Hills Pipeline, LLC (Southern Hills), provide transportation of NGLs from the Permian Basin and Eagle Ford region to the premium NGL markets on the Gulf Coast, and from the Mid-Continent to Mont Belvieu, Texas, respectively. We have direct one-third ownership interests in Sand Hills and Southern Hills. Sand Hills and Southern Hills are subject to the rules and regulations of the FERC.

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 investments are managed centrally, so the gains and losses on 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.

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Business Segment Data

Condensed Consolidated Statements of Operations	Total Operating Revenues	Depreciation and Amortization	Segment EBITDA/Consolidated Earnings Before Income Taxes
	(in millions)		
Three Months Ended September 30, 2014			
U.S. Transmission	\$477	\$64	\$ 352
Liquids	81	9	60
Total reportable segments	558	73	412
Other	—	—	(11)
Depreciation and amortization	—	—	73
Interest expense	—	—	54
Interest income and other	—	—	(2)
Total consolidated	\$558	\$73	\$ 272
Three Months Ended September 30, 2013			
U.S. Transmission	\$418	\$59	\$ 310
Liquids	76	7	44
Total reportable segments	494	66	354
Other	—	—	(10)
Depreciation and amortization	—	—	66
Interest expense	—	—	105
Interest income and other	—	—	1
Total consolidated	\$494	\$66	\$ 174
Nine Months Ended September 30, 2014			
U.S. Transmission	\$1,431	\$192	\$ 1,046
Liquids	239	24	169
Total reportable segments	1,670	216	1,215
Other	—	—	(48)
Depreciation and amortization	—	—	216
Interest expense	—	—	183
Interest income and other	—	—	(2)
Total consolidated	\$1,670	\$216	\$ 766
Nine Months Ended September 30, 2013			
U.S. Transmission	\$1,283	\$177	\$ 957
Liquids	162	15	91
Total reportable segments	1,445	192	1,048
Other	—	—	(15)
Depreciation and amortization	—	—	192
Interest expense	—	—	299
Interest income and other	—	—	—
Total consolidated	\$1,445	\$192	\$ 542

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4. Net Income Per Limited Partner Unit and Cash Distributions

The following table presents our net income per limited partner unit calculations:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
	(in millions, except per unit amounts)			
Net income—controlling interests	\$264	\$172	\$721	\$530
Less:				
General partner's interest in net income—2%	6	3	15	10
General partner's interest in net income attributable to incentive distribution rights	42	11	120	28
Limited partners' interest in net income	\$216	\$158	\$586	\$492
Weighted average limited partner units outstanding—basic and diluted (a)	288	113	286	109
Net income per limited partner unit—basic and diluted	\$0.75	\$1.40	\$2.05	\$4.51

As discussed in Note 1, the Condensed Consolidated Financial Statements for periods prior to the November 1, 2013 U.S. Assets Dropdown, including Net Income—Controlling Interests as presented on our Condensed (a) Consolidated Statements of Operations, have been recast. Weighted average limited partners units outstanding used in the calculation of net income per limited partner unit for periods prior to the U.S. Assets Dropdown have not been recast.

Our partnership agreement requires that, within 60 days after the end of each quarter, we distribute all of our Available Cash, as defined, to unitholders of record on the applicable record date.

Available Cash. Available Cash, for any quarter, consists of all cash and cash equivalents on hand at the end of that quarter:

less the amount of cash reserves established by the general partner to:

provide for the proper conduct of business,

comply with applicable law, any debt instrument or other agreement, or

provide funds for minimum quarterly distributions to the unitholders and to the general partner for any one or more of the next four quarters,

plus, if the general partner so determines, all or a portion of cash and cash equivalents on hand on the date of determination of Available Cash for the quarter.

Incentive Distribution Rights. The general partner holds incentive distribution rights beyond the first target distribution in accordance with the partnership agreement as follows:

	Total Quarterly Distribution	Marginal Percentage Interest in Distributions		
		Common Unitholders	General Partner	
	Target Per-Unit Amount			
Minimum Quarterly Distribution	\$0.30	98	% 2	%
First Target Distribution	up to \$0.345	98	% 2	%
Second Target Distribution	above \$0.345 up to \$0.375	85	% 15	%
Third Target Distribution	above \$0.375 up to \$0.45	75	% 25	%
Thereafter	above \$0.45	50	% 50	%

To the extent these incentive distributions are made to the general partner, there will be more Available Cash proportionately allocated to our general partner than to holders of common units. A cash distribution of \$0.57625 per limited partner unit was declared on November 5, 2014 and is payable on November 26, 2014 to unitholders of record at the close of business on November 17, 2014.

