Spectra Energy Partners, LP
Form 10-Q
August 03, 2016
Table of Contents

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

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2016
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 ý 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 ý 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 ý 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 ý
At June 30, 2016, there were 302,578,594 Common Units and 6,175,073 General Partner Units outstanding.

SPECTRA ENERGY PARTNERS, LP
FORM 10-Q FOR THE QUARTER ENDED
June 30, 2016
INDEX

		Page
PART I. FINANCIAL INFORMATION		
Item 1.	Financial Statements (Unaudited)	4
	Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2016 and 2015	4
	Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2016 and 2015	5
	Condensed Consolidated Balance Sheets as of June 30, 2016 and December 31, 2015	6
	Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2016 and 2015	8
	Condensed Consolidated Statements of Equity for the six months ended June 30, 2016 and 2015	9
	Notes to Condensed Consolidated Financial Statements	10
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	29
Item 4.	Controls and Procedures	29
PART II. OTHER INFORMATION		
Item 1.	Legal Proceedings	30
Item 1A.	Risk Factors	30
Item 6.	Exhibits	30
	Signatures	32

Table of Contents

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.

Table of Contents

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 June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Operating Revenues				
Transportation of natural gas	$475	$454	$959	$918
Transportation of crude oil	87	90	173	174
Storage of natural gas and other	56	59	110	117
Total operating revenues	618	603	1,242	1,209
Operating Expenses				
Operating, maintenance and other	190	178	369	359
Depreciation and amortization	77	73	154	146
Property and other taxes	46	30	90	71
Total operating expenses	313	281	613	576
Operating Income	305	322	629	633
Other Income and Expenses				
Earnings from equity investments	30	45	57	85
Other income and expenses, net	31	17	51	26
Total other income and expenses	61	62	108	111
Interest Expense	56	63	112	120
Earnings Before Income Taxes	310	321	625	624
Income Tax Expense	5	5	9	7
Net Income	305	316	616	617
Net Income—Noncontrolling Interests	18	9	31	17
Net Income—Controlling Interests	$287	$307	$585	$600
Calculation of Limited Partners' Interest in Net Income:				
Net income—Controlling Interests	$287	$307	$585	$600
Less: General partner's interest in net income	76	61	145	118
Limited partners' interest in net income	$211	$246	$440	$482
Weighted-average limited partner units outstanding—basic and diluted	298	296	292	296
Net income per limited partner unit—basic and diluted	$0.71	$0.83	$1.51	$1.63
Distributions paid per limited partner unit	$0.65125	$0.60125	$1.29000	$1.19000

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net Income	$305	$316	$616	$617
Other comprehensive income (loss):				
Foreign currency translation adjustments	1	2	12	(13)
Total other comprehensive income (loss)	1	2	12	(13)
Total Comprehensive Income	306	318	628	604
Less: Comprehensive Income—Noncontrolling Interests	18	9	31	17
Comprehensive Income—Controlling Interests	$288	$309	$597	$587

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

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

	June 30, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	$171	$ 168
Receivables, net	286	272
Inventory	38	37
Fuel tracker	33	41
Other	25	26
Total current assets	553	544
Investments and Other Assets		
Investments in and loans to unconsolidated affiliates	978	904
Goodwill	3,236	3,232
Other	98	44
Total investments and other assets	4,312	4,180
Property, Plant and Equipment		
Cost	18,597	17,491
Less accumulated depreciation and amortization	3,753	3,654
Net property, plant and equipment	14,844	13,837
Regulatory Assets and Deferred Debits	324	290
Total Assets	$20,033	$ 18,851

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

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

	June 30, 2016	December 31, 2015
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$413	$322
Commercial paper	693	476
Taxes accrued	74	60
Interest accrued	72	72
Current maturities of long-term debt	22	283
Other	127	258
Total current liabilities	1,401	1,471
Long-term Debt	5,861	5,845
Deferred Credits and Other Liabilities		
Deferred income taxes	42	38
Regulatory and other	156	151
Total deferred credits and other liabilities	198	189
Commitments and Contingencies		
Equity		
Partners' Capital		
Common units (302.6 million and 285.1 million units issued and outstanding at June 30, 2016 and December 31, 2015, respectively)	11,390	10,527
General partner units (6.2 million and 5.8 million units issued and outstanding at June 30, 2016 and December 31, 2015, respectively)	390	336
Accumulated other comprehensive loss	(38)	(50)
Total partners' capital	11,742	10,813
Noncontrolling interests	831	533
Total equity	12,573	11,346
Total Liabilities and Equity	$20,033	$18,851

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

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

	Six Months Ended June 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$616	$617
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	158	150
Deferred income tax expense	4	2
Earnings from equity investments	(57)	(85)
Distributions from equity investments	52	93
Other	(20)	(46)
Net cash provided by operating activities	753	731
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,023)	(604)
Investments in and loans to unconsolidated affiliates	(112)	(34)
Purchase of intangible, net	(40)	—
Distributions from equity investments	45	35
Distribution to equity investment	(148)	—
Purchases of held-to-maturity securities	(22)	(22)
Proceeds from sales and maturities of held-to-maturity securities	22	22
Purchases of available-for-sale securities	(315)	—
Proceeds from sales and maturities of available-for-sale securities	316	—
Other changes in restricted funds	4	—
Other	(2)	—
Net cash used in investing activities	(1,275)	(603)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	—	994
Payments for the redemption of long-term debt	(267)	(16)
Net increase (decrease) in commercial paper	217	(869)
Distributions to noncontrolling interests	(15)	(16)
Contributions from noncontrolling interests	278	90
Proceeds from the issuances of units	816	184
Distributions to partners	(504)	(459)
Other	—	(9)
Net cash provided by (used in) financing activities	525	(101)
Net increase in cash and cash equivalents	3	27
Cash and cash equivalents at beginning of period	168	140
Cash and cash equivalents at end of period	$171	$167
Supplemental Disclosures		
Property, plant and equipment non-cash accruals	$225	$135

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

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

	Partners' Capital				
	Common	General Partner	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
December 31, 2015	$10,527	$ 336	$ (50)	$ 533	$11,346
Net income	440	145	—	31	616
Other comprehensive income	—	—	12	—	12
Attributed deferred tax benefit	—	20	—	4	24
Issuances of units	800	16	—	—	816
Distributions to partners	(377)	(127)	—	—	(504)
Contributions from noncontrolling interests	—	—	—	278	278
Distributions to noncontrolling interests	—	—	—	(15)	(15)
June 30, 2016	$11,390	$ 390	$ (38)	$ 831	$12,573
December 31, 2014	$10,474	$ 284	$ (20)	$ 268	$11,006
Net income	482	118	—	17	617
Other comprehensive loss	—	—	(13)	—	(13)
Attributed deferred tax benefit	—	14	—	2	16
Issuances of units	180	4	—	—	184
Distributions to partners	(351)	(108)	—	—	(459)
Contributions from noncontrolling interests	—	—	—	90	90
Distributions to noncontrolling interests	—	—	—	(16)	(16)
June 30, 2015	$10,785	$ 312	$ (33)	$ 361	$11,425

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

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 and the transportation and storage of crude oil through interstate pipeline systems. We are a Delaware master limited partnership. As of June 30, 2016, Spectra Energy Corp (Spectra Energy) and its subsidiaries collectively owned 77% of us and the remaining 23% was 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, for the year ended December 31, 2015, 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.

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. Business Segments

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 certain corporate costs.

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, storage and gathering 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 are included in U.S. Transmission.

The Liquids segment provides transportation of crude oil. The Express-Platte pipeline system (Express-Platte) 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). We held direct one-third ownership interests in DCP Sand Hills Pipeline, LLC (Sand Hills) and DCP Southern Hills Pipeline, LLC (Southern Hills) until October 30, 2015.

Our reportable segments offer different products and services and are managed separately as business units. Management evaluates segment performance based on earnings before interest, taxes, and depreciation and amortization (EBITDA). Cash, cash equivalents and investments are managed centrally, so the gains and losses on foreign currency remeasurement, 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.

10

Table of Contents

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 June 30, 2016			
U.S. Transmission	$529	$ 69	$ 406
Liquids	89	8	58
Total reportable segments	618	77	464
Other	—	—	(22)
Depreciation and amortization	—	—	77
Interest expense	—	—	56
Interest income and other	—	—	1
Total consolidated	$618	$ 77	$ 310
Three Months Ended June 30, 2015			
U.S. Transmission	$509	$ 65	$ 396
Liquids	94	8	78
Total reportable segments	603	73	474
Other	—	—	(18)
Depreciation and amortization	—	—	73
Interest expense	—	—	63
Interest income and other	—	—	1
Total consolidated	$603	$ 73	$ 321
Six Months Ended June 30, 2016			
U.S. Transmission	$1,067	$ 139	$ 817
Liquids	175	15	114
Total reportable segments	1,242	154	931
Other	—	—	(42)
Depreciation and amortization	—	—	154
Interest expense	—	—	112
Interest income and other	—	—	2
Total consolidated	$1,242	$ 154	$ 625
Six Months Ended June 30, 2015			
U.S. Transmission	$1,031	$ 130	$ 785
Liquids	178	16	142
Total reportable segments	1,209	146	927
Other	—	—	(35)
Depreciation and amortization	—	—	146
Interest expense	—	—	120
Interest income and other	—	—	(2)
Total consolidated	$1,209	$ 146	$ 624

Table of Contents

3. Net Income Per Limited Partner Unit and Cash Distributions

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(in millions, except per unit amounts)			
Net income—controlling interests	$287	$307	$585	$600
Less:				
General partner's interest in net income—2%	6	6	12	12
General partner's interest in net income attributable to incentive distribution rights	70	55	133	106
Limited partners' interest in net income	$211	$246	$440	$482
Weighted average limited partner units outstanding—basic and diluted	298	296	292	296
Net income per limited partner unit—basic and diluted	$0.71	$0.83	$1.51	$1.63

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	
	Target Per-Unit Amount	Common Unitholders	General Partner
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 $0.66375 per limited partner unit was declared on August 3, 2016 and is payable on August 26, 2016 to unitholders of record at the close of business on August 15, 2016.

There is a reduction in the aggregate quarterly distributions, if any, to Spectra Energy, (as holder of incentive distribution rights), by $4 million per quarter for a period of 12 consecutive quarters ending on September 30, 2018 as a result of the sale of our interests in Sand Hills and Southern Hills to Spectra Energy.

Table of Contents

4. Transaction with Affiliate

During the third quarter of 2015, Gulfstream issued unsecured debt of $800 million to fund the repayment of its current debt. Gulfstream distributed $396 million, our proportionate share of proceeds, to us of which we contributed $248 million back to Gulfstream in the fourth quarter of 2015 and the remaining $148 million, classified as Cash Flow from Investing Activities — Distribution to Equity Investment, in the second quarter of 2016.

5. Variable Interest Entities

Sabal Trail. On April 1, 2016, NextEra Energy, Inc. (NextEra) purchased a 9.5% interest in Sabal Trail Transmission, LLC (Sabal Trail) from us. Consideration for this transaction consisted of approximately $110 million cash, $102 million of which is classified as Cash Flows from Financing Activities — Contributions from Noncontrolling Interests. See Note 6 for additional information related to this transaction. As of June 30, 2016, we owned a 50% interest in Sabal Trail, a joint venture that is constructing a natural gas pipeline to transport natural gas to Florida. Sabal Trail is a variable interest entity (VIE) due to insufficient equity at risk to finance its activities. We determined that we are the primary beneficiary because we direct the activities of Sabal Trail that most significantly impact its economic performance and we consolidate Sabal Trail in our financial statements. The current estimate of the total remaining construction cost is approximately $1.8 billion.

The following summarizes assets and liabilities for Sabal Trail as of June 30, 2016 and December 31, 2015, respectively:

Condensed Consolidated Balance Sheets	June 30, 2016	December 31, 2015
	(in millions)	
Assets		
Current assets	$114	$ 118
Net property, plant and equipment	1,184	773
Regulatory assets and deferred debits	41	25
Total Assets	$1,339	$ 916
Liabilities and Equity		
Current liabilities	$90	$ 84
Equity	1,249	832
Total Liabilities and Equity	$1,339	$ 916

Nexus. We own a 50% interest in Nexus Gas Transmission, LLC (Nexus), a joint venture that is constructing a natural gas pipeline from Ohio to Michigan and continuing on to Ontario, Canada. Nexus is a VIE due to insufficient equity at risk to finance its activities. We determined that we are not the primary beneficiary because the power to direct the activities of Nexus that most significantly impact its economic performance is shared. We account for Nexus under the equity method. Our maximum exposure to loss is $1.0 billion. We have an investment in Nexus of $205 million and $90 million as of June 30, 2016 and December 31, 2015, respectively, classified as Investments in and Loans to Unconsolidated Affiliates on our Condensed Consolidated Balance Sheets.

6. Intangible Asset

During the first quarter of 2016 we entered into a project coordination agreement (PCA) with NextEra, Duke Energy Corporation and Williams Partners L.P. In accordance with the agreement, payments will be made, based on our proportional ownership interest in the Sabal Trail project, as certain milestones of the project are met. During the first quarter of 2016, the first milestone was achieved and paid, consisting of $48 million. On April 1, 2016, NextEra purchased an additional 9.5% interest in Sabal Trail, reducing our ownership interest in Sabal Trail to 50%. Upon purchase of the additional ownership interest, NextEra reimbursed us $8 million for NextEra's proportional share of the first milestone payment, which reduced our total milestone payments to $40 million as of June 30, 2016, both of which are classified as Cash Flows from Investing Activities — Purchase of Intangible, Net. This PCA is an intangible asset and is classified as Investments and Other Assets — Other on our Condensed Consolidated Balance Sheet. The intangible asset will be amortized over a period of 25 years beginning at the time of in-service of Sabal Trail, which is expected to occur during the first half of 2017.

7. 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, 2016 and no impairments were identified.

Table of Contents

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.

8. Marketable Securities and Restricted Funds

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

AFS Securities. We had $10 million and $11 million of AFS securities classified as Investments and Other Assets — Other on the Condensed Consolidated Balance Sheets as of June 30, 2016 and December 31, 2015, respectively. As of June 30, 2016, these investments include $9 million of restricted funds related to certain construction projects and $1 million are restricted funds held and collected from customers for Canadian pipeline abandonment in accordance with the NEB's regulatory requirements. The balance as of December 31, 2015 is all related to certain construction projects.

At June 30, 2016, the weighted-average contractual maturity of outstanding AFS securities was less than one year. There were no material gross unrecognized holding gains or losses associated with investments in AFS securities at June 30, 2016 or December 31, 2015.

HTM Securities. All of our HTM securities are restricted funds. We had $3 million of money market securities classified as Current Assets — Other on the Condensed Consolidated Balance Sheets as of June 30, 2016 and December 31, 2015. These securities are restricted pursuant to certain Express-Platte debt agreements.

At June 30, 2016, the weighted-average contractual maturity of outstanding HTM securities was less than one year. There were no material gross unrecognized holding gains or losses associated with investments in HTM securities at June 30, 2016 or December 31, 2015.

Other Restricted Funds. In addition to the AFS and HTM securities that were restricted funds as described above, we had other restricted funds totaling $10 million and $14 million classified as Investments and Other Assets — Other on the Condensed Consolidated Balance Sheets at June 30, 2016 and December 31, 2015, respectively. These restricted funds are related to certain construction projects.

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

Table of Contents

9. Debt and Credit Facility

Available Credit Facility and Restricted Debt Covenants

	Expiration Date	Total Credit Facility Capacity	Commercial Paper Outstanding at June 30, 2016	Available Credit Facility Capacity
		(in millions)		
Spectra Energy Partners, LP	2021	$2,500	$ 693	$ 1,807

On April 29, 2016, we amended our credit agreement. The total capacity was increased to $2.5 billion and the expiration date was extended to April 2021.

The issuances of commercial paper, letters of credit and revolving borrowings reduce the amount available under the credit facility. As of June 30, 2016, there were no letters of credit issued or revolving borrowings outstanding under the credit facility.

Our credit agreements contain various covenants, including the maintenance of a consolidated leverage ratio, as defined in the agreements. Failure to meet those covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the agreements. As of June 30, 2016, we were in compliance with those covenants. In addition, our credit agreements allow for acceleration of payments or termination of the agreements 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. Our debt and credit agreements do not contain provisions that trigger an acceleration of indebtedness based solely on the occurrence of a material adverse change in our financial condition or results of operations.

As noted above, the terms of our credit agreements require us to maintain a ratio of total Consolidated Indebtedness-to-Consolidated EBITDA, as defined in the agreement, of 5.0 to 1 or less. As of June 30, 2016, this ratio was 3.5 to 1.

10. 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 June 30, 2016 and December 31, 2015:

Description	Condensed Consolidated Balance Sheet Caption	June 30, 2016			
		Total	Level 1	Level 2	Level 3
		(in millions)			
Corporate debt securities	Cash and cash equivalents	$115	$ —	$ 115	$ —
Corporate debt securities	Investments and other assets — other	9	—	9	—
Canadian equity securities	Investments and other assets — other	1	1	—	—
Interest rate swaps	Investments and other assets — other	35	—	35	—
Total Assets		$160	$ 1	$ 159	$ —

Description	Condensed Consolidated Balance Sheet Caption	December 31, 2015			
		Total	Level 1	Level 2	Level 3
		(in millions)			
Corporate debt securities	Cash and cash equivalents	$112	$ —	$ 112	$ —
Corporate debt securities	Investments and other assets — other	11	—	11	—
Interest rate swaps	Investments and other assets — other	14	—	14	—
Total Assets		$137	$ —	$ 137	$ —

Level 1

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

Table of Contents

Level 2 Valuation Techniques

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

For interest rate swaps, we utilize data obtained from a third-party source for the determination of fair value. Both the future cash flows for the fixed-leg and floating-leg of our swaps are discounted to present value.

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.

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.

	June 30, 2016		December 31, 2015	
	Book Value	Approximate Fair Value	Book Value	Approximate Fair Value
	(in millions)			
Note receivable, noncurrent (a)	$71	$ 71	$71	$ 71
Long-term debt, including current maturities (b)	5,885	6,309	6,152	5,906

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

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

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

The fair values of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, note receivable-noncurrent, accounts payable, 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 six months ended June 30, 2016 and 2015, there were no material adjustments to assets and liabilities measured at fair value on a nonrecurring basis.

11. Risk Management and Hedging Activities

Changes in interest rates expose us to risk as a result of our issuance of variable and fixed-rate debt and commercial paper. We are exposed to foreign currency risk from the Canadian portion of Express-Platte. 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. For interest rate derivative instruments that 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 were no significant amounts of gains or losses recognized in net income during the six months ended June 30, 2016.

At June 30, 2016, we had “pay floating — receive fixed” interest rate swaps outstanding with a total notional amount of $900 million to hedge against changes in the fair value of our fixed-rate debt that arise as a result of changes in market interest rates. These swaps also allow us to transform a portion of the underlying interest payments related to our long-term fixed-rate debt securities into variable-rate interest payments in order to achieve our desired mix of fixed and variable-rate debt.

16

Table of Contents

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

	June 30, 2016			December 31, 2015		
Description	Gross Amounts Presented in the Condensed Consolidated Balance Sheet	Amounts Not Offset in the Condensed Consolidated Balance Sheet	Net Amount	Gross Amounts Presented in the Condensed Consolidated Balance Sheet	Amounts Not Offset in the Condensed Consolidated Balance Sheet	Net Amount
	(in millions)					
Assets	$35	$ —	$ 35	$ 14	$ —	$ 14

12. Commitments and Contingencies

Environmental

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

Like others in the energy industry, we and our affiliates are responsible for environmental remediation at various contaminated sites. These include some properties that are part of our ongoing operations, sites formerly owned or used by us, and sites owned by third parties. Remediation typically involves management of contaminated soils and may involve groundwater remediation. Managed in conjunction with relevant federal, state/provincial and local agencies, activities vary with site conditions and locations, remedial requirements, complexity and sharing of responsibility. If remediation activities involve statutory joint and several liability provisions, strict liability, or cost recovery or contribution actions, we or our affiliates could potentially be held responsible for contamination caused by other parties. In some instances, we may share liability associated with contamination with other potentially responsible parties, and may also benefit from contractual indemnities that cover some or all cleanup costs. All of these sites generally are managed in the normal course of business or affiliated operations.

Litigation

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

Legal costs related to the defense of loss contingencies are expensed as incurred. We had no material reserves for legal matters recorded as of June 30, 2016 or December 31, 2015 related to litigation.

13. Issuances of Common Units

During the six months ended June 30, 2016, we issued 7.0 million common units to the public under our at-the-market program, and approximately 143,000 general partner units to Spectra Energy. Total net proceeds were $327 million, including approximately $6 million of proceeds from Spectra Energy.

In April 2016, we issued 10.4 million common units and 0.2 million general partner units to Spectra Energy in a private placement transaction. Total net proceeds were $489 million, including $10 million for general partner units in order to maintain Spectra Energy's 2% general partner interest. We intend to use the proceeds from this purchase for general partnership purposes, including the funding of our current expansion capital plan.

14. New Accounting Pronouncements

In June 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-10, “Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation,” which amends the consolidation guidance around reporting entities that invest in development stage entities. We adopted the consolidation guidance of this amendment on January 1, 2016 and applied it retrospectively with no material effect on our consolidated results of operations, financial position, or cash flows. This ASU did result in certain of our entities

being classified as VIE. See Note 5 for discussion of our Variable Interest Entities.

In February 2015, the FASB issued ASU No. 2015-02, “Consolidation (Topic 810): Amendments to the Consolidation Analysis,” which makes changes to both the variable interest model and the voting model. These changes required reevaluation of certain entities for consolidation and required us to revise our documentation regarding the consolidation or deconsolidation of such entities. We adopted this standard on January 1, 2016 with no material effect on our consolidated operations, financial position, or cash flows.

In September 2015, the FASB issued ASU No. 2015-16, “Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments,” to simplify accounting for adjustments made to provisional amounts recognized in a business combination and to eliminate the retrospective accounting for those adjustments. We adopted this standard on January 1, 2016 , and it has not had a material impact on our consolidated operations, financial position, or cash flows.

Table of Contents

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842),” to improve the financial reporting around leasing transactions. The new guidance requires companies to begin recording assets and liabilities arising from those leases classified as operating leases under previous guidance. Furthermore, the new guidance will require significant additional disclosures about the amount, timing and uncertainty of cash flows from leases. Topic 842 retains a distinction between finance leases and operating leases. The classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in previous guidance. The result of retaining a distinction between finance leases and operating leases is that under the lessee accounting model in Topic 842, the effect of leases in the statement of comprehensive income and the statement of cash flows is largely unchanged from previous guidance. This ASU is effective for us January 1, 2019. We are currently evaluating this ASU and its potential impact on us.

In March 2016, the FASB issued ASU No. 2016-05, “Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships,” which clarifies the hedge accounting impact when there is a change in one of the counterparties to the derivative contract (i.e. novation). This ASU is effective for us January 1, 2017. This ASU is not expected to have a material impact on our consolidated results of operations, financial position or cash flow.

In March 2016, the FASB issued ASU No. 2016-06, “Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments,” which simplifies the embedded derivative analysis for debt instruments containing contingent call or put options. This ASU is effective for us January 1, 2017. This ASU is not expected to have a material impact on our consolidated results of operations, financial position or cash flow.

In March 2016, the FASB issued ASU No. 2016-07, “Investments—Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting,” which eliminates the requirement to apply the equity method of accounting retrospectively when a reporting entity obtains significant influence over a previously held investment. This ASU is effective for us January 1, 2017. We are currently evaluating this ASU and its potential impact on us.

In March 2016, the FASB issued ASU No. 2016-08, “Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net),” to clarify implementation guidance on principal versus agent considerations. This ASU is effective for us on January 1, 2018. We are currently evaluating this ASU and its potential impact on us.

In April 2016, the FASB issued ASU No. 2016-10, “Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing,” to clarify implementation guidance on performance obligations and licensing. This ASU is effective for us on January 1, 2018. We are currently evaluating this ASU and its potential impact on us.

In May 2016, the FASB issued ASU No. 2016-12, “Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients,” to clarify implementation guidance on assessing collectability, presentation of sales taxes, noncash consideration, and completed contracts and contract modifications at transition. This ASU is effective for us on January 1, 2018. We are currently evaluating this ASU and its potential impact on us.

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,” to replace the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires the consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This ASU is effective for us on January 1, 2020. We are currently evaluating this ASU and its potential impact on us.

Table of Contents

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.

EXECUTIVE OVERVIEW

For the three months ended June 30, 2016 and 2015, we reported net income from controlling interests of $287 million and $307 million, respectively. For the six months ended June 30, 2016 and 2015, we reported net income from controlling interests of $585 million and $600 million, respectively.

The highlights for the three months ended June 30, 2016 included increased earnings driven by expansion projects, primarily at Texas Eastern Transmission, LP (Texas Eastern), more than offset by a one-time property tax accrual adjustment in 2015 and the absence of equity earnings from Sand Hills and Southern Hills which we owned until October 2015. The highlights for the six months ended June 30, 2016 included increased earnings driven by expansion projects, more than offset by lower interruptible and short-term firm transportation revenue, a one-time property tax accrual adjustment in 2015, and the absence of equity earnings from Sand Hills and Southern Hills.

For the three months ended June 30, 2016 and 2015, distributable cash flow was $275 million and $321 million, respectively. For the six months ended June 30, 2016 and 2015, distributable cash flow was $646 million and $675 million, respectively.

A cash distribution of $0.66375 per limited partner unit was declared on August 3, 2016 and is payable on August 26, 2016. We intend to increase our quarterly distribution by one and a quarter cents per unit each quarter through 2018. 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.

We are conducting an assessment of the Texas Eastern system across Pennsylvania and New Jersey. The assessment is the result of a corrective action order from the Pipeline and Hazardous Materials Safety Administration (PHMSA) as well as our own work plan related to an incident on the system on April 29, 2016 near Delmont, PA. This assessment program and the related system repairs are expected to cost approximately $75 million to $100 million. Approximately 90 percent of this program will be completed in 2016, with the remainder of the work to be performed in 2017. Additional inspections and repairs, if any, will be determined after the completion of this work. Importantly, we expect that by November 1, 2016, we will be in a position to fully meet our customer obligations for the winter season.

For the six months ended June 30, 2016, we had $1,135 million of capital and investment expenditures. We currently project $2.7 billion of capital and investment expenditures for the full year, including expansion capital expenditures of $2.4 billion. These projections exclude contributions from noncontrolling interests.

We are committed to an investment-grade balance sheet and continued prudent financial management of our capital structure. Therefore, financing 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 equity securities. As of June 30, 2016, we have access to a $2.5 billion revolving credit facility which is used principally as a back-stop for our commercial paper program.

Table of Contents

RESULTS OF OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(in millions)			
Operating revenues	$618	$603	$1,242	$1,209
Operating expenses	313	281	613	576
Operating income	305	322	629	633
Earnings from equity investments	30	45	57	85
Other income and expenses, net	31	17	51	26
Interest expense	56	63	112	120
Earnings before income taxes	310	321	625	624
Income tax expense	5	5	9	7
Net income	305	316	616	617
Net income—noncontrolling interests	18	9	31	17
Net income—controlling interests	$287	$307	$585	$600

Three Months Ended June 30, 2016 Compared to Same Period in 2015

Operating Revenues. The $15 million increase was driven mainly by:

- revenues from expansion projects, primarily on Texas Eastern, and
- storage revenues due to new contracts at higher rates, partially offset by
- lower recoveries of electric power and other costs passed through to gas transmission customers,
- lower processing revenues due mainly to lower volumes and lower prices,
- lower crude oil transportation revenues, as a result of lower Platte pipeline volumes, net of increased tariff rates primarily on the Express pipeline, and
- lower natural gas transportation revenues primarily from short-term firm transportation on Texas Eastern.

Operating Expenses. The $32 million increase was driven mainly by:

- higher costs related to expansion projects,
- higher property tax accruals due to the absence of a 2015 tax benefit, and
- pipeline inspection and repair costs related to the Texas Eastern incident near Delmont, PA, partially offset by
- lower electric power and other costs passed through to gas transmission customers and
- lower power costs due to lower usage in 2016 on the Express and Platte pipelines.

Earnings from Equity Investments. The $15 million decrease was primarily attributable to the absence of equity earnings from Sand Hills and Southern Hills owned until October 2015.

Other Income and Expenses, Net. The $14 million increase was primarily attributable to higher allowance for funds used during construction (AFUDC) from higher capital spending on expansion projects.

Interest Expense. The $7 million decrease was mainly due to higher capitalized interest.

Six Months Ended June 30, 2016 Compared to Same Period in 2015

Operating Revenues. The $33 million increase was driven mainly by:

- higher revenues from expansion projects, primarily on Texas Eastern, partially offset by
- lower natural gas transportation revenues mainly from interruptible transportation on Texas Eastern and Maritimes and Northeast Pipeline, L.L.C. (M&N U.S.) and short-term firm transportation on Texas Eastern and Algonquin Gas Transmission, LLC (Algonquin),

Table of Contents

- lower recoveries of electric power and other costs passed through to gas transmission customers,
- lower processing revenues primarily due to lower prices and volumes, and
- lower crude oil transportation revenues, as a result of lower volumes on the Platte and Express pipelines, substantially offset by increased tariff rates mainly on the Express pipeline.

Operating Expenses. The $37 million increase was driven mainly by:

- higher costs related to expansion projects,
- higher property tax accruals due to the absence of a 2015 tax benefit,
- pipeline inspection and repair costs related to the Texas Eastern incident near Delmont, PA and
- higher operating costs, partially offset by
- a prior year non-cash impairment charge on Ozark Gas Gathering, L.L.C. (Ozark Gas Gathering),
- lower electric power and other costs passed through to gas transmission customers and
- lower power costs due to lower usage in 2016 on the Express and Platte pipelines.

Earnings from Equity Investments. The $28 million decrease was primarily attributable to the absence of equity earnings from Sand Hills and Southern Hills owned until October 2015.

Other Income and Expenses, Net. The $25 million increase was primarily attributable to higher AFUDC from higher capital spending on expansion projects.

Interest Expense. The $8 million decrease was mainly due to higher capitalized interest, partially offset by higher average balances of long term debt.

Segment Results

Management evaluates segment performance based on EBITDA transactions. Cash, cash equivalents and investments are managed centrally, so the gains and losses on foreign currency remeasurement, 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 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 June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(in millions)			
U.S. Transmission	$406	$396	$817	$785
Liquids	58	78	114	142
Total reportable segment EBITDA	464	474	931	927
Other	(22)	(18)	(42)	(35)
Total reportable segment and other EBITDA	442	456	889	892
Depreciation and amortization	77	73	154	146
Interest expense	56	63	112	120
Other income	1	1	2	(2)
Earnings before income taxes	$310	$321	$625	$624

The amounts discussed below are after eliminating intercompany transactions.

Table of Contents

U.S. Transmission

	Three Months Ended June 30,			Six Months Ended June 30,		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
	(in millions)					
Operating revenues	$529	$509	$ 20	$1,067	$1,031	$ 36
Operating expenses						
Operating, maintenance and other	183	156	27	355	327	28
Other income and expenses	60	43	17	105	81	24
EBITDA	$406	$396	$ 10	$817	$785	$ 32

Three Months Ended June 30, 2016 Compared to Same Period in 2015

Operating Revenues. The $20 million increase was driven by:

- $29 million increase due to expansion projects, primarily on Texas Eastern, and
- $3 million increase in storage revenues due to new contracts at higher rates, partially offset by
- $5 million decrease in recoveries of electric power and other costs passed through to gas transmission customers,
- $4 million decrease in processing revenues primarily due to volumes and lower prices, and
- $4 million decrease in natural gas transportation revenues mainly from short-term firm transportation on Texas Eastern.

Operating Expenses. The $27 million increase was driven by:

- $16 million increase in expansion project costs,
- $9 million increase in property taxes due to the benefit recognized in 2015, and
- $6 million increase due to pipeline inspection and repair costs related to the Texas Eastern incident near Delmont, PA, partially offset by
- $5 million decrease in electric power and other costs passed through to gas transmission customers.

Other Income and Expenses. The $17 million increase was mainly due to higher AFUDC resulting from higher capital spending on expansion projects.

Six Months Ended June 30, 2016 Compared to Same Period in 2015

Operating Revenues. The $36 million increase was driven by:

- $57 million increase due to expansion projects, primarily on Texas Eastern, partially offset by
- $10 million decrease in natural gas transportation revenues mainly from interruptible transportation on Texas Eastern and M&N U.S. and short-term firm transportation on Texas Eastern and Algonquin,
- $9 million decrease in recoveries of electric power and other costs passed through to gas transmission customers, and
- $4 million decrease in processing revenues primarily due to lower prices and volumes.

Operating Expenses. The $28 million increase was driven by:

- $31 million increase in expansion project costs,
- $6 million increase due to pipeline inspection and repair costs related to the Texas Eastern incident near Delmont, PA
- $5 million increase in property taxes due to the benefit recognized in 2015, and
- $5 million increase due to operating costs, partially offset by
- $9 million decrease due to a prior year non-cash impairment charge on Ozark Gas Gathering and
- $9 million decrease in electric power and other costs passed through to gas transmission customers.

Table of Contents

Other Income and Expenses. The $24 million increase was mainly due to higher AFUDC resulting from higher capital spending on expansion projects.

Liquids

	Three Months Ended June 30,			Six Months Ended June 30,		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
	(in millions)					
Operating revenues	$89	$94	$ (5)	$175	$178	$ (3)
Operating expenses						
Operating, maintenance and other	31	34	(3)	62	68	(6)
Other income and expenses	—	18	(18)	1	32	(31)
EBITDA	$58	$78	$ (20)	$114	$142	$ (28)
Express pipeline revenue receipts, MBbl/d (a)	233	235	(2)	233	242	(9)
Platte PADD II deliveries, MBbl/d	143	172	(29)	132	170	(38)

(a) Thousand barrels per day.

Three Months Ended June 30, 2016 Compared to Same Period in 2015

Operating Revenues. The $5 million decrease in operating revenues was driven by:

- a $4 million decrease in crude oil transportation revenues, as a result of lower Platte pipeline volumes, partially offset by increased tariff rates mainly on the Express pipeline.

Operating Expenses. The $3 million decrease in operating expenses was primarily driven by a decrease in power costs due to lower usage in 2016 on the Express and Platte pipelines.

Other Income and Expenses. The $18 million decrease was primarily due to the absence of equity earnings from Sand Hills and Southern Hills owned until October 2015.

Six Months Ended June 30, 2016 Compared to Same Period in 2015

Operating Revenues. The $3 million decrease in operating revenues was driven by:

- a $4 million decrease in crude oil transportation revenues, as a result of lower Platte and Express pipeline volumes, substantially offset by increased tariff rates mainly on the Express pipeline.

Operating Expenses. The $6 million decrease in operating expenses was primarily driven by a decrease in power costs due to lower usage in 2016 on the Express and Platte pipelines.

Other Income and Expenses. The $31 million decrease was primarily due to the absence of equity earnings from Sand Hills and Southern Hills owned until October 2015.

Table of Contents

Other

	Three Months Ended June 30,			Six Months Ended June 30,		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
	(in millions)					
Operating expenses	$22	$18	$ 4	$42	$35	$ 7
EBITDA	$(22)	$(18)	$ (4)	$(42)	$(35)	$ (7)

Three Months Ended June 30, 2016 Compared to Same Period in 2015

Operating Expenses. The $4 million increase reflects higher governance costs.

Six Months Ended June 30, 2016 Compared to Same Period in 2015

Operating Expenses. The $7 million increase reflects higher governance costs.

Table of Contents

Distributable Cash Flow

We define Distributable Cash Flow as EBITDA plus

- distributions from equity investments,
- other non-cash items affecting net income, less
- earnings from equity investments,
- interest expense,
- equity AFUDC,
- net cash paid for income taxes,
- distributions to noncontrolling interests, and
- maintenance capital expenditures.

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.

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.

Table of Contents

Reconciliation of Net Income to Non-GAAP "Distributable Cash Flow"

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(in millions)			
Net income	$305	$316	$616	$617
Add:				
Interest expense	56	63	112	120
Income tax expense	5	5	9	7
Depreciation and amortization	77	73	154	146
Foreign currency (gain) loss	1	—	—	3
Less:				
Third Party interest income	2	1	2	1
EBITDA	442	456	889	892
Add:				
Earnings from equity investments	(30)	(45)	(57)	(85)
Distributions from equity investments (a)	32	70	97	124
Non-cash impairment on Ozark Gas Gathering	—	—	—	9
Other	1	3	3	6
Less:				
Interest expense	56	63	112	120
Equity AFUDC	29	16	46	27
Net cash paid for income taxes	4	2	5	7
Distributions to noncontrolling interests	8	9	15	16
Maintenance capital expenditures	73	73	108	101
Distributable Cash Flow	$275	$321	$646	$675

(a) Excludes $4 million of distributions from equity investments for the six months ended June 30, 2015.

Table of Contents

Annual Goodwill Impairment Test

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. Key assumptions in the determination of fair value include the use of an appropriate discount rate and estimated future cash flows. In estimating cash flows, we incorporate expected long-term growth rates in key markets served by our operations, regulatory stability, the ability to renew contracts, commodity prices (where appropriate) and foreign currency exchange rates, as well as other factors that affect our reporting units' revenue, expense and capital expenditure projections.

We performed either a quantitative assessment or a qualitative assessment for each of our reporting units to determine whether it is more likely than not that the respective fair values of these reporting units are less than their carrying amounts, including goodwill as of April 1, 2016 (our annual testing date). 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, 2016 were substantially in excess of their respective carrying values.

No triggering events have occurred with our reporting units since the April 1, 2016 test that would warrant re-testing for goodwill impairment.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2016, we had negative working capital of $848 million. This balance includes commercial paper liabilities totaling $693 million and current maturities of long-term debt of $22 million. We will rely upon cash flows from operations, including cash distributions received from our equity affiliates, and various financing transactions, which may include debt and/or equity issuances, to fund our liquidity and capital requirements for the next 12 months. We have access to a revolving credit facility, with available capacity of $1,807 million at June 30, 2016. This facility is used principally as a back-stop for our commercial paper program, which is used to manage working capital requirements and for temporary funding of 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 9 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:

	Six Months Ended June 30,	
	2016	2015
	(in millions)	
Net cash provided by (used in):		
Operating activities	$753	$731
Investing activities	(1,275)	(603)
Financing activities	525	(101)
Net increase in cash and cash equivalents	3	27
Cash and cash equivalents at beginning of the period	168	140
Cash and cash equivalents at end of the period	$171	$167

Operating Cash Flows

Net cash provided by operating activities increased $22 million to $753 million in the six months ended June 30, 2016 compared to the same period in 2015, driven mainly by changes in working capital.

Table of Contents

Investing Cash Flows

Net cash used in investing activities increased $672 million to $1,275 million in the six months ended June 30, 2016 compared to the same period in 2015. The change was mainly driven by:

- $497 million increase in capital and investment expenditures, and
- $148 million distribution of debt proceeds back to Gulfstream for payment of its matured debt.

Capital and Investment Expenditures by Business Segment

	Six Months Ended June 30,	
	2016	2015
	(in millions)	
U.S. Transmission	$1,098	$599
Liquids	37	39
Total consolidated	$1,135	$638

Capital and investment expenditures for the six months ended June 30, 2016 consisted of $1,027 million for expansion projects and $108 million for maintenance and other projects.

We project 2016 capital and investment expenditures of approximately $2.7 billion, consisting of $2.4 billion of expansion capital expenditures and $0.3 billion for maintenance and upgrades of existing plants, pipelines and infrastructure to serve growth. These projections exclude contributions from noncontrolling interests.

Financing Cash Flows and Liquidity

Net cash provided by financing activities totaled $525 million in the six months ended June 30, 2016 compared to $101 million used in financing activities in the same period in 2015. The change was mainly driven by:

- $217 million of net issuances of commercial paper in 2016, compared to $869 million of net redemptions in 2015,
- $632 million increase in proceeds from issuances of units, and
- $188 million increase in contributions from noncontrolling interests, partially offset by
- $994 million of net issuances of long-term debt in 2015, and
- $251 million increase in payments for the redemption of long-term debt.

During the six months ended June 30, 2016, we issued 7.0 million common units to the public under our at-the-market program and approximately 143,000 general partner units to Spectra Energy. Total net proceeds were $327 million, including approximately $6 million of proceeds from Spectra Energy. The net proceeds were used for general partnership purposes, which may have included debt repayment, capital expenditures and/or additions to working capital. In 2016, we have issued 7.8 million common units to the public under our at-the-market program and approximately 160,000 general partner units to Spectra Energy, for total net proceeds of approximately $365 million, including $7 million of proceeds from Spectra Energy.

In April 2016, we issued 10.4 million common units and 0.2 million general partner units to Spectra Energy in a private placement transaction. Total net proceeds were approximately $489 million. We intend to use the net proceeds from this purchase for general partnership purposes, including the funding of our current expansion capital plan.

Available Credit Facility and Restrictive Debt Covenants. See Note 9 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 $0.66375 per limited partner unit was declared on August 3, 2016, payable on August 26, 2016, representing the thirty-fifth 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 and another registration statement on file with the SEC to register the issuance of $1 billion, in the aggregate, of limited partner units over time. This registration has $620 million available as of June 30, 2016.

Table of Contents

OTHER ISSUES

New Accounting Pronouncements. See Note 14 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, for the year ended December 31, 2015. We believe our 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 June 30, 2016, 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 June 30, 2016 and found no change that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

Table of Contents

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 12 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 for the year ended December 31, 2015, 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.

Table of Contents

(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.

Table of Contents

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: August 3, 2016 /S/ GREGORY L. EBEL
Gregory L. Ebel
President and Chief Executive Officer

Date: August 3, 2016 /S/ J. PATRICK REDDY
J. Patrick Reddy
Chief Financial Officer