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# EDITED TRANSCRIPT

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## CORPORATE PARTICIPANTS

**Greg Ebel** *Spectra Energy - President, CEO*

**Bill Yardley** *Spectra Energy - President US Transmission and Storage*

**Duane Rae** *Spectra Energy - President Spectra Energy Liquids*

**Steve Baker** *Spectra Energy - President Union Gas*

**Mark Fiedorek** *Spectra Energy - President Transmission Western Canada*

**Wouter van Kempen** *DCP Midstream - Chairman, President & CEO*

**Pat Reddy** *Spectra Energy - CFO*

**Julie Dill** *Spectra Energy - Chief Communications Officer*

## CONFERENCE CALL PARTICIPANTS

**Don Kilgore** *- Private Investor*

**Brad Olsen** *Tudor, Pickering, Holt & Co. Securities - Analyst*

**John Edwards** *Credit Suisse - Analyst*

**Carl Kirst** *BMO Capital Markets - Analyst*

**Shneur Gershuni** *UBS - Analyst*

**Faisel Khan** *Citigroup - Analyst*

**Craig Shere** *Tuohy Brothers - Analyst*

**Matthew Akman** *Scotiabank - Analyst*

**Ted Durbin** *Goldman Sachs - Analyst*

**Christine Cho** *Barclays - Analyst*

## PRESENTATION

**Greg Ebel** *- Spectra Energy - President, CEO*

Good morning, everybody. Since it's just about the assigned time, I think we'll get started here. And first of all, my name's Greg Ebel. I'm President and CEO of Spectra Energy and Spectra Energy Partners. And I just thank everybody for being here today. I know with the snow out there, it can be a challenge getting in here. So I appreciate you making the effort, and I would ask you to be safe out there. I know the roads will be really slick. The walkways are really slick. So please be careful from that perspective, wherever your travels might take you today.

I'd also like to thank the people who are on our webcast, those folks who have taken the time to join us by phone or through the Internet.

I'm not going to read the Safe Harbor statement here. But it is in your books and it is on this page. And obviously it contains some important information about the comments we will make today. So I'd draw that to your attention.

This morning, you're going to hear from our business leaders on the opportunities and the priorities that they see in their respective areas for 2014. We're going to start those presentations with our SEP segments. So you're going to hear from Bill Yardley, who heads up our US Transmission segment within SEP, which is the largest natural gas infrastructure business serving the Northeast, and with an increasingly large footprint in the Southeast as well.

And then you're going to hear from Duane Rae, who leads our new Liquids segment, which is one of the lowest-cost providers of crude oil transportation in North America.

And then we're going to turn to the executives of the rest of the Spectra Energy segments that are outside of SEP. Steve Baker, who runs Union Gas, which is our Ontario distribution company, which is the second-largest natural gas utility in all of Canada. Then Mark Fiedorek, who leads our Western Canadian business, which is the largest gatherer and processor of natural gas in Canada. And then finally, Wouter van Kempen, who heads up DCP Midstream, which I think most of you know, is our joint venture with Phillips 66 and by far the number one gas processor, number one liquids provider in the United States, as well as the number three operator of NGL pipelines now after a great year last year of building assets.

Pat Reddy, our CFO, will then come forward and give you our three-year financial plan for both Spectra Energy and Spectra Energy Partners. And then I'll return with a few follow-up comments, and then we'll open it up for some questions from you.

As most of you know, Julie Dill is replacing John Arensdorf, who announced his intention to retire this year. John really has contributed amazingly to the evolution and success of Spectra Energy. And I've worked with John for the better part of a decade, and I can tell you I'm really going to miss his counsel and also his friendship. He's a great colleague, and I would say he does an excellent job of serving you as investors and making sure that CFOs and CEOs of Spectra Energy actually hear what's on your mind and that we don't have a tin ear to that. So, John, thank you very much, and I'm sure everybody will want to congratulate John and wish him well on his way. And he's at the back here today, so if you get a chance, say hello to him.

Yesterday we shared with you our fourth-quarter 2013 and year-end results. I think on all accounts it was a strong year for Spectra Energy and for the investors, frankly, as well. A year, though, that I think can be summed up with three numbers. First number is $6 billion, and this is the amount of capital we placed into service during 2013, either through the expansions of our existing assets or acquisitions that we undertook. It included really important, great projects like the New Jersey-New York project, which on a cold day like today is helping to bring gas into New Jersey and to New York City; the acquisition of the Express-Platte system; and an interest in both Sand Hills and Southern Hills' NGL lines, as well as pretty expansive new projects at DCP.

Second, $7 billion, which is an important number about the future, because it's the value of the projects that we secured last year.. And that $7 billion is going to translate to real value for you and those that you can count on. The projects are underpinned by fee-based contracts with quality customers, so projects like the AIM project, the Sabal Trail project into Florida, TEAM 2014, OPEN, and the Gulf Markets Expansion project that we announced late last year.

Third number I'd point to is $20 billion. That's the drop-down enterprise value -- the enterprise value of Spectra Energy Partners following the dropdown, which is now, I think, the premier fee-based MLP by far in the United States. The dropdown of substantially all the US remaining transmission and storage and liquid assets closed late last year, and it really creates significant cash flow growth both for Spectra Energy as the general partner for SEP and for Spectra Energy Partners itself, which in turn drives enhanced dividend and distribution growth.

And you start to see that as we announced in January our dividend increase for SE, which was $0.12 increase over the previous year, which as you know previously we had announced we'd be in the $0.08 range per year. And then of course just yesterday, when SEP declared a $0.03 increase in its quarterly unit increase, to be followed by a $0.01 increase per unit quarterly from here on out.

There's probably one other big number that I'd like to speak to as well, and that's the $25 billion in growth projects that we committed to you to go out there and attack and get by the end of the decade. Between the $6 billion of projects we put into service last year, the $7 billion that we secured, we are more than halfway to that number.

But I think the reality is that we continue to see even greater opportunities for growth, thanks to the strong oil and gas fundamentals throughout all of North America. So instead of $25 billion, we believe that opportunity set is closer to about $35 billion, particularly given our expansion into the oil sector with Express-Platte system that we picked up as of the end of the first quarter last year.

In some cases, it's still early in terms of sizing those opportunities. In other cases, as you'll hear today, we are well advanced along those. And with our geography in Canada and the United States, we see the significant growth potential in our natural gas and natural gas liquids business really showing no signs of stopping anywhere in the near or medium term.

So 2013 was a year in which we delivered strong financial results, fortified an already solid portfolio with new projects and new prospects, and enhanced our financial capabilities by creating the premier fee-based MLP, all of which directly translated into significant value uplift for investors.

Now, as we look forward, let me start by reminding you that there are several hallmarks that I think we've tried to epitomize in the past and you can expect to see from us at Spectra Energy over the long run. We are obviously going to continue to operate and maximize the value of our exceptional existing portfolio and to ensure that we have the best platform for investors.

Thanks to the completion of the $12 billion dropdown into SEP, we now have what we believe is the ideal structure to finance our US Transmission and our Liquids business growth, while at the same time, the structure allows us to efficiently take advantage of opportunities at our Canadian businesses as well. Combining this structure provides attractive sustainable capital and dividend appreciation for investors.

Of course, we are always looking and considering ways in which to adjust our structure to ensure that we've got the best possible near-term and long-term value creation opportunities for our investors. And some of you have asked whether we'd take a portion of the general partner of DCP public in 2014.

In that respect, and after a good deal of discussion and detailed review with Phillips 66, we jointly determined that there is no material value benefit for SE or PSX investors to do that at this time. And as such, don't expect to see us make any major structural changes to DCP this year, although I think you can expect to see us continue the acceleration of dropdowns into DPM, which rapidly increases the GP and LP distributions from DCP to both Spectra and Phillips 66. Wouter outlines this in his presentation, which you will see here shortly.

With our existing multiple investment currencies, Spectra Energy, Spectra Energy Partners, and DPM, and the solid investment-grade balance sheets that we enjoy, we think we can support and advance the growth objectives we have, but also be able to move quickly and decisively to secure new significant opportunities that are out there.

We've committed to growing both Spectra Energy's dividend and SEP's distributions by 8% to 9%. And we'll do at least that much through 2016. As you listen today, I hope that you'll recognize that our past and our current actions, along with external factors have positioned us really well to create strong momentum and take advantage of future opportunities. I think we've done so with pretty conservative assumptions, which, again, you'll see. So when we consistently achieve greater than anticipated results, you can be certain that we'll look to share those upsides with our investors in the form of increased dividends and distributions.

We are not the only midstream player, of course, that builds and buys and operates infrastructure. But we do all three, I think, very well. As evidenced by our record of achievement in service to customers, our record of project execution is pretty impressive as well. And that's evident by the successful completion of over 60 projects that we've brought into service since we launched in 2007 at returns in that 10% to 12% range.

We've also been opportunistic and, I think, pretty disciplined when it comes to making acquisitions that really extend the strategic reach as well as the portfolio of Spectra Energy so that we can create value for investors in the near term and long term.

Express-Platte is probably the most recent good example of that. We entered the crude pipeline business at just about the right possible time, gained exceptional assets and a lot of talented personnel. And the results we are seeing so far exceed our original expectations, and I think the initial expectations of investors as well.

In fact, of the nine months that we owned the Express-Platte pipeline system to date, the EBITDA that's been delivered is equal to what we thought we would achieve in the first full year of our owning it. Customers looking for ways to move crude products are now contacting us because they like the position of our assets, they like the management team, and they like the reputation Spectra has in terms of delivering. I think that bodes very well for long-term investment opportunities. Again, you'll hear from Duane about that more today.

So our reach from the strategic Canadian and US basins to markets like Wood River and ultimately to Mont Belvieu put us in, I think, an enviable position. So I think investors can count on attractive, reliable returns from a top-tier company with that continued significant scale and significant growth opportunities, as well as the financial flexibility to execute on all the growth opportunities you're going to see today.

And investors can have that confidence in that outlook based on our track record and the fact that every one of our businesses is either number one, two, or three in the markets that they serve. And that's an enviable position for a company to have as well.

So we are in a strong position and fully plan to push hard and take full advantage of that position to accelerate our growth. Having success breeds success. And you can expect growth momentum to build from a position of strength. And I expect you're going to hear a lot about that from the team today.

So let's get right to it. And I'll ask Bill Yardley to come up and speak about US Transmission and how he plans to accelerate growth for us.