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5. 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.

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.

The following presents changes in goodwill in 2014:

	Goodwill (in millions)
December 31, 2013	\$3,215
Acquisition of Express-Platte	37
Foreign currency translation	(5)
September 30, 2014	\$3,247

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

6. 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. We do not purchase marketable securities for speculative purposes, therefore we do not have any securities classified as trading securities. Initial investments in securities are classified as purchases of the respective types of securities (available-for-sale (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. HTM Securities. All of our HTM securities are restricted funds. We had \$10 million and \$3 million of money market securities classified as Current Assets - Other on the Condensed Consolidated Balance Sheets as of September 30, 2014 and December 31, 2013, respectively. These securities are restricted pursuant to certain Express-Platte debt agreements.

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

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

7. Debt and Credit Facility

Available Credit Facility and Restricted Debt Covenants

	Expiration Date	Total Credit Facility Capacity	Commercial Paper Outstanding at September 30, 2014	Available Credit Facility Capacity
	(in millions)			
Spectra Energy Partners, LP	2018	\$2,000	\$ 813	\$ 1,187

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

The credit agreement contains various financial and other covenants, including the maintenance of a consolidated leverage ratio, as defined in the agreement. Failure to meet those covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the agreement. As of September 30, 2014, we were in compliance with those covenants. In addition, the credit agreement allows for the acceleration of payments or termination of the agreement due to nonpayment, or in some cases, due to the acceleration of our other significant indebtedness or other significant indebtedness of some of our subsidiaries. The credit agreement does not contain provisions that trigger an acceleration of indebtedness based solely on the occurrence of an adverse change in our financial condition or results of operations.

As noted above, the terms of the credit agreement require us to maintain a ratio of total Consolidated Indebtedness-to-Consolidated EBITDA, as defined in the agreement, of 5.0 to 1.0 or less. As of September 30, 2014, this ratio was 3.9 to 1.0.

8. Fair Value Measurements

The following presents, for each of the fair value hierarchy levels, assets that are measured at fair value on a recurring basis as of September 30, 2014. There were no assets or liabilities measured at fair value on a recurring basis at December 31, 2013.

Description	Condensed Consolidated Balance Sheet Caption	September 30, 2014			
		Total (in millions)	Level 1	Level 2	Level 3
Corporate debt securities	Cash and cash equivalents	\$40	\$—	\$40	\$—
Interest rate swaps	Investments and other assets — other	2	—	2	—
Total Assets		\$42	\$—	\$42	\$—

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.

Level 3 Valuation Techniques

Level 3 valuation techniques 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.

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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)	5,199	5,625	5,625	5,813

(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 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, commercial paper and short-term money market securities - affiliates 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.

9. Risk Management and Hedging Activities

We are exposed to the impact of changes in interest rates as a result of our issuance of variable and fixed-rate debt and commercial paper. We are exposed to minimal foreign currency risk from our Express Canada 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 exposures.

During the second quarter of 2014, we entered into “pay floating — receive fixed” interest rate swaps with a total notional principal amount of \$300 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. The interest rate swaps we currently have expire in 2020 and thereafter. 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.

The interest rate derivative instruments are designated and qualify as fair value hedges. The gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk is recognized in the Condensed Consolidated Statements of Operations. There was no material swap ineffectiveness during the nine months ended September 30, 2014.

10. 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 insurance policies or contractual indemnities that cover some or all cleanup costs. All of these sites generally are managed in the normal course of business or

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affiliated operations. We believe there are no matters outstanding that upon resolution will have an adverse effect on our consolidated results of operations, financial position or cash flows.

Litigation. We are involved in legal, tax and regulatory proceedings in various forums arising in the ordinary course of business, including matters regarding contracts and payment claims, some of which may 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 recorded as of September 30, 2014 or December 31, 2013 related to litigation.

11. Issuances of Common Units

During the nine months ended September 30, 2014, we issued 5.5 million common units to the public under our at-the-market program, representing limited partner interests, and 113,000 general partner units to Spectra Energy. Total net proceeds were \$283 million, including \$6 million of proceeds from Spectra Energy.

12. New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers," which supersedes the revenue recognition requirements of "Revenue Recognition (Topic 605)," and clarifies the principles of recognizing revenue. This ASU is effective for us January 1, 2017 and is to be applied retrospectively. We are currently evaluating this ASU and its potential impact on us.

In April 2014, the FASB issued ASU No. 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." This ASU revises the definition of discontinued operations by limiting discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have or will have a major effect on an entity's operations and financial results, removing the lack of continuing involvement criteria and requiring discontinued operations reporting for the disposal of an equity method investment that meets the definition of discontinued operations. The update also requires expanded disclosures for discontinued operations, and disclosure of pretax profit or loss of certain individually significant components of an entity that do not qualify for discontinued operations reporting. This ASU is effective for us on January 1, 2015 and is to be applied prospectively. We do not expect the adoption of the provisions of this ASU to have any impact on our consolidated results of operations, financial position or cash flows.

13. Subsequent Events

On November 3, 2014, we acquired an additional 24.95% ownership interest in SESH and an additional 1% interest in Steckman Ridge from Spectra Energy. Total consideration was approximately 4.3 million newly issued common units. This is the second of three planned transactions related to the U.S. Assets Dropdown. The remaining transaction, expected to occur in November 2015, will consist of Spectra Energy's remaining 0.1% interest in SESH. Also, in connection with this transaction, we issued approximately 86,000 of general partner units to Spectra Energy in exchange for the same amount of common units in order to maintain Spectra Energy's 2% general partner interest.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

INTRODUCTION

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the accompanying Condensed Consolidated Financial Statements.

As the Express-Platte acquisition and the U.S. Assets Dropdown represented transfers of entities under common control, the Condensed Consolidated Financial Statements for the periods prior to these transactions and related information presented herein, excluding distributable cash flow, have been recast to present results as if the related assets had been owned historically. As a result of these transactions, we realigned our reportable segments structure in 2013. Amounts presented herein for segment information have been recast for all periods presented to conform to our current segment reporting presentation. See Note 2 of Notes to Condensed Consolidated Financial Statements for further discussion of the transactions.

EXECUTIVE OVERVIEW

For the three months ended September 30, 2014 and 2013, we reported net income from controlling interests of \$264 million and \$172 million, respectively. Earnings benefited mainly from expansion projects at Texas Eastern Transmission, LP (Texas Eastern), higher earnings from the continued ramp up of volumes on Sand Hills and Southern Hills, and higher crude oil transportation revenues as a result of higher contracted volumes on Express and increased oil tariff rates on both the Express and Platte pipelines.

For the nine months ended September 30, 2014 and 2013, we reported net income from controlling interests of \$721 million and \$530 million, respectively. The increased earnings were driven by expansion projects primarily on Texas Eastern, the acquisition of Express-Platte in March 2013, higher natural gas transportation revenues as a result of colder weather, higher earnings from Sand Hills and Southern Hills, higher crude oil transportation revenues as a result of higher contracted volumes on Express and increased oil tariff rates on both the Express and Platte pipelines, partially offset by lower storage revenues due to lower contract renewal rates.

For the three months ended September 30, 2014 and 2013, distributable cash flow was \$247 million and \$66 million, respectively. For the nine months ended September 30, 2014 and 2013, distributable cash flow was \$810 million and \$195 million, respectively.

A cash distribution of \$0.57625 per limited partner unit was declared on November 5, 2014 and is payable on November 26, 2014. It is our intention to increase our quarterly distribution paid by one cent per unit each quarter through 2015. Our Board of Directors evaluates each distribution decision within the confines of the Partnership agreement and based on an assessment of growth in distributable cash flow.

For the nine months ended September 30, 2014, we had \$889 million of capital and investment expenditures. We currently project \$1.3 billion of capital and investment expenditures for the full year, including expansion capital expenditures of \$0.9 billion.

We are committed to an investment-grade balance sheet and continued prudent financial management of our capital structure. Therefore, financing these growth activities will continue to be based on our strong and growing fee-based earnings and cash flows as well as the issuances of debt and/or equity securities. As of September 30, 2014, we have access to a \$2.0 billion revolving credit facility which is used principally as a back-stop for our commercial paper program.

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RESULTS OF OPERATIONS

	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2013	
	2014	2013	2014	2013
	(in millions)			
Operating revenues	\$558	\$494	\$1,670	\$1,445
Operating expenses	278	260	833	719
Operating income	280	234	837	726
Equity in earnings of unconsolidated affiliates	36	23	93	65
Other income and expenses	10	22	19	50
Interest expense	54	105	183	299
Earnings before income taxes	272	174	766	542
Income tax expense (benefit)	1	(2)	29	—
Net income	271	176	737	542
Net income—noncontrolling interests	7	4	16	12
Net income—controlling interests	\$264	\$172	\$721	\$530

Three Months Ended September 30, 2014 Compared to Same Period in 2013

Operating Revenues. Operating revenues for the three months ended September 30, 2014 increased by \$64 million, or 13%, compared to the same period in 2013. The increase was driven mainly by:

- revenues from expansion projects, primarily on Texas Eastern,
- higher processing revenues,
- higher crude oil transportation revenues as a result of higher contracted volumes on Express and increased tariff rates on both the Express and Platte pipelines, and
- higher natural gas transportation revenues due to new contracts mainly at Texas Eastern and Algonquin Gas Transmission, LLC (Algonquin), partially offset by
- a decrease in gas storage revenues due to lower contract renewal rates.

Operating Expenses. Operating expenses for the three months ended September 30, 2014 increased by \$18 million, or 7%, compared to the same period in 2013. The increase was driven mainly by:

- higher depreciation due to expansion projects, and
- higher governance costs associated with the U.S. Assets Dropdown.

Equity in Earnings of Unconsolidated Affiliates. Equity in earnings of unconsolidated affiliates for the three months ended September 30, 2014 increased by \$13 million, or 57%, compared to the same period in 2013. The increase was attributable to higher earnings from the continued ramp up of volumes on Sand Hills and Southern Hills.

Other Income and Expenses. Other income and expenses for the three months ended September 30, 2014 decreased by \$12 million, or 55%, compared to the same period in 2013. The decrease was mainly attributable to lower allowance for funds used during construction (AFUDC) resulting from decreased capital spending on expansion projects.

Interest Expense. Interest expense for the three months ended September 30, 2014 decreased by \$51 million, or 49%, compared to the same period in 2013. The decrease was driven mainly by:

- the restructuring of an intercompany loan contributed to us as part of the U.S. Assets Dropdown, partially offset by
- higher debt balances attributable to a \$1.9 billion debt issuance in late September 2013, primarily related to the U.S. Assets Dropdown, and
- lower capitalized interest resulting from projects placed in service in 2013.

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Nine Months Ended September 30, 2014 Compared to Same Period in 2013

Operating Revenues. Operating revenues for the nine months ended September 30, 2014 increased by \$225 million, or 16%, compared to the same period in 2013. The increase was driven mainly by:

- revenues from expansion projects, primarily on Texas Eastern,
- the acquisition of Express-Platte in March 2013,
- increased natural gas transportation revenues from higher demands, primarily as a result of colder weather,
- higher crude oil transportation revenues as a result of higher contracted volumes on Express and increased tariff rates on both the Express and Platte pipelines, and
- higher processing revenues, partially offset by
- a decrease in gas storage revenues due to lower contract renewal rates.

Operating Expenses. Operating expenses for the nine months ended September 30, 2014 increased by \$114 million, or 16%, compared to the same period in 2013. The increase was driven mainly by:

- operating costs from Express-Platte,
- expansion projects, primarily on Texas Eastern,
- higher governance costs associated with the U.S. Assets Dropdown, and
- higher depreciation due to the acquisition of Express-Platte and expansion projects.

Equity in Earnings of Unconsolidated Affiliates. Equity in earnings of unconsolidated affiliates for the nine months ended September 30, 2014 increased by \$28 million, or 43%, compared to the same period in 2013. The increase was attributable to higher earnings from the ramp up of Sand Hills and Southern Hills.

Other Income and Expenses. Other income and expenses for the nine months ended September 30, 2014 decreased \$31 million, or 62%, compared to the same period in 2013. The decrease was mainly attributable to lower AFUDC resulting from decreased capital spending on expansion projects.

Interest Expense. Interest expense for the nine months ended September 30, 2014 decreased by \$116 million, or 39%, compared to the same periods in 2013. The decrease was driven mainly by:

- the restructuring of an intercompany loan contributed to us as part of the U.S. Assets Dropdown, partially offset by
- higher debt balances attributable to a \$1.9 billion debt issuance in late September 2013, primarily related to the U.S. Assets Dropdown, and
- lower capitalized interest resulting from projects placed in service in 2013.

Income Tax Expense. Income tax expense for the nine months ended September 30, 2014 increased by \$29 million compared to the same period in 2013 primarily due to an adjustment to deferred income tax liabilities as a result of the final purchase price adjustments related to the acquisition of Express-Platte.

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Segment Results

Management evaluates segment performance based on EBITDA. Cash, cash equivalents and investments are managed centrally, so the gains and losses on foreign currency transactions, and interest and dividend income, are excluded from the segments' EBITDA. We consider segment EBITDA to be a good indicator of each segment's operating performance from its continuing operations, as it represents the results of our ownership interest in operations without regard to financing methods or capital structures. 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.

Segment EBITDA is summarized in the following table. Detailed discussions follow.

EBITDA by Business Segment

	Three Months Ended		Nine Months Ended	
	September 30, 2014	2013	September 30, 2014	2013
	(in millions)			
U.S. Transmission	\$352	\$310	\$1,046	\$957
Liquids	60	44	169	91
Total reportable segment EBITDA	412	354	1,215	1,048
Other	(11)	(10)	(48)	(15)
Total reportable segment and other EBITDA	401	344	1,167	1,033
Depreciation and amortization	73	66	216	192
Interest expense	54	105	183	299
Interest income and other	(2)	1	(2)	—
Earnings before income taxes	\$272	\$174	\$766	\$542

The amounts discussed below are after eliminating intercompany transactions.

U.S. Transmission	Three Months Ended			Nine Months Ended		
	September 30, 2014	2013	Increase (Decrease)	September 30, 2014	2013	Increase (Decrease)
	(in millions)					
Operating revenues	\$477	\$418	\$59	\$1,431	\$1,283	\$148
Operating expenses						
Operating, maintenance and other	159	151	8	470	440	30
Other income and expenses	34	43	(9)	85	114	(29)
EBITDA	\$352	\$310	\$42	\$1,046	\$957	\$89

Three Months Ended September 30, 2014 Compared to Same Period in 2013

Operating Revenues. The \$59 million increase was driven by:

- \$45 million increase due to expansion projects, primarily on Texas Eastern,
- \$12 million increase due to higher processing revenues,
- a \$4 million increase due to higher natural gas transportation revenues due to new contracts mainly at Texas Eastern and Algonquin, and
- \$3 million increase in recoveries of electric power and other costs passed through to customers, partially offset by
- a \$7 million decrease in gas storage revenues due to lower contract renewal rates.

Operating Expenses. The \$8 million increase was driven by:

- a \$7 million increase from expansion projects, primarily on Texas Eastern,

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• \$5 million increase from support services and other costs, and

• \$3 million increase in electric power and other costs passed through to customers, partially offset by

• \$7 million decrease in ad valorem taxes.

Other Income and Expenses. The \$9 million decrease was primarily due to lower AFUDC resulting from decreased capital spending on expansion projects.

EBITDA. The \$42 million increase was driven by expansions, primarily on Texas Eastern, and higher processing revenues.

Nine Months Ended September 30, 2014 Compared to Same Period in 2013

Operating Revenues. The \$148 million increase was driven by:

• \$130 million increase due to expansion projects, primarily on Texas Eastern,

• a \$30 million increase due to higher natural gas transportation revenues from higher demands, primarily as a result of colder weather, and

• a \$5 million increase due to higher processing revenues, partially offset by

• an \$18 million decrease in gas storage revenues due to lower contract renewal rates.

Operating Expenses. The \$30 million increase was driven by:

• a \$30 million increase from expansion projects, primarily on Texas Eastern, and

• a \$4 million increase from project development costs expensed in 2014, partially offset by

• a \$7 million decrease in ad valorem taxes.

Other Income and Expenses. The \$29 million decrease was primarily due to lower AFUDC resulting from decreased capital spending on expansion projects.

EBITDA. The \$89 million increase was driven by expansions, primarily on Texas Eastern, higher natural gas transportation revenues from higher demands, primarily as a result of colder weather, partially offset by lower storage revenues due to lower contract renewal rates.

Liquids

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
	(in millions)					
Operating revenues	\$81	\$76	\$ 5	\$239	\$162	\$ 77
Operating expenses						
Operating, maintenance and other	35	33	2	99	72	27
Other income and expenses	14	1	13	29	1	28
EBITDA	\$60	\$44	\$ 16	\$169	\$91	\$ 78
Express pipeline revenue receipts, MBbl/d (a)(b)	221	210	11	217	209	8
Platte PADD II deliveries, MBbl/d (b)	169	173	(4)	170	169	1

(a) Thousand barrels per day.

(b) Data includes activity since March 14, 2013, the date of the acquisition of Express-Platte by Spectra Energy. Our Liquids segment is comprised of Express-Platte and our investments in Sand Hills and Southern Hills. As previously discussed, Liquids results include the results of Express-Platte since March 14, 2013, the date of Spectra Energy's acquisition.

Three Months Ended September 30, 2014 Compared to Same Period in 2013

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Operating Revenues. The \$5 million increase in operating revenues was due primarily to higher crude oil transportation revenues as a result of higher contracted volumes on Express and increased tariff rates on both the Express and Platte pipelines.

Other Income and Expenses. The \$13 million increase was primarily due to higher earnings from the continued ramp up of volumes on Sand Hills and Southern Hills.

EBITDA. The \$16 million increase was driven by higher earnings from the continued ramp up of volumes on Sand Hills and Southern Hills, and higher transportation revenues as a result of higher contracted volumes on Express and increased tariff rates on both the Express and Platte pipelines.

Nine Months Ended September 30, 2014 Compared to Same Period in 2013

Operating Revenues. The \$77 million increase in operating revenues was driven by:

a \$68 million increase primarily due to the acquisition of Express-Platte, and

a \$9 million increase primarily in crude oil transportation revenues as a result of higher contracted volumes on Express and increased tariff rates on both the Express and Platte pipelines.

Operating Expenses. The \$27 million increase in operating expenses was attributable mainly to the acquisition of Express-Platte.

Other Income and Expenses. The \$28 million increase was primarily due to higher earnings from Sand Hills and Southern Hills.

EBITDA. The \$78 million increase was driven by the acquisition of Express-Platte and higher earnings from Sand Hills and Southern Hills.

Other

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
	(in millions)					
Operating expenses	\$11	\$10	\$ 1	\$48	\$15	\$ 33
EBITDA	\$(11)	\$(10)	\$(1)	\$(48)	\$(15)	\$(33)

Three Months Ended September 30, 2014 Compared to Same Period in 2013

Operating Expenses. The \$1 million increase was driven by higher allocated governance costs partially offset by transaction costs, both of which are associated with the U.S. Transmission and Liquids assets that were dropped down on November 1, 2013.

Nine Months Ended September 30, 2014 Compared to Same Period in 2013

Operating Expenses. The \$33 million increase was driven by higher allocated governance costs partially offset by transaction costs, both of which are associated with the U.S. Transmission and Liquids assets that were dropped down on November 1, 2013.

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Distributable Cash Flow

We define Distributable Cash Flow as EBITDA plus

distributions from equity investments,
other non-cash items affecting net income, less
equity in earnings of unconsolidated affiliates,
interest expense,
equity AFUDC,
net cash paid for income taxes,
distributions to noncontrolling interests, and
maintenance capital expenditures, excluding the effect of reimbursable projects.

Distributable Cash Flow does not reflect changes in working capital balances. Distributable Cash Flow should not be viewed as indicative of the actual amount of cash that we plan to distribute for a given period.

Distributable Cash Flow is the primary financial measure used by our management and by external users of our financial statements to assess the amount of cash that is available for distribution. The effects of the U.S. Assets Dropdown and the Express-Platte acquisition have been excluded from the Distributable Cash Flow calculation for periods prior to the dropdown transactions in order to reflect the true amount of the cash that was available for distribution.

Distributable Cash Flow is a non-GAAP measure and should not be considered an alternative to Net Income, Operating Income, cash from operations or any other measure of financial performance or liquidity presented in accordance with GAAP. Distributable Cash Flow excludes some, but not all, items that affect Net Income and Operating Income and these measures may vary among other companies. Therefore, Distributable Cash Flow as presented may not be comparable to similarly titled measures of other companies.

Significant drivers of variances in Distributable Cash Flow between the periods presented are substantially the same as those previously discussed under Results of Operations. Other drivers include the timing of certain cash outflows, such as capital expenditures for maintenance.

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Reconciliation of Net Income to Non-GAAP “Distributable Cash Flow”

	Three Months Ended		Nine Months Ended	
	September 30, 2014	2013	September 30, 2014	2013
	(in millions)			
Net income	\$271	\$176	\$737	\$542
Add:				
Interest expense	54	105	183	299
Income tax expense (benefit)	1	(2)	29	—
Depreciation and amortization	73	66	216	192
Foreign currency loss	2	—	2	1
Less:				
Interest income	—	1	—	1
EBITDA	401	344	1,167	1,033
Add:				
Equity in earnings of unconsolidated affiliates	(36)	(23)	(93)	(65)
Distributions from equity investments (a)	40	34	120	93
Other	4	3	10	7
Less:				
Interest expense	54	105	183	299
Equity AFUDC	11	20	20	48
Net cash paid for income taxes	—	—	5	—
Distributions to noncontrolling interests	11	5	22	14
Maintenance capital expenditures (b)	86	75	164	138
Adjustment (c)	—	87	—	374
Distributable Cash Flow	\$247	\$66	\$810	\$195

(a) Excludes \$122 million in distributions of investment in equity method affiliates (SESH \$99 million, Sand Hills \$14 million, and Southern Hills \$9 million) for the nine month period ended September 30, 2014.

(b) Excludes reimbursable expenditures.

(c) Removes the results of the U.S. Assets Dropdown for the periods prior to the dropdown (January 1, 2013 to October 31, 2013) and the results of Express-Platte for the periods prior to the acquisition (March 14, 2013 to August 1, 2013).

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Impairment of Goodwill

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.

In connection with our quantitative assessments, we primarily use a discounted cash flow analysis to determine fair values of those reporting units. The long-term growth rates used for the reporting units that we quantitatively assessed reflect continued expansion of our assets, driven by new natural gas supplies such as shale gas in North America and increasing demand for natural gas transportation capacity on our pipeline systems primarily as a result of forecasted growth in natural gas-fired power plants and increasing demand for crude oil and NGL transportation capacity on our pipeline systems.

We performed a test on all our reporting units for our test of goodwill impairment as of April 1, 2014. Based on the results of our annual goodwill impairment testing, no indicators of impairment were noted and the fair values of the reporting units that we assessed at April 1, 2014 (our testing date) were substantially in excess of their respective carrying values.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2014, we had negative net working capital of \$785 million. This balance includes commercial paper liabilities of \$813 million and current maturities of long-term debt of \$34 million. We will rely upon cash flows from operations, including cash distributions received from our equity affiliates, and various financing transactions, which may include issuances of debt and/or equity securities, to fund our liquidity and capital requirements for the next 12 months. We have access to a credit facility, with an available capacity of \$1,187 million at September 30, 2014. This facility is used principally to back-stop our commercial paper program, which is used to manage working capital requirements and for temporary funding of our capital expenditures. We expect to be self-funding and plan to continue to pursue expansion opportunities over the next several years. Capital resources may continue to include commercial paper, short-term borrowings under our current credit facility and possibly securing additional sources of capital including debt and/or equity. See Note 7 of Notes to Condensed Consolidated Financial Statements for a discussion of the available credit facility and Financing Cash Flows and Liquidity for a discussion of effective shelf registrations.

Cash Flow Analysis

The following table summarizes the changes in cash flows for each of the periods presented:

	Nine Months Ended September 30,	
	2014	2013
	(in millions)	
Net cash provided by (used in):		
Operating activities	\$913	\$980
Investing activities	(745)	(3,182)
Financing activities	(153)	2,293
Net increase in cash and cash equivalents	15	91
Cash and cash equivalents at beginning of the period	121	48
Cash and cash equivalents at end of the period	\$136	\$139
Operating Cash Flows		

Net cash provided by operating activities decreased \$67 million to \$913 million in the nine months ended September 30, 2014 compared to the same period in 2013, driven mainly by changes in working capital partially offset by higher earnings and higher distributions from unconsolidated affiliates.

Investing Cash Flows

Net cash used in investing activities decreased \$2,437 million to \$745 million in the nine months ended September 30, 2014 compared to the same period in 2013. The change was driven by:

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\$1,862 million of net purchases of AFS securities in 2013, primarily from proceeds from the issuance of long-term debt,

- a \$343 million net cash outlay for the acquisition of Express-Platte in 2013,
- a \$133 million increase in distributions received from unconsolidated affiliates in 2014 comprised mostly of a \$99 million distribution from SESH with proceeds from a SESH debt offering, and
- a \$103 million decrease in capital and investment expenditures in 2014. Capital and investment expenditures in 2014 included a \$94 million investment in SESH, used by SESH to retire debt.

Capital and Investment Expenditures by Business Segment

	Nine Months Ended September 30,	
	2014	2013
	(in millions)	
U.S. Transmission (a)	\$838	\$774
Liquids (b)	51	218
Total consolidated	\$889	\$992

(a)Excludes reimbursements from noncontrolling interests of \$47 million in 2014.

(b)Excludes the \$343 million cash outlay for the acquisition of Express-Platte in August 2013.

Capital and investment expenditures for the nine months ended September 30, 2014 consisted of \$649 million for expansion projects, \$146 million for maintenance and other projects and a \$94 million investment in SESH. SESH used the funds, along with its funds received from its other partners, to retire maturing debt.

We project total 2014 capital and investment expenditures of approximately \$1.3 billion, consisting of \$0.9 billion of expansion capital expenditures, \$0.3 billion for maintenance and upgrades of existing plants, pipelines and infrastructure to serve growth, and a \$94 million capital contribution made to SESH in connection with a SESH debt retirement. Given our objective of growth through acquisitions, we anticipate that we will continue to invest significant amounts of capital to acquire assets. Expansion capital expenditures may vary significantly based on investment opportunities.

Financing Cash Flows and Liquidity

Net cash used in financing activities totaled \$153 million in the nine months ended September 30, 2014 compared to \$2,293 million provided by financing activities during the same period in 2013. This \$2,446 million change was driven mainly by:

- \$427 million of net redemptions of long-term debt in 2014 compared to \$1,864 million of net issuances in 2013, which were mostly used to fund the U.S. Assets Dropdown,

- a \$407 million increase in distributions to partners in 2014, and

- a \$154 million contribution from parent in 2013, partially offset by

- a \$266 million increase in commercial paper issuances in 2014 compared to 2013, and

- \$139 million of contributions from noncontrolling interests in 2014.

During the nine months ended September 30, 2014, we issued 5.5 million common units to the public under our at-the-market program, representing limited partner interests, and 113,000 general partner units to Spectra Energy.

Total net proceeds were \$283 million, including \$6 million of proceeds from Spectra Energy. The net proceeds were used for general partnership purposes, which may have included debt repayment, future acquisitions, capital expenditures and/or additions to working capital. In 2014 through the date of this report, we have issued 5.6 million common units to the public and 116,000 general partner units to Spectra Energy, for total net proceeds of \$289 million, including \$6 million of proceeds from Spectra Energy, under our at-the-market program.

Available Credit Facility and Restrictive Debt Covenants. See Note 7 of Notes to Condensed Consolidated Financial Statements for a discussion of the available credit facility and related financial and other covenants.

Cash Distributions. A cash distribution of \$0.57625 per limited partner unit was declared on November 5, 2014, payable on November 26, 2014, representing the twenty-eighth consecutive quarterly increase.

Other Financing Matters. We have an effective shelf registration statement on file with the Securities and Exchange Commission (SEC) to register the issuance of unspecified amounts of limited partner common units and various debt securities

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and another registration statement on file with the SEC to register the issuance of \$500 million, in the aggregate, of limited partner units and various debt securities over time. This registration has \$195 million available as of September 30, 2014.

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OTHER ISSUES

New Accounting Pronouncements. See Note 12 of Notes to Condensed Consolidated Financial Statements for discussion.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Our exposure to market risk is described in Item 7A of our Annual Report on Form 10-K, as amended, for the year ended December 31, 2013. We believe the exposure to market risk has not changed materially since then.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934 (Exchange Act) is recorded, processed, summarized, and reported, within the time periods specified by the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of the management of Spectra Energy Partners (DE) GP, LP (our General Partner), including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2014, and, based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

Under the supervision and with the participation of the management of our General Partner, including the Chief Executive Officer and Chief Financial Officer, we have evaluated changes in internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter ended September 30, 2014 and found no change that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

We have no material pending legal proceedings that are required to be disclosed hereunder. For information regarding other legal proceedings and environmental matters, see Note 10 of Notes to Condensed Consolidated Financial Statements, which information is incorporated by reference into this Part II.

Item 1A. Risk Factors.

In addition to the other information set forth in this report, careful consideration should be given to the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K, as amended, for the year ended December 31, 2013, which could materially affect our financial condition or future results. There have been no material changes to those risk factors.

Item 6. Exhibits.

Any agreements included as exhibits to this Form 10-Q may contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- were not intended to be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
- may have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement;
- may apply contract standards of "materiality" that are different from "materiality" under the applicable securities laws; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement.

We acknowledge that, notwithstanding the inclusion of the foregoing cautionary statements, we are responsible for considering whether additional specific disclosures of material information regarding material contractual provisions are required to make the statements in this Form 10-Q not misleading.

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(a) Exhibits

Exhibit
Number

*31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*101.INS	XBRL Instance Document.
*101.SCH	XBRL Taxonomy Extension Schema.
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
*101.DEF	XBRL Taxonomy Extension Definition Linkbase.
*101.LAB	XBRL Taxonomy Extension Label Linkbase.
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase.
*	Filed herewith

The total amount of securities of the registrant or its subsidiaries authorized under any instrument with respect to long-term debt not filed as an exhibit does not exceed 10% of the total assets of the registrant and its subsidiaries on a consolidated basis. The registrant agrees, upon request of the Securities and Exchange Commission, to furnish copies of any or all of such instruments to it.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SPECTRA ENERGY PARTNERS, LP

By: Spectra Energy Partners (DE) GP, LP,
its general partner

By: Spectra Energy Partners GP, LLC,
its general partner

Date: November 6, 2014

/S/ GREGORY L. EBEL
Gregory L. Ebel
President and Chief Executive Officer

Date: November 6, 2014

/S/ J. PATRICK REDDY
J. Patrick Reddy
Vice President and Chief Financial
Officer