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**Bill Yardley** - *Spectra Energy - President US Transmission and Storage*

Thanks very much, Greg. And it is great to be with all of you here in New York this morning.

What a year for our US Transmission business. I would say we did three exceptional things to drive investor value this year. One, we turned our strategic thinking into ideas; we turned those ideas into contracts; and we turned contracts into steel in the ground. And on all of those fronts, it was perhaps the most important year in recent memory.

Our top priority continues to be the safe, reliable operation of our pipeline and storage assets. And beyond being just the right thing to do and core to our base business, it's critical in maintaining our extraordinary level of contract renewals and key to securing new projects.

Speaking of our base business, we once again achieved a combined contract renewal rate of 98% on our Texas Eastern and our Algonquin systems as our customers recontracted for more than $400 million of annual firm demand revenue on our backbone pipeline systems that connect the Gulf of Mexico with New England.

Now, this would be remarkable in any year for any pipeline system. But we've enjoyed results like this year in and year out for the past two decades, through the shifting North American supply and demand patterns, through changing basis and through the fierce competition for business in our space. Our base business continues to be rock-solid.

Additionally, in 2013, we signed contracts for seven new projects, turning good ideas into real construction activities, and now US Transmission has $4 billion of such efforts in execution.

And perhaps our most notable accomplishment in 2013 was placing into service our New Jersey-New York project, the $1.2 billion connection into Northern New Jersey and Manhattan. It's, of course, a highly strategic infrastructure project that brings significant economic and environmental benefits to this region and very nice returns to our investors.

This project is perhaps the most important piece of new energy infrastructure completed in the US last year. And through this, we earned a reputation as the industry leader in project execution.

So 2013 was truly filled with accomplishments. It was a year in which we reaffirmed the strength of our base business, we delivered on our execution promises, and we signed substantial new business.

So, what's next? How are we going to build on that? The supply of natural gas is growing, as we all know, and it's shifting. And demand is growing everywhere our pipeline system reaches. For example, this past winter season, we've seen the highest total delivery quantity for the November through January period ever for Algonquin, the Texas Eastern market area, and East Tennessee gas pipeline.

This supply and demand growth is boosting the value of our base assets and giving us continuing opportunities for new projects. For example, in Appalachia, Marcellus and Utica supplies continue to grow at a critical inflection point on the Texas Eastern system. Supply there is 14 billion cubic feet per day, purportedly growing to around 20 billion cubic feet per day by 2020.

Producers in this region are naturally looking to Texas Eastern to move their gas out to high-value markets because of our footprint and our paths to the markets that they want to serve. This has resulted in expansions to the East, to the Southeast, and we'll soon expand north to Ontario.

We've placed many projects into service to the East, and one more will be completed this year, TEAM 2014, which as you know is designed to move gas both east and south to the Gulf. Now, the Gulf, by the way, is projecting large increases in demand as well, with electric generation needs, with LNG exports, and increasing exports to Mexico.

Texas Eastern was originally designed to flow gas from what was the supply source, the Gulf, to the demand region, the Northeast. And we are still fully contracted to do this. This path is inexpensive and offers the ability to pick up supply from any location, including Appalachia, and deliver it to the Northeast.

Now, the vast majority of these forward haul contracts are still held by Northeast local distribution companies. They like what it offers, and they keep renewing those contracts. Last year's high level of contract renewals means that our base revenues are secure through the end of 2015, and now we enjoy an average contract term of about seven years on Algonquin and Texas Eastern.

Now, in order to accommodate both our contracted path from the Gulf to the North and give Marcellus and Utica producers the ability to move gas from the North back down to the South, we've got to make our backbone system bidirectional. The new projects we've signed are designed to do exactly that.

Over the past few years, we've deployed over $2 billion in capital to move Marcellus gas to the East, earning more than 10% returns. And now we have a suite of projects to move Marcellus and Utica gas to the South. The supply and demand dynamics are keeping our base business strong and providing us new expansion opportunities.

So let's turn to what we are going to be executing on this year. At the beginning of 2013, we had the New Jersey-New York project, TEAM 2014, and Kingsport under contract and in some phase of execution. And we told you we had our eyes on a few others. Well, New Jersey-New York is done, check. We expect our TEAM 2014 FERC certificate this month, and with construction this summer, we will have this $500 million project in service on schedule by November 1 of 2014. Our TEAM 2014 customers, Chevron and EQT, are eagerly looking forward to having the ability to move their production both to the east and to the south from the Marcellus. The Kingsport FERC certificate is expected within the next three months and will be fully in service on schedule for Eastman Chemical with this $120 million expansion on January 1 of 2015.

And as I mentioned, throughout last year, we secured contracts for seven additional projects that are now in execution with combined project ROCEs that are exceeding 10%. Let me talk about the three new market pull projects first.

So perhaps the highest-profile project that we secured was Sabal Trail, which will be the third pipeline into Florida. We were the winning bidder in Florida Power & Light's RFP process, and we quickly joined forces with NextEra to get this new pipeline built by 2017. This is a 465-mile, $3.2 billion effort, of which Spectra Energy should wind up with about half.

FPL has been retiring older oil-fired generation facilities, and this new pipeline will give them access to enough natural gas to fuel new gas-fired generators, meeting the existing and the growing power needs. Frankly, we were honored but not surprised to be selected, as our reputation for project execution is well-known.

The Algonquin Incremental Market project, or AIM, is a $1 billion effort to increase the west-to-east capacity of the Algonquin pipeline by about 350 million cubic feet per day. The AIM project is 100% subscribed by virtually all the major local distribution companies in New England.

This is a significant expansion for this area. As you may know, New England Citygate prices are typically the highest in North America, trading at a significant premium, even to New York City. The AIM project will increase capacity through Algonquin's traditional constraint point by almost 30% and will be a great first step toward softening Citygate prices in New England.

Another key last-mile effort in New England is our lateral in Salem, Massachusetts, for Footprint Power as they look to replace a soon-to-be-retired coal-fired electric generator with a much-needed natural gas plant. This is a $60 million investment for us.

Now, these next four projects all involve moving gas south on Texas Eastern -- OPEN; Uniontown to Gas City, or U2GC for short; Gulf Markets; and TEAM South combined for 1.6 billion cubic feet per day of north-to-south contracts on Texas Eastern and when complete will make the system nearly 100% bidirectional between Ohio and Louisiana.

This north-to-south contracting is a wonderful display of the market marrying the most prolific supply region with the most promising demand area. The contracts have been signed by a combination of producers in the Marcellus and the Utica and LNG exporters in the Gulf.

So, one by one, OPEN is a $500 million, 550 million cubic feet per day project for Chesapeake and other Appalachian producers. We are going to build a 70-mile greenfield line through the backbone of the Utica and Eastern Ohio and deliver Utica gas as far south as Louisiana.

Uniontown to Gas City is a short-haul path for producers out of the Marcellus west to the Ohio/Indiana area for 425 million cubic feet a day. Range, CONSOL, East Resources, EQT, and Rice Energy are all putting their faith in us to complete this $60 million effort to get their gas to Midwest markets.

Gulf Markets is a 500 million cubic feet per day project for two Marcellus producers, EQT and Range, and for Mitsubishi, Mitsui and Suez, participants in Cameron LNG. In our latest effort, the TEAM South project, we completed an open season in December of 2013. And the project is now fully subscribed at 300 million cubic feet per day from the Marcellus to the Gulf and will be in service later this year. CONSOL Energy and Rice Energy contracted for terms exceeding 20 years at our maximum tariff rate.

We actually received bids on this project, by the way, of 1.2 billion cubic feet per day in the open season, four times the capacity of this project. And I would say that's an extremely good sign for further development along this path.

So, nine projects in execution representing $4 billion in new investment. This is going to add $450 million in annual EBITDA by 2017, increasing to $550 million annually as the Sabal Trail contracts ramp up.

So, the dynamics that led to a terrific 2013 are still in play. And we've identified $7 billion in new opportunities. And we are confident that by the end of the year, we will have signed $3 billion of these from mid- to end of decade in service.

So, first, we will sign contracts for the NEXUS project, which will bring supply diversity to Eastern Canada by delivering Utica and Marcellus supply. NEXUS is a partnership between Spectra Energy, Enbridge, and DTE.

Changing supply dynamics suggest that Ontario distribution companies pursue more supply diversity, and the Utica and Marcellus are right at Ontario's back door. This project is expected to be 50% market pull from Eastern Canadian and Midwest LDCs, with the remaining capacity to be subscribed by Appalachian producers. And we've made excellent progress on the LDC contracts and expect to announce those very soon, with producer commitments following shortly thereafter.

Second, with our AIM project underway, significant new capacity is coming to the New England states by the end of 2016. Super, but that's clearly not enough. There is a need for even more capacity in 2017 and beyond for distribution companies and the electric generation sector.

All the distribution companies in this area in New England are experiencing backlogs of customers that want to convert from higher-priced oil and propane to natural gas. And of course, New England's been increasing its reliance on gas-fired generation. But to date, the market rules haven't created incentives for the generators to sign up for firm transportation. And we think there's going to be a solution for that fairly shortly.

Our Algonquin and Maritimes and Northeast pipelines are perfectly positioned to meet this region's needs. And today, we're very pleased to announce the Atlantic Bridge project. We've executed an agreement with Unitil to participate as an anchor shipper on this project. Unitil is a natural gas distribution company. It serves parts of New Hampshire and Massachusetts, but it's the largest distribution company in Maine. We've just commenced an open season, and we expect a good deal more interest.

Now, this project will increase Algonquin's capacity by 100 million to 600 million cubic feet per day over and above AIM and can be placed into service as early as 2017. We are well positioned to also serve any volumes in 2018 and beyond with more Algonquin and Maritimes expansions or a new greenfield line, if warranted, and those plans will materialize shortly. We were the first to market in 2016 with AIM, and we'll be the first again in 2017 and 2018.

Moving to the Gulf, we've been in contact with a majority of the LNG export participants. Signing Suez, Mitsubishi, and Mitsui for capacity to Cameron LNG was the first LNG-related transaction, and we are in active discussions with the others. Also in the Gulf, market dynamics had pointed to the need for more pipeline infrastructure for electric generators. And exports to Mexico are taxing existing capacity to the border as Mexico's demand continues to rise and its supply declines. So look for us to be very active in these Gulf markets.

Lastly, in the Midwest, the Southeast and mid-Atlantic, look for Spectra Energy to be involved in significant buildouts there as well as the cold weather this winter has really confirmed the need for new capacity for electric generators in these regions. So generators in the mid-Atlantic have already been considering diversifying their supply and gaining better access to the Marcellus. And our Marcellus producers are looking to further leverage their position on Texas Eastern to serve those markets -- a nice marriage. We will provide a solution to the mid-Atlantic power needs.

So that just brings me to wrap up with our priorities for 2014. First, to build on the 2013 successes by pursuing $7 billion of opportunities and closing on $3 billion of new projects by the end of the year at a 10% ROCE or better. Second, to execute on our existing projects, putting TEAM 2014, TEAM South, and Kingsport into service, and continuing with the execution of all projects so that we deliver attractive returns to our investors on schedule. And third, to maintain the strength of our base business, again renewing all of our transmission revenue through 2016. Beyond this, we will further develop new ideas, aiming to have even more projects in the queue for 2020.

We are in the midst of a tremendous buildout of the best collection of pipeline assets in the United States. We're looking forward to delivering on these promises in 2014.

And with that, I'll turn it over to Duane Rae, who will fill you in on our liquids business.

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**Duane Rae** - *Spectra Energy - President Spectra Energy Liquids*

Thank you, Bill. Liquids transportation is a relatively new business for us, but it's one that we are pretty excited about. 2013 marked our entrance into this business with the acquisition of the Express-Platte system and the commissioning of the Sand Hills and Southern Hills NGL pipelines. We not only experienced early success in the business this past year, we established a platform for future growth in the sector.

Our initial foray into the liquids business in 2013 really couldn't have gone any better. We acquired the Express-Platte system in March and have now successfully transitioned it to full Spectra Energy operations. We had a successful open season this past year on the Express system, selling out all available capacity and securing increased cash flow under long-term contracts.

Our crude oil pipelines are operating at or near capacity, and the financial performance is exceeding our expectations. The Sand Hills and Southern Hills NGL lines were placed in service last summer, ahead of schedule and under budget. We are pleased to report that both the crude and NGL systems have been operating safely and reliably from the beginning. Finally, the businesses we entered into this year have proven to be a solid platform for future growth as we are actively pursuing multiple opportunities in the liquids sector.

Before we talk about our performance and our opportunities, I'd like to remind you what our current liquids assets are. The Express-Platte crude oil pipeline system is one of only three major systems delivering Canadian crude oil into the US. The Express-Platte system consists of two distinct pipelines -- the Express pipeline and the Platte pipeline.

The Express pipeline, extending from Hardisty, Alberta, to Casper, Wyoming, is the largest pipeline bringing Canadian crude oil, both light and heavy, into the Rocky Mountain states to feed local refineries and to connect infrastructure further downstream that feeds other markets. Platte pipeline is the largest pipeline from the Rockies to the Midwest, taking some of that Canadian crude, along with Bakken oil and local Rockies production eastward to Midwestern markets.

The newly constructed Sand Hills and Southern Hills pipelines bring NGLs from the Eagle Ford/Permian area and the Midcontinent producing area, respectively, down to the Gulf Coast. SEP owns a one-third interest in these systems, while DCP owns a third and Phillips 66 owns the remaining third. As DCP operates these assets, I'll let Wouter address the prospects for these NGL lines in his presentation.

To maximize revenue from the Express-Platte system, we are focusing on ensuring that we flow as much volume as possible on all pipeline segments. To enable that, we are connecting to rail and barge terminals wherever possible. Now, while rail and barge are often seen as competitors to pipelines, we see them as enablers for our business, allowing our pipeline to serve refinery customers far beyond the end of the pipe.

We're also focused on expanding our storage and terminal operations across the system. The expansion of our terminal at Buffalo, Montana, is nearing completion, and we are currently evaluating a handful of other terminal opportunities on our system.

We are seeing increased demand for Express service from Rocky Mountain area refiners, but we also see a bigger uplift -- we will see a bigger uplift this summer when a third-party rail terminal currently under construction is placed into service.

We had a very successful open season last summer, when our traditional on-system refinery customers combined with rail terminal users -- that is, major refiners from outside the region -- to bid on all available capacity on Express. With that open season, we almost doubled our contracted capacity and increased our average contract term from about 18 months to more than 11 years. With these firm take-or-pay contracts, we are replacing older contracts, which had tolls that were heavily discounted uncommitted rates, with new contracts at much higher rates.

We are also very confident of continued steady revenues from the Platte system. Demand for service on the Platte pipeline is far in excess of physical capacity, and on a monthly basis, pipeline nominations are roughly 3 times the capacity.

With more throughput, more committed capacity, and higher tolls, we are experiencing a significant increase in EBITDA from the Express-Platte system. A 19% three-year compounded annual growth in EBITDA will be achieved with minimal capital investment and with a reduced risk profile as revenue is increasingly derived from committed take-or-pay contracts. Furthermore, the volumes contracted and flowing on Sand Hills and Southern Hills are ramping up considerably.

Taken together, the liquids segment EBITDA will more than double by 2016, representing a 32% compounded annual growth rate over the three-year period. This incremental $170 million of EBITDA is largely secured by long-term contracts on both the crude oil and NGL pipelines and requires little in the way of incremental capital.

Spectra Energy has entered the crude oil transportation business at an opportune time. Unconventional oil production in the form of oilsands and shale oil is ramping up. And these resources are located in areas that are ill-served by existing infrastructure. As the North American transportation grid is not properly plumbed to get these new sources of crude oil to where it's needed, market dynamics have been turned inside out and upside down.

The pricing dislocation between various locations in North America is both a symptom and a driver of these market dynamics. The map here shows average 2013 spot prices for various crudes around North America. We can see that, on average, a barrel of heavy oil was worth more than $20 more on the Gulf Coast or the West Coast than a similar barrel of heavy oil in Alberta. A barrel of light sweet crude was worth about $15 more on the East Coast or Gulf Coast than it was in North Dakota. And these are averages for the year. At times during 2013, the spreads were much, much wider.

These spreads obviously mean that there is a significant arbitrage available for those who can move oil from supply areas to market, whether by pipeline, rail, barge, or some combination thereof. On this chart, the blue arrows indicate increasing flows by pipe, rail, or water. The red indicates decreasing flows.

We will witness a continued increase in the flow of crude oil from the oilsands and shale-oil-producing areas to major refining markets, along with decreasing waterborne imports from overseas. And in some cases, the predominant flows within the continent are being reversed. This change in market dynamics has been dramatic, and these continuing changes are leading to opportunities for owners and developers of crude oil infrastructure.

Spectra Energy entered the liquids transportation business in the belief that it would serve as a springboard for much greater opportunities. We have not been disappointed. Potential customers and partners have approached us with myriad opportunities, and we've identified over $10 billion of potential capital investments in the liquids transportation and storage business. These are long-term opportunities that span the continent, from supply basins to refinery markets, and they extend and accelerate our double-digit EBITDA growth trajectory.

With our partner ATCO Energy Solutions, we are proposing to build the Synergy pipeline, a new pipeline to further link growing oilsands production to the Edmonton-Hardisty hub. Preliminary engineering is complete, and we are in discussions with multiple oilsands producers.

A bigger project we have on the drawing boards entails the twinning of the entire Express-Platte system from Alberta to Illinois to bring growing oilsands supply to the Midwest and beyond. Similar to the Synergy project, we have completed preliminary engineering, and the project looks compelling. We are currently in discussions with several large US refiners.

A smaller but equally attractive project is Inland California Express, which we are exploring in partnership with Questar Corporation. The project includes a new rail terminal in Southern California, together with the reactivation of an existing pipeline into the Los Angeles-Long Beach refining complex. Early discussions with potential refinery customers indicate that this may be a cost-effective alternative to supply these refiners with low-cost North American crude.

We are further evaluating expansions to the Express-Platte system itself, and we believe that opportunities exist for the expansion of both the pipe and associated terminals. And as well, as we've noted on multiple occasions, the Sand Hills and Southern Hills NGL lines were designed to be easily expandable, and we have every intention of doing so in the coming years as throughput increases.

Our liquids business has really exceeded all expectations on all fronts in the brief time it's been in operation. Express-Platte volumes and cash flow will continue to ramp up as we provide access to low-cost Canadian and Bakken crude for our refinery customers, with transportation costs that are favorable to all available alternatives. Volumes on Southern Hills and Sand Hills are ramping up, and these assets will deliver material EBITDA this year and into the future as increasing NGL supply flows to the Gulf Coast.

We are pursuing opportunities to expand our pipeline in terminals across the system as we continue to optimize our business. And finally, we expect to make significant progress this year on the next step of developing this business as a major platform for Spectra Energy's growth. We have integrated and optimized this new business line, and now it's time for stepout growth to capitalize on the significant opportunities available to us.

On our major growth projects, we anticipate that in the latter half of this year, we'll obtain shipper support to advance the binding commitments in late 2014 or early 2015. These are long-term initiatives that will start adding significantly to our cash flow in the second half of this decade.

We've been tremendously successful in the short time that we've been engaged in the liquids transportation business. However, this is just the beginning. Our current asset base is a launching pad for future growth in this dynamic sector. I'm sure you can understand our excitement in driving forward this new business.

And now I'll hand it off to Steve Baker, who will discuss our plans for Union Gas.

**Steve Baker** - *Spectra Energy - President Union Gas*

Thanks, Duane, and good morning, everyone. On the Distribution side of the business, 2013 was an extremely busy year on the regulatory front. We received Ontario Energy Board approval of a new five-year incentive straight framework that was the product of a full and comprehensive settlement with all of our customers and stakeholders.

In addition, Union Gas, along with the other two major local distribution companies or LDCs in Eastern Canada, negotiated a long-term tolling settlement with TransCanada pipeline. The settlement provides long-term toll certainty to our customers in Eastern Canada, but more importantly it provides a commercial and a regulatory framework to support building new infrastructure in Ontario.

And specific to Union Gas, a major expansion in 2015 of our Dawn-Parkway Transmission System. We made significant progress moving this 2015 expansion through the regulatory process and remain on target to deliver and construct these new facilities and put them into service in the fourth quarter of 2015.

As we have for more than 100 years, we continue to operate our systems safely and reliably, and recently that included operating our system in one of the most extreme winters and weather conditions that we have seen in many, many years.

The new five-year regulatory framework as negotiated with our customers and stakeholders was approved by our regulator, the Ontario Energy Board, in the fourth quarter of last year. This incentive rate framework is based on our current approved regulated capital structure of 64% debt and 36% equity and an approved return on equity of approximately 9%. And while similar in some respects to our prior five-year incentive rate framework, our new approach has some very attractive features that benefit both the Company and our customers.

First, we have an earnings sharing mechanism that rewards productivity by providing the Company an opportunity to earn 150 basis points above our allowed return on equity each and every year. Second, the framework provides for predetermined rate adjustments to recover the costs related to major capital asset expansions that are placed into service during the five-year term of the deal. And third, our rates will increase every year at an amount equal to 40% of inflation.

Overall, the new incentive rate framework maintains our earnings stability, while providing a platform to support the capital and earnings upside through 2018.

From a macro environment perspective, Union Gas in the broader Ontario and Eastern Canadian market continues to adjust for the natural gas supply and flow changes that continue to be experienced as a result of significant shale gas development across North America. Ontario itself has seen a reduction in net gas volumes from Western Canada to supply the Eastern Canadian market over the last number of years. This reduction is in the range of approximately 3 billion cubic feet a day, and as a result, supplies from the Marcellus and Utica shale plays are very much needed by Ontario to offset the supply decline.

These new supplies from the Marcellus and Utica shales can move into Ontario at two primary locations. The first option is through Niagara Falls, and there is some gas moving into Ontario today on existing pipeline infrastructure at the Canada/US border, which delivers gas into Ontario. This supply then connects to the Union Gas Transmission System where that gas can then access the Dawn Supply Hub to the West or consuming markets in the East.

The second option is around the western side of Lake Erie through Ohio and Michigan and into Ontario into the Union Gas Dawn Hub. You heard Bill Yardley speak about the NEXUS pipeline project, which is a project to build a new pipeline to move Marcellus and Utica supplies into the Michigan and Ontario markets. And this pipeline would again connect these new supplies directly to Union's Dawn Hub.

As I hope you can see, the Union Gas Dawn Hub and Union's Transmission System will play a very significant role in both attracting and moving these new supplies to Eastern Canada and to US consuming markets.

With these changes in supply and flow patterns, we are continuing to see robust customer demand for new supplies at the Dawn Hub supply point, which is in turn creating demand and customer support for new infrastructure growth on our transmission system.

As I mentioned at the outset, we are in the process of executing a significant 2015 compression and pipeline expansion of our Dawn to Parkway Transmission System to support our customer's desire to contract for more supply at the Dawn Hub and to move these new supplies East on our transmission system to downstream Eastern markets.

Looking beyond 2015, we commenced a new capacity open season in the fourth quarter of last year for additional capacity on our transmission system for 2016 and 2017 contract years.

That open season closed on January 22, and we received significant customer interest for new capacity. While we still need to review and assess these open season bids, we can see additional capital expansion growth of up to $500 million for the construction of new facilities over the 2016/2017 timeframe. And the CapEx associated with all these expansions will flow through to rates and be recovered under our new incentive framework once the necessary facilities are reviewed and approved by the Ontario Energy Board.

The expansions I just mentioned are amongst the largest in the history of the Company, and we are extremely excited about the prospects that we see in front of us.

In addition to be large transmission growth and expansion, we continue to see retail and industrial customer growth. We consistently add about 20,000 new residential customers per year across our strong franchise unit, and in addition, as Ontario continues to change its fuel mix for power generation, we continue to believe there are opportunities for additional power generation in Ontario.

Finally, we are seeing and pursuing new emerging growth opportunities related to compressed natural gas and liquefied natural gas in the transportation and mining sectors. These sectors want to take advantage of the price and environmental benefits that natural gas offers relative to gasoline, diesel, and electricity. This presents some exciting new opportunities for us that we believe could help grow our unregulated earnings and business.

Further, there continues to be growing interest in combined heat and power applications for certain selected business sectors in geographic areas in Ontario that offer further growth opportunities. So we are definitely seeing new emerging growth on the horizon, again driven by the strong fundamentals of natural gas. Altogether this capital growth drives approximately $100 million in EBITDA by 2018.

As we look forward to 2014, we will continue to build off the strength and stability of our base assets. We are focused on meeting and executing the milestones related to our 2015 Dawn to Parkway transmission expansion. On that note, I am pleased to report that late last week we received a positive decision from the Ontario Energy Board approving our 2015 Dawn to Parkway expansion project. So very positive news to start the year.

Further, we will advance our 2016/2017 transmission expansion based on our recent open season results, and we will be filing a facilities application with the Ontario Energy Board for approval of these additional facilities to meet the market needs later this year.

In summary, the Union Gas distribution business continues to deliver stable and secure earnings, combined with growth opportunities that respond to Ontario's and our customer's need for access to new supplies and supply diversity within a rapidly changing North American marketplace.

With that, let me turn things over to Mark Fiedorek to cover our Western Canadian business.

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**Mark Fiedorek** - *Spectra Energy - President Transmission Western Canada*

Well, thanks very much, Steve, and good morning, everybody. It has been another busy year in our Western Canadian businesses, and we have high expectations for our future. Let me first take you through our 2013 highlights.

Over the past 57 years, we have established ourselves as the number one natural gas infrastructure service provider in Northeast British Columbia by maintaining the safe and reliable services our customers have become accustomed to. As promised for our investors in 2013, we conducted a review of our Empress business and its value proposition to Spectra Energy. As a result of this review, we determined that these assets could produce a stable, lower risk return through a revamped business model. This new model, plus strong fundamentals in the market, delivered strong positive earnings for Western Canada in 2013.

In addition, we completed our Fort Nelson expansion program by physically placing the Fort Nelson North processing plant into service, as well as completing the second phase of our Dawson expansion. These two new plants added 350 million cubic feet per day of incremental gas processing capacity to our portfolio.

I am pleased to report that we continue to advance our Westcoast Connector gas transmission project. This is our LNG pipeline project with BG Group. Today we have completed extensive public consultations and an environmental assessment and are well on our way to obtaining major environmental permits for the project by the end of 2014.

Let's take a quick look at our three businesses in Western Canada. First, our Gathering & Processing business, which is the largest of its kind in Canada. In this business, we provide gathering and processing strictly on a fee-per-service basis. Over 90% of our revenues come from take or pay contracts. With all of our newly expanded facilities now fully in-service, we expect that our earnings from the base business will provide consistent growth over the foreseeable future.

Next is our pipeline business, which is the backbone of the BC natural gas industry. Our pipeline serves most of British Columbia, more than half of the US Pacific Northwest and has connections into Alberta and beyond. This system is well-positioned as a header system to serve proposed LNG export terminals on both the West Coast of Canada and in the US. This is a flow-through cost of service business that provides solid returns at relatively low risk. We are in the process of finalizing a negotiated toll settlement with our customers and expect to announce the details in the next few weeks.

Last is our NGL business centered on our straddle plant at Empress. This is a business based on strong fundamentals and run by a team with vast expertise in NGL logistics and marketing. We earn a margin by extracting and selling NGLs using our proprietary liquids pipeline system, a 4 million barrel underground storage complex and a fleet of more than 500 tank cars.

Beginning in 2014, in our efforts to minimize the volatility and cash flows at Empress, we initiated a risk management program which allows us to deliver stable, ongoing, annual EBITDA earnings from this business in the $40 million to $80 million range.

I would like also to point out that the financial results of the Maritimes and Northeast Canadian assets will now be included as part of Western Canada's earnings. Operationally and strategically, these assets, along with the Maritimes and Northeast US assets, will continue to be managed by Bill Yardley's team.

We already know that Western Canadian shale resource basins are some of the largest in North America and in the world. Confirming this point are the results of a recent joint study from the National Energy Board and British Columbia Oil and Gas Commission, which estimated that Northeast British Columbia's Montney potential alone has almost 2000 trillion cubic feet of original gas in place and, based on today's extraction technology, over 270 trillion cubic feet of marketable reserves. These reserves alone will be able to supply up to 8 Bcf of market demand, which could be the equivalent of four large-scale LNG export facilities.

As a reference, the Marcellus basin has been estimated to have 140 trillion cubic feet of marketable reserves. The results of this study highlight the fact that producers are developing the Montney resource in Northeast BC, instead of the less economic conventional reserves found in Alberta.

In the near term, additional gathering, processing, NGL and pipeline capacity will be required to support development of these mega-shale resources and to deliver gas to support the current markets. We believe our integrated network of gas, gathering and processing assets located on top of these unconventional basins and our high reliability give producers an attractive value position that will result in near the midterm growth potential in our various lines of business.

It is no secret that the size, scale, and economics of these resources in Western Canada have attracted significant investments to date from many multinational E&P companies. These companies are active in developing these resources with the objective to export LNG from the West Coast to

British Columbia. This market development presents the most promising and largest opportunity for Spectra Energy's Western Canadian businesses. These multinational players are in various stages of development, and regardless of which projects go ahead, significant E&P development in the coming years will require traditional gathering, processing, NGL and transmission services that are Spectra Energy's bread and butter. When one of these projects goes, the midstream potential opportunities alone could top $6 billion by the end of the decade. We anticipate producers will actually develop their acreage positions in the coming years prior to LNG being placed into service. As producers prove out these reserves, Spectra Energy is well-situated to utilize its existing footprint to bring the most cost-effective and timely solutions to the marketplace.

We currently have about 60% of the G&P market in BC, and we will win more than our fair share of these new opportunities.

I am pleased to report today that Spectra Energy's partnership with BG Group to build a greenfield pipeline from the Northeast BC into Prince Rupert is making significant progress towards obtaining the necessary regulatory approvals for the Westcoast Connector gas pipeline. By year-end, we anticipate we will reach a major project milestone by receiving our environmental certificate from the British Columbia Environmental Assessment Office.

Spectra Energy is in the best position to provide gas processing and pipeline transportation to existing as well as future export markets for the growing gas supply here in Northeast BC.

As we look forward, we are excited by the advanced development that is occurring with our Gathering & Processing business and our team's focus on LNG infrastructure.

We anticipate bringing to execution up to $2 billion worth of projects in the next few years, as well as new G&P and large-scale pipelines to the tune of an additional $6 billion throughout the decade.

Before I conclude my remarks today, I thought it would be important to leave with you 2014 priorities of Spectra Energy's Western Canadian team. We will continue our history of focusing on operational excellence and are in a strong position contractually and operationally to provide consistent growth to our base business. We will fully implement our risk management program at Empress with the objective of capturing good margins and derisking our commodity price exposure. We will place into service our North Montney project in the second quarter of 2014. This project will bring an additional 210 million cubic feet per day of gas processing to serve our customers' needs in the prolific Montney play.

As mentioned, we will continue to advance our LNG project with BG Group, and you should expect to see significant permit approvals for these projects by the end of 2014.

Lastly and in many ways most excitedly for Spectra Energy, we will actively pursue and capture large-scale infrastructure opportunities in British Columbia. The continued development of the unconventional supply resource in northeast BC to support growing North American markets and the new LNG export facilities will require Spectra Energy's expertise and skills. We leverage our footprint, our customer focus, our stakeholder relationships and our project execution skills to capture these large-scale investment opportunities that will drive Spectra Energy's growth throughout the decade.

Now, with this, let me turn it over to Wouter for a discussion around our DCP business.

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**Wouter van Kempen** - *DCP Midstream - Chairman, President & CEO*

Great. Thank you, Mark, and thanks, everybody. Good morning. I am really excited to be here today to talk with you about the DCP enterprise, about the fundamentals that we are executing on and the value that we are creating for our owners and our investors.

Our story is a story that is founded on being a premier operator of midstream assets with a disciplined growth strategy and us having a terrific footprint. Let me start by reminding you of some of our 2013 accomplishments that underpin our ongoing strategy.

We just came off a tremendous year of execution, a year that saw us lay claim to the prestigious industry rankings of the number one gas processor, number one natural gas liquids producer and the third largest NGL pipeline operator in North America. We now are a fully integrated midstream service provider, and with Sand Hills and Southern Hills, Texas Express and Front Range pipelines all in service, we have optimized our footprint to offer premier services to our customers from the wellheadto the market centers.

We have project execution down to a science, and to put that into perspective for you, we have put over $3 billion of projects in-service in 2013 alone. That's about 8% of the total MLP capital spent in the entire industry. And the vast majority of our projects have come in service ahead of schedule and below budget.

We also believe it is very important to manage the things we can control. So with that in mind, we held costs flat in 2013, while we grew both DCP Midstream and DCP Midstream Partners. We did all of this while continuing to be industry-leading in our safety performance and with being focused on being a premier operator, getting it right every single day.

We believe this is a business where size and skill matters, and at DCP Midstream, we've got it in spades. DCP Midstream is integral to our country's energy needs. We process about 12% of the nation's gas supply through each of our 64 different plants.

On a side note, I will share something with you that was even a little surprising to me, and it didn't occur to me right away. When you look at the industry stats, DCP Midstream Partners in its own right is well anchored in the top 10 processors and NGL producers in the nation. That shows you how much we have grown DPM in the past three years.

Looking at our map, the majority of our gathering and processing assets are very well situated in most of the major liquid-rich and oil-driven shale plays. And in many of those key basins, we are the largest G&P company, and it is our plan to maintain our leadership position.

The potential around our footprint is tremendous. With our marketing and logistics strengths, we are unlocking additional organic opportunities. For example, you just saw that we announced that we will be adding another plant and growing in the prolific DJ Basin, increasing our number of plants in that area to 9, and our total DJ capacity to over 800 million cubic feet per day. We just started off our 200 million a day Goliad plant at Eagle Ford, which is part of an integrated system providing about 1.2 Bcf a day of capacity.

We have already committed long lead time capital to develop a new 200 million a day plant in the Permian Basin that will integrate our systems and deliver barrels into Sand Hills pipeline. Our geographically integrated system of plants and pipelines gives us competitive advantages like no other. Not only are we in the key basins, we are in the prime areas of those key basins, and our projects are underpinned with long-term contracts, strong production profiles, and large and reliable customers. We had an enviable lead-in position, which enables us a continued strong pipeline of growth opportunities for the foreseeable future.

Let's talk about the progress that we have made here over the last couple of years.

In 2010 we laid out our aspirational five-year plan, and as we stand entering 2014, we are already on the 5 yard line with a touchdown in sight. We are now looking out to 2016, and we are feeling satisfaction that we will have checked off three of the five aspirations by the end of this year by growing our NGL production, our miles of NGL pipeline infrastructure and our processing volumes. And I feel very, very comfortable that we have the playbook to achieve the rest of our goals and much, much more by 2016.

We already are a fully integrated midstream company, and we are extending ourselves further down the value chain. Sand Hills, Southern Hills, Texas Express pipelines are already a reality. Front Range pipeline just came into service this week, and we are continuing to integrate our assets, to build systems that gives us a competitive advantage, adding more logistics laterals and extensions on Sand Hills and Southern Hills. The Eagle Plant, the O'Connor Plant, the Rawhide Plants all came online last year. And as I mentioned over the past days, the Goliad Plant and the O'Connor expansions have also started up. So, with the projects that we have under construction and on the drawing board, we expect to execute on about $4 billion to $6 billion for capital expansions through 2016. All said, we have a very robust pipeline of opportunities around our footprint.

We can say that really confidently because we have such a strong record of project execution. So picture the magnitude of this -- we have put into service 1 Bcf of new capacity in the past two years alone, and that capacity is almost 85% utilized as I stand here today. That additional capacity by itself dwarfs the total size of many companies in our space. That is just in the last 24 months for DCP Midstream.

We had a little bit of a different approach than other companies in how we tell our story. We don't issue press releases on fantasies. We are a company that executes, a company that delivers. Then we tell you, when all is said and done, that we got the job done. We look at where our customers are and partner with them to ensure that our growth plans are aligned so that we can create a long-term win-win for both our customers and for DCP. We do all this while continuing to operate the day-to-day really well, focusing on what we call operational excellence and delivering the value for our customers, our owners, and our unitholders.

So let me spend a little bit of time on our underlying industry fundamentals, including our commodity outlook and our 2014 price assumptions. First of all, long-term fundamentals for this industry remain very, very attractive. DCP Enterprises has been around for 80 years in many different ways, shapes, and forms, and we continue to manage this business for the long run. And commodity prices always fluctuate. But, as we have proven throughout the various cycles, we continue to successfully execute on our long-term strategy.

So let's go through the NGL pricing. On the top right of this slide, you see our commodity price assumption for 2014, and the NGL assumption is an area where I am going to spend a little bit more time with you.

Our NGL barrel composition has transitioned over time. Before Sand Hills and Southern Hills came online, our NGL composition was about 50% Conway/50% Belvieu. That had moved to 60% Belvieu/40% Conway in 2013, and now with about 70,000 of our midcontinent barrels flowing from Southern Hills, we expect our composition to be closer to 100% Belvieu barrels in 2014. And this shift allows us to capture more of the long-term premium pricing in the Belvieu market, and it also changed our NGL barrel pricing in 2014.

The biggest driver of the change of our barrel price, however, is that in 2014 we have budgeted about 20,000 to 25,000 barrels a day of ethane rejection. So basically what that does is it makes our barrel heavier by lowering the overall C-2 component.

Great. So I hear all of you say, $0.94 in 2014, about $0.75 realized in 2013. Let me go plug that into my different models, and that's going to show me some nice margin growth. Trust me, I wish it were that simple to run this business, but obviously it isn't.

So, to be clear, while our barrel profile has changed, our margin impact has not. Essentially what happens is we lose margin from ethane rejection because we produce and sell less barrels. At the same time, by leaving the ethane in the gas stream, we increased our overall gas volumes and recouped the margin we lost from the rejection via increased natural gas sales. So, after all is said and done, pretty much a zero-sum game on margins as is shown in the example on the bottom right-hand side of the chart.

Overall the DCP barrel now looks a lot more like an industry barrel. In fact, in a little bit, Pat will cover our sensitivities.

Now I would like to take a minute to walk through DCP's expected growth over the next three years. I am going to use three slides to show how the performance of the overall DCP Enterprise translates into value for our owners.

Let's start with DCP's net income and EBITDA. You can see on a price neutral basis at the 100% DCP level, we expect to grow EBITDA by 11% and net income by 4% compounded annually from 2013 to 2016.

We have been delivering industry-leading returns over the past several years, and we constantly deliver better than our peers on our average ROCE. Basically we handle downside exposure really well, and we outperform in the high commodity price environments. Let's step it down a little bit further and talk about the rest of our growth and our financial strategy.

Since 2010, we have been on a journey of very strong growth and execution, which has all been self-funded growth. While we have been funding this growth, we generated almost $5 billion of EBITDA since 2010. We made cash distributions since 2010 to our owners, well over $2 billion. And since the inception of this venture, our owners have made their investment in DCP back many, many, many times over.

So how do we do that? We use a strategy that we call growth for growth to describe the synergistic relationship between DCP Midstream and the growth of DCP Midstream Partners. As we grow the enterprise, we grow DPM -- kind of like riding a tandem bicycle. And since we are self-funded, DCP Midstream raises capital through dropping down assets to DPM, and in return DPM will fund these drops by issuing equity and delivering the proceeds from those to pay for the drop downs...growth for growth.

Now we have been deliberate in our strategy to pace and balance these drop downs with about $1 billion of drops in each of the past two years. But given all the growth that we are seeing at midstream over the past years and the growth to come, I feel very comfortable that we will accelerate our drop downs to DPM in 2014 to a number well above the $1 billion that we've guided to before.

Over the next three year period, we foresee continued significant growth of midstream requiring drop downs in the potential range of $3 billion to $5 billion. That could more than double the size of DPM once again, and it drives over 30% compounded GP and LP distribution growth from DPM to DCP Midstream.

So let me summarize some of this. We are steadily growing midstream earnings and EBITDA. We self-fund a $4 billion to $6 billion capital program via drop downs. We grow DPM, our partnership, at a 30% CAGR, and we grow our distributions to our owners at a 6% CAGR.

So let's take a look at this distribution growth and how that translates into value for our owners. In 2013, about 25% of the cash distributed from DCP to our owners came from DPM with the remaining cash flows coming from DCP, valued somewhere in the 9 times to 11 times range. By 2016, we will have grown distributions by well over $150 million with the majority, about 55% of DCP Midstream's cash flow to Spectra and Phillips 66 coming from high multiple GP and LP cash flows from DPM distributions. That is nice, stable growing cash flow that you can count on.

If you were thinking about how to value the DCP Enterprise, just apply your favorite market multiples to the GP and the LP distributions, and DCP would easily be in the $15 billion to $20 billion enterprise value range. And for Spectra and Phillips, this translates into a $4 billion plus valuation uplift when you apply these higher multiples from the GP and LP distributions.

With a value like that, you can see why our growth for growth strategy works and why DCP has delivered significant and sustainable value to our owners and shareholders and continues to be a great investment.

Let me start to wrap things up. We are just over 30 days into this year. We are out of the gates fast, and I want to leave you with some milestones that we are committing to for 2014. But let me first talk about some points that are not on this slide that are part of our standard operating procedures.

We will operate safely and responsibly -- it's the essential mark of a leader in the industry. We will control what we can control -- cost, improving efficiencies, and investing in our existing infrastructure to keep our assets running reliably.

Now let me go to the specific priorities. All told, we expect to place $3 billion to $4 billion G&P growth projects in service over the next years. That includes the already announced 200 million a day Goliad plant in the Eagle Ford and the O'Connor expansion of 50 million a day serving the DJ. As I mentioned, we already started construction on our newest 200 million a day plant in the DJ -- Lucerne 2 that we announced earlier this week. As I mentioned earlier, I feel very, very confident that we will soon announce another 200 million a day plant in the Permian to further expand our market leading franchise in that region.

On the marketing and logistics side, our jointly owned Front Range pipeline just went into service this week. Let's talk about Sand Hills and Southern Hills, which we are targeting to drop down into the partnership this year.

At Sand Hills, which provides Permian customers with access to Mont Belvieu, we anticipate volumes will be about 145,000 barrels per day by the end of 2014. That is an increase of about 130% year over year. We are encouraged by our volume build up on Southern Hills, which connects midcontinent producers with access to Mont Belvieu, and we expect to have about 85,000 barrels flowing by the end of 2014.

And lastly, we will continue to add laterals and potential expansions to tie into new plants and new areas continuing to ramp up the volumes in both Sand Hills and Southern Hills.

Again, we are sprinting into 2014, and we can already put a number of checkmarks next to our goals. We have great momentum, we have a great footprint to build around, and we have a growth for growth strategy that delivers significant value to our owners.

So, with that, thank you for your time, and let me turn things over to Pat.

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**Pat Reddy** - *Spectra Energy - CFO*

Great. Well, thank you, Wouter, and good morning, everyone. It was good to speak with you yesterday on our fourth-quarter earnings call and even better to see you safe and warm here today in person.

As you have heard from our business leaders, Spectra Energy is in the midst of a period of focused growth with a number of attractive opportunities to leverage our existing assets to serve growing demand markets and emerging supply basins, both within and beyond our current footprint. With the drop down to SEP of our US transmission and liquids assets late last year, we believe we have the optimal structure in place to efficiently finance the significant growth in front of us and to deliver very attractive value for our investors. And while that transaction is dilutive to earnings-per-share due to noncontrolling interest, it is cash accretive, and that's why we are moving away from emphasizing EBITDA and EPS to instead focus on EBITDA and distributable cash flow to support our attractive dividend and distribution growth.

So let me share our objectives for our near-term and long-term value creation with that focus on cash. We told you last August that we expect to grow Spectra Energy's dividends by at least 9% a year, and we are in a position to grow at that rate now through 2016.

We expect that Spectra Energy Partners' distributions will grow by at least 8% to 9% annually through 2016. SEP's distribution growth will be supported by fee-based distributable cash flow, which we expect to grow at a compound annual rate of more than 13% through the plan period. Those increasing distributions will result in significantly higher GP and LP distributions to Spectra Energy where that cash will be used to support our own dividend growth.

Similarly, as Wouter just explained, we will also see significant growth in the GP and LP distributions from DPM, which will provide further support for Spectra Energy dividend increases. And, as you have heard from my colleagues this morning, we are executing on CapEx expansion plans that are larger than ever before.

As we move forward on these expansion opportunities, we expect to invest about $1.3 billion in expansion capital this year, ramping up to an average of $2 billion annually through 2016. SEP's share of the CapEx will be about 70% this year and 60% in 2015 and 45% in 2016.

We plan to invest our growth CapEx at average ROCE returns in the 8% to 10% range. That will provide us returns on capital employed that are about 200 to 300 basis points above our cost of capital, creating real and lasting shareholder value. And we expect to finance that capital expansion without issuing Spectra Energy common equity during the plan period, while maintaining our investment-grade credit ratings.

All of the US transmission and liquids growth will be financed at SEP. DCP finances its own growth with its own balance sheet, and Canadian growth will be financed using available cash from the C-Corp parent and Canadian debt. We are going to exercise prudent financial management, maintaining the balance sheet flexibility and investment-grade credit metrics that will allow us to competitively and efficiently execute on growth projects and pursue new opportunities. So let's go to the numbers now in our three-year plan.

With the drop-down of US transmission and liquids on November 1, 2013, SEP is now our largest business segment, so it makes sense to start there. For 2014 we estimate Spectra Energy Partners' distributable cash flow to be about $935 million, and you may remember that's $35 million higher than the level we projected last August. And, as you see, this DCF grows very nicely through 2016 at about a 13% compound annual rate. This growth gives us comfortable coverage ratios right at 1.1 times, which is squarely in the middle of our 1.05 to 1.15 times targeted range, assuming distribution growth of $0.01 per quarter going forward following the $0.03 increase that we just announced.

We expect strong EBITDA growth from both of SEP's two operating segments, US transmission, which includes all of our US pipelines and storage assets, and liquids, which includes the Express-Platte system and our one-third interest in the Sand Hills and Southern Hills pipelines.

We expect our US Transmission segment to deliver close to $1.4 billion in EBITDA in 2014, supported by recent organic growth projects placed into service, and we look forward to 9% annual growth in the plan period. We expect Liquids to deliver EBITDA of $210 million and to grow at a compound annual rate of more than 20% thanks to the significant contract restructuring that we captured in 2013, which Duane spoke to, and the ramp-up of Sand Hills and Southern Hills volume and revenues that Wouter discussed.

The Other segment shown here is comprised primarily of allocated corporate governance costs related to the new assets acquired, as well as SEP standalone entity level costs. We expect interest expense to remain relatively flat and maintenance capital to increase moderately due to some anticipated pipeline integrity and plant work over the three-year period.

With that, let's take a look now at our expectations around SEP distributions.

The anticipated strength in SEP distributable cash flow through 2016 affirms our expectation of an 8% to 9% compound annual growth rate in distributions through 2016. We made a great start yesterday when we announced $0.03 distribution increase per limited partner unit to be paid this quarter. And, as we previously said, we expect increases of $0.01 per quarter going forward, but we will, of course, aim to do even better. SEP intends to continue to deliver on its solid track record of reliable growing distributions, which will accelerate the growth in general partner distributions to the parent, Spectra Energy.

So what does all this signify for our investors? GP distributions will grow from $41 million in 2013 to about $300 million in 2016. This translates to a $6 billion valuation uplift for Spectra Energy assuming a GP multiple of 25 times and an implied increase in the share price of $9.00. Combined GP and LP distribution to Spectra Energy will grow up from $715 million this year to more than $900 million in 2016. So this is a very exciting time for all of SEP unitholders as we move forward from a position of strength to continue delivering unit holder value in the coming years.

Now let's turn from SEP to our plans for Spectra Energy. On this next slide, we provide 2014 EBITDA projections for each of our business segments, which takes you to our enterprise slide EBITDA number of more than $3 billion. For the 2014 to 2016 period, we expect to realize average annual EBITDA growth of about 7%. I won't drill down through each of the segments since the heads of the business units gave you a very good description of what is driving the results of their respective businesses, but we have summarized their targets here.

You might notice that our portion of DCP's EBITDA is relatively flat over the three-year period, which reflects the year-to-year accounting for the expected equity earnings in DCP and the non-cash equity issuance gains at DPM. But what isn't flat, however, is our expected growth in cash distributions from DCP over the three-year period, growing from about $230 million in 2014 to $260 million in 2016. And that's a compounded annual growth rate of 6%.

You may have also noticed that our EBITDA in Spectra Energy for 2014 is flat to what we reported yesterday for 2013. But, as you know and as I have experienced in my time at Spectra Energy, we tend to be relatively conservative in our forecast assumptions. That would certainly be true for 2014 as well.

When you look at Western Canada, for example, we have assumed $30 million of EBITDA at Empress in our guidance, but as you saw yesterday, Empress reported EBITDA for 2013 of $80 million. And, as you've heard from Mark this morning, he believes we can repeat that achievement in 2014.

The same is true at Union Gas while we benefited by $11 million in 2013 from colder than normal weather. But we budgeted for normal weather this year, and so far we are enjoying a cold start to the winter.

Another example would be a DCP where we assume that equity gains would be about $50 million less this year than we enjoyed last year. So, all told, the assumptions we have used in our 2014 budget have about $100 million of EBITDA conservatism built in.

Let's turn now to Spectra Energy's distributable cash flow. For 2014 we are providing an estimate of SE distributable cash flow or DCF. With all of our US assets now residing in the MLP and our ongoing focus on dividend growth, we believe DCF provides investors with a clear view of how we expect to fund our dividend.

While this schedule is fairly self-explanatory, I would like to make a comment about cash taxes. 2014 will benefit from some carryover of bonus depreciation, but as with other infrastructure companies in our space, we do not expect that benefit to continue into 2015 and 2016. So we would expect our cash tax rate to go from about 5% this year to about 25% in 2015 and 2016.

At the same time, we deduct equity AFUDC is not producing cash in the period earned, but it is certainly a leading indicator of future cash generation as projects come online. Even with a significant increase in cash taxes, we were able to stay comfortably within our targeted coverage ratio of 1.1 to 1.2 times assuming annual $0.12 increases in the Spectra Energy dividend.

With the increase we announced in January and annual $0.12 per share increases thereafter, we expect our annual dividends to be $1.34 per share, $1.46, and $1.58 in 2014, 2015 and 2016, respectively.

Now let's spend a minute looking at some of the assumptions and sensitivities reflected in our financial plan. As is always the case, the most significant assumptions affecting our EBITDA and distributable cash flow are the commodity assumptions underlying projected results at DCP Midstream. For 2014 we have assumed the following sensitivities on an annual basis, and average NGL price is $0.94 per gallon on the basis that Wouter explained.

To the extent volumes are as forecast and the makeup of the NGL barrel is as expected, every $0.01 change in the price of the gallon at NGLs will affect our EBITDA by about $6 million. We have assumed natural gas prices will average $3.75 per MMBtu per year. Every $0.10 change in that price will affect our EBITDA by about $4 million. And crude oil is assumed to average $95 per barrel. Every $1.00 per barrel change will affect our EBITDA by about $2.5 million.

Our Canadian earnings are exposed to the exchange rate with the US dollar. Since we finance our Canadian operations with Canadian dollar denominated debt though, we are partially hedged for those earnings. We would expect every one cent change in the CAD1.05 rate we have assumed to translate into a $4 million change in our net income.

As you know, this sensitivity is developed at the net income level to provide the net effect to the changes in EBITDA, interest, and Canadian taxes.

On the next slide, you can see that we are benefiting from a very healthy kickstart to 2014. Positive weather dynamics are helping our 2014 outlook and reaffirming our customers need for additional infrastructure. This winter's polar vortex is driving strong margins at our Union Gas business, which saw temperatures in January that were about 20% colder than normal. And cold temperatures have also pushed up propane and natural gas prices, creating potential upside for both Empress and DCP Midstream.

Higher commodity prices have also provided a healthy boost to the year and were having a favorable effect at DCP Midstream. While the Canadian dollar is lower than our forecast, which affects our income from Canada, those effects are somewhat mitigated by lower interest costs as we translate those into US dollars. While it is still early in the year, 2014 appears to be off to a very strong start.

So, to wrap up, we are excited about our prospects for 2014 and beyond, and we believe we are ideally positioned to continue delivering on the growth and value creation that we laid out for you today. Spectra Energy is growing from a strong asset and operational foundation. Our Company and our investor base also rely upon that superior foundation of financial strength to support and sustain dividend distribution growth and attractive shareholder returns.

So let me just finish by summarizing -- we are realizing significant growth in our core natural gas businesses, enhanced with growth in our new complimentary liquids businesses. We are able to draw upon both our MLPs and our parent C-Corp to advance strategic growth. We have demonstrated our ability to deliver consistent, attractive dividend and distribution growth across various markets and commodity cycles, and there is more value to come as we capture the opportunities and pursue all of the growth that you have heard about this morning, momentum and value that will be shared with our customers.

So, with that, let me turn things back over to Greg for some closing remarks.

## PRESENTATION

**Greg Ebel** - *Spectra Energy - President, CEO*

Thanks, Pat, and I know you have all heard a lot of information today. We don't usually stand up here and speak at you for 90 minutes, so I look forward to your questions. But I hope what you have heard is giving you a lot of confidence because it gives us a lot of confidence in us being able to achieve our commitments to you.

A few themes, therefore, to watch for and hold us accountable for as the year progresses. You heard from Bill and Duane, Mark, Steve, and Wouter as they laid out their priorities for 2014. And I think they shared some common and pretty compelling focus areas for you.

First, we are going to build off the strength of our base, which is really quite incredible and not replaceable. And we're going to maximize that base through sector-leading operations and service, which our customers pay for, particularly when you see the type of winter events we are having.

Second, we are going to execute with excellence on the projects that we have at hand. And then, third, we're going to go out and -- we are well along the way of doing so -- go out and secure new projects, great new projects and opportunities within each of the business units that will also add incredible value for investors.

We're going to continue to successfully execute on these priorities and, by doing so, realize that 7% compound annual growth rate at Spectra Energy's EBITDA and about a 13% CAGR in the DCF at SEP over the next three years. In fact, I think when we look back and we print the final book for 2016, our EBITDA growth at Spectra Energy will probably be more like 10% and the DCF at SEP will be more like 15%, so all of which will further our excellent GP position and, obviously, dividend and distribution growth.

As you have heard, we have fulfilled $13 billion of our expansion capital commitment, and we have another $20 billion, plus, of growth opportunities before us through the end of the decade. That is an enviable backlog of fee-based projects, and that's going to fuel Spectra Energy's overall growth.

In addition to the expansion projects, we will carefully consider acquisitions that complement the existing portfolio and grow value beyond what you are hearing about today. And we recognize that being on this growth trajectory means we have got to effectively execute on the priorities that we laid out for you today. But I think we have also proven to you that we have delivered on that by deploying large amounts of capital over several years, and we can do that on an ongoing basis and realize additional uplift for our investors on a go-forward basis. And I think you'll see us prove that again this year.

We focused on the three-year plan projects throughout the day and what's going to take us to the end of the decade. So, where do we plan to take Spectra Energy in the coming years? I think you'll see us grow deliberately and strategically. We are not pursuing size just for the sake of size, but as you look at the projects, we are pursuing that size because it gives us the ability to compete and to win.

The large projects that the market wants needs big players to be out there and deliver on those projects. Customers want to be dealing with substantial entities. And we're going to concentrate on the growth opportunities that build upon those strengths in the footprint that we have already got in place. And obviously, that translates directly into benefits for investors.

The enterprise value of Spectra Energy has doubled in just the last four years, and we intend to double again, so how are we going to do that? First, I think we have got to maintain that supplier-of-choice position that we have had with customers by continuing to operate safely and efficiently. That's our real license to operate.

Secondly, we're going to retain the financial strength and flexibility to support the ambitious growth plans that we have by deploying both of our MLP and C-Corp structures. And by doing so, I think we will benefit from having one of the lowest cost of capitals -- cost of capital of any of the major midstream companies on the continent.

You will see us further that last-mile advantage in the Northeast markets where we enjoy that strong expanding presence. And as you heard from Bill, there is more than ample opportunities to serve the Northeast and we fully intend to win more than our fair share of those projects.

We're going to move down south as well, through projects like the TEAM 2014, OPEN, Gulf Markets, and Team South, to serve the growing demand in those regions, providing attractive opportunities to shippers and further expanding the value of our pipeline networks.

We are going to move gas in other directions, too. In Ontario, where they are seeing reliable alternatives to declining traditional western Canadian supplies, that's presenting capital investment opportunities for the first time in some time at our Union Gas asset. The same dynamic is driving the opportunity of our NEXUS project, which we will also see that abundant shale gas move into the eastern Canadian markets and the upper Midwest.

We have got great expectations for our crude and NGL investments and that whole transportation segment, and we expect to see the overall liquids business grow from about 7% of our overall EBITDA today to be one of the largest business segments, and that is off an expanding base for the rest of the businesses, as well.

We will keep an eye for new opportunities, whether it's things like refined products infrastructure or export facilities, that complement our lines of business as we are today.

So that's a pretty spectacular opportunity for us, and I think you will agree that we are set up pretty well over the next half-decade to really deliver on the projects.

And we've got a lot of confidence in that, and as I said, that is grounded in the performance that we have had to date, as well as the market outlook that really favors the premier positioning that Spectra has in North America from wellhead to burner tip, whether it's in the natural gas business, the NGL business, or increasingly in the crude oil sectors. We have kept every promise that we've made to you, and we're going to continue to deliver on that pledge in our projects and the value proposition that they have.

Bottom line is with the highest-quality distributable cash flows of any other major company in this sector, excellent distribution coverages, and, I think as you have heard, very conservative assumptions, and a large existing and steadily growing stable of fee-based projects, Spectra Energy, Spectra Energy Partners, and DPM are going to attract the best yields and value multiples. And you're going to want to participate in that.

So with that, let's turn it to questions, and Julie, open it up.

## QUESTIONS AND ANSWERS

**Julie Dill** - *Spectra Energy - Chief Communications Officer*

Okay, thank you, Greg. Just as a reminder for the folks in the room here, we are webcasting, so I'm going to ask you to wait for your question so we can get a microphone to you, and then, also, please give your name and your business affiliation.

We also, because of the weather, have a number of people on the phone, and so right now, I would just like the operator to give instructions to folks on the phone and how they can ask their question.

**Operator**

(Operator Instructions).

**Unidentified Audience Member**

If the Keystone pipeline is approved, how will that tie in with your facilities and how will it help Spectra?

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**Duane Rae** - *Spectra Energy - President Spectra Energy Liquids*

Sure. I think we can all hope that Keystone XL is approved. The industry needs it. The continent needs it. People in the United States and Canada need it.

As far as how it would impact us, it won't have -- it wouldn't have a significant impact. It does draw from the same supply as we do, but there is ample supply, more than enough, and it really serves different markets than we do. So we wouldn't see it as having any kind of significant impact on our current or future opportunities.

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**Don Kilgore** - - *Private Investor*

My name is [Don Kilgore]. I am an SE investor and I have a question about the New Jersey to New York pipeline. Is there any plans of extending that pipeline into Long Island?

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**Bill Yardley** - *Spectra Energy - President US Transmission and Storage*

Wouldn't that be awesome? (laughter).

Unlikely, given the brand of that specific project would get expanded to Long Island, but your point is a great one, which is that Long Island truly needs incremental infrastructure. And my bet is that that may be served more from the Connecticut side and coming across the Sound, perhaps, incremental from existing facilities there. Or perhaps we could extend our infrastructure around the south end up through -- up into Long Island.

But right now, that's probably a long putt for us.

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**Greg Ebel** - *Spectra Energy - President, CEO*

But if I was betting, I would bet Bill and his team could actually find a way to do it.

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**Brad Olsen** - *Tudor, Pickering, Holt & Co. Securities - Analyst*

Brad Olsen from Tudor, Pickering. First question relates to DCP and corporate structure, so it sounds like the DCP GP is a nonstarter here, but when you talk about the LP and GP growth rate, you're looking at a growth rate in the presentation which is significantly in excess of the actual payout. And I guess my question is, are there any plans considered to maybe align those growth rates by either sanitizing or hedging the remaining NGL exposure at DCP so that you can move the remaining DCP assets into the MLP structure, and then, on a go-forward basis, operate with what's more or less just 100% kind of passthrough of cash distributions to SE?

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**Greg Ebel** - *Spectra Energy - President, CEO*

Yes, I think that's something over time -- I think one of the first ways to start doing that is just accelerate the dropdowns into DPM, and I think Wouter spoke about.

I think the other thing if you look at the DCP numbers, the DCF at DCP with the take from DPM is pretty darn close to what we pay out, actually, because remember, they've got a very large maintenance capital number. I think around $300 million a year or better.

So, I think when you take that into account and the interest, we're actually getting pretty darn close to what the DCF would be to the investors. And I think the key -- the thing of that chart that we wanted to outline for investors is really just those GP and LP cash flows are flowing right through DCP into PSX and SE. And I think as you see that, you should be able to value those as you would any other MLP.

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**Brad Olsen** - *Tudor, Pickering, Holt & Co. Securities - Analyst*

Great. I guess my only follow-up comment would be that with a fixed kind of 100% LP and GP payout, I think it would probably be easier for investors to just look at what they expect DPM to pay and drop. I understand your point that net income basically gets fully paid out, but the net income isn't quite as easy to forecast as maybe the LP payout is.

And one follow-up question. One of your midstream competitors has suggested using a pay-in-kind MLP-type structure to fund long-dated LNG infrastructure. And I guess, given the fact that I believe and I think a lot of investors believe you don't really get a whole lot of credit for your LNG project in western Canada in your valuation today, any thoughts about potentially creating a new structure to finance that and get a valuation marker out there in the market?

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**Greg Ebel** - *Spectra Energy - President, CEO*

Yes, we're open to that. I think the first thing in western Canada one needs to recognize, Brad, we are not quite at FID yet, right?

So I think the earliest FIDs of anybody, of all the projects out there, would be early 2015. We are looking at late 2015 and early 2016 for the BG project, but obviously, those are big entities. I think the pipeline at 100% level is $8 billion to $10 billion, and we will look at whatever the most efficient structure is there, and the PIK-type idea is one that we will look at. But I think we got to get to FID first on that front.

Also have to take into account, what do we have from a partnership perspective? Right now, we have BG. It would not be unusual over time, as you have seen -- well, Maritimes & Northeast is a good example. We own 77.5% now, but when the pipeline was built, the biggest owner was actually Exxon.

So over time, you might have to think about how you structure that in the changing dynamics of the ownership, too, particularly on these big projects.

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**Wouter van Kempen** - *DCP Midstream - Chairman, President & CEO*

Maybe let me add one thing, if you are okay, to Brad's question around DPM. Brad, you got to think about what the strategy has been over the last couple of years in getting DPM significantly larger, so the strategy was to get it to a place where it can buy and build, acquire.

Now DPM is sitting here at $6.5 billion enterprise value. We have doubled it over the last couple of years. We think we are going to double it again over the next couple of years, which gives a tremendous amount of flexibility around how much that entity can handle quality exposures in acquisitions or also in things like developing organic projects.

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**Julie Dill** - *Spectra Energy - Chief Communications Officer*

So I understand we have a question on the phone. So, can we take one of those?

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**Operator**

John Edwards, Credit Suisse.

**John Edwards** - *Credit Suisse - Analyst*

Great presentation. I was just curious. You have laid out $35 billion of executable and identified opportunities, and I'm just curious how much more out there you are evaluating and looking at, perhaps that you are not disclosing it at the present time, just ballpark round numbers?

**Greg Ebel** - *Spectra Energy - President, CEO*

Yes, that's a bit of a hard question. I guess what I would say, last year we thought $20 billion, $25 billion was a big number. This year, $35 billion doesn't seem outrageous, 2013 until the end of the decade.

But if the dynamics that are happening today, and I think one of the great things about a cold winter is not only the benefits it provides from an earnings perspective today, but the reality it puts into the market are the value ininfrastructure. Mark can show you pictures of propane chains in Saskatchewan and western Canada literally covered with snow, snowdrifts, so they cannot move. That doesn't happen with a pipeline, obviously.

I think Bill, and you probably read it in the press, can see what's happening in the Northeast and New England folks, and I think legitimately you have very concerned regulators and politicians and, ultimately, consumers that realize we need more infrastructure.

So I think as that starts to accelerate, I sure don't see the opportunity set declining, but what's the outside limit? I don't know that I could put a number on that.

**Carl Kirst** - *BMO Capital Markets - Analyst*

Carl Kirst, BMO. Since you raised M&A, and obviously Express has been a home run, are there any either business mixes -- now that we are in oil, for instance, are there any business mixes or basins, for instance, that you are not in, but you see secular growth where you would want exposure? Whether that is anything like a Bakken or Duvernay in Alberta, or even from a business mix? I am thinking here as you do more terminals, as you do more laterals off of Express, do you want to get into blending crude oil marketing? And then, does that have a conflict with DCP?

**Greg Ebel** - *Spectra Energy - President, CEO*

To put it simply, yes to your answer, although I am not sure I am really keen on identifying exactly the kind of things we are looking at.

But I guess I would say if you look at each one of our businesses, we are number one to three in just that region. And if you look at the real strategic advantage of Spectra Energy and all its components, including DCP, it's the first- and last-mile advantage.

So when you think about it, we don't have all the first- and last-mile advantage, by any stretch of the imagination, on the oil side. So think about where that first mile is and think of where that last mile is, and those are the pieces I would love to fill in. And we have made a start with that. I think the same can be said on the NGL pipelines.

With respect to conflicts with DCP and Spectra, I don't see that. In fact, I see great symmetry. The NGL pipelines are a great example. Look, we didn't start last year with an exactly robust commodity market, and the parents were there to help pay for those pipelines and put them into their own MLPs, ultimately, and I think that serves DCP to continue growing its advantage, but also serves SE and PSX, as well. So, I don't see any conflicts. If anything, I see synergies.

**Carl Kirst** - *BMO Capital Markets - Analyst*

And one follow-up, if I could. Let's knock on wood, hypothetically, we get an approval here on Keystone XL, present permit, all that stuff happens. We can now actually look at perhaps winning Express-Platte. I think a year ago, we were talking, maybe looking deep into the future, that wouldn't it be great that not only if we could win that, maybe we could even draw in the gravel on some TETCO right-of-way and even go up to the Northeast? Is that still a primary target market or if you can get to Wood River, is the primary market ultimately getting down to the Gulf? Does that shift it at all?

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**Greg Ebel** - *Spectra Energy - President, CEO*

Last thing, again, as Duane said, looking deep into the future, yes, I would say that is getting to the Eastern market -- Eastern seaboard is great, right? I think you threw that one slide up there that showed the delta in Canadian select and the East Coast price of oil. Ultimately, that's where you want to go or get into Philadelphia.

I think it would be -- at this point in time, it's difficult. We don't have a straight right-of-way that we can take out of gas and put into oil. We also -- and this is the good news and bad news, we also have, as Bill said, fully contracted pipes, and as he said, they are contracted for an average term of seven years.

So I am like a lot of folks where you can take pipes and take them out of service. Southern Hills is a perfect example of that, where you actually took an oil pipeline and turned it into an NGL pipeline. We don't have those opportunities.

So, yes, I would love to get to the East Coast, but I think the first logical route to look to is to get to the Gulf Coast.

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**Carl Kirst** - *BMO Capital Markets - Analyst*

Thank you.

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**Shneur Gershuni** - *UBS - Analyst*

This is Shneur Gershuniwith UBS. My question is with respect to the Northeast pipeline expansion opportunities. Have any merchant generators indicated any interest in firm transportation agreements at all, or is it just specifically the LDCs, and does the recent weather possibly change their contracting behavior?

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**Greg Ebel** - *Spectra Energy - President, CEO*

Bill.

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**Bill Yardley** - *Spectra Energy - President US Transmission and Storage*

Yes, the short answer is yes. So just a little bit of history on the Algonquin incremental market expansion, so AIM. We were extremely close with both electric generators and producers. Ultimately, they sell out and it just became a local distribution contracted for expansion.

This next expansion, Atlantic Bridge, we are starting with distribution again, with Unitil, but I wouldn't be surprised if this weather, just as you point out, has -- really piques the interest of especially producers that are -- they are knocking at the door to the southern end or the western end of Algonquin.

And as far as merchant generators, we are -- quite honestly, we are very encouraged by the work that was done by the six New England governors to prod the ISO to get something moving here and get a tariff in place that would actually compensate generators for holding pipeline capacity.

So, what Atlantic Bridge is designed to do is let's start with what we know, which is there are still distributors that have the mechanism to sign up for pipeline capacity, yet make it flexible enough so that we can expand, depending on either producer and/or merchant generator commitments.

**Faisel Khan** - *Citigroup - Analyst*

Faisel Khan, Citigroup. Wonder if you guys could help me reconcile something on the DCP guidance you guys gave. So I guess in slide 36, you've got assets going from roughly $14 billion to $16 billion -- [at around] a 13 number there, and then EBITDA growing from $1.2 billion to $1.6 billion. So does that -- am I missing anything on equity earnings? Is that flowing through EBITDA also, and I'm looking at the DCP cash flows? Just trying to reconcile the returns on incremental invested capital you guys are putting to work into the system.

**Wouter van Kempen** - *DCP Midstream - Chairman, President & CEO*

You're looking slide 36?

**Faisel Khan** - *Citigroup - Analyst*

Yes, 36. You have assets growing from $8 billion to $16 billion, and then you have EBITDA also growing over that timeframe, too. So, if I understand, the amount of EBITDA you're adding to the amount of capital you are putting to work.

**Wouter van Kempen** - *DCP Midstream - Chairman, President & CEO*

We don't break out those details overall, but what we are doing is unlike what you see in the $16 billion in 2016 is really talking about the overall enterprise, both between midstream and the partnership. We show on the slide 38, it is about an 11% CAGR growth from where we are sitting today, so you can do some of the math, I think, yourself. We don't give the individual guidance by project.

**Faisel Khan** - *Citigroup - Analyst*

That's okay.

**Wouter van Kempen** - *DCP Midstream - Chairman, President & CEO*

How much we are doing?

**Faisel Khan** - *Citigroup - Analyst*

So, the returns are still in that target 10% range?

**Wouter van Kempen** - *DCP Midstream - Chairman, President & CEO*

Yes, but we always look at the little bit higher overall on that. We tend to be, even in this environment, looking at returns that are in that -- I would say, call it, low to mid-teens, depending on what type of projects. But G&P projects tend to be kind of in the mid-teens type of range. More fee-based projects tend to be in the lower teens type of range.

**Greg Ebel** - *Spectra Energy - President, CEO*

Faisel, I think you'll get a little bit more visibility on that. One thing to think, so you've got that, as you pointed out, the $14 billion in assets in 2014 and then $16 billion of assets in 2016. That's what you were pointing to in EBITDA. So you're adding a couple hundred million dollars to the EBITDA between 2014 and 2016, but remember, a significant chunk of that is increasingly done at DPM, and obviously, DCP only owns 22%, or 11% for each of the partnerships of that.

So you're going to see a lot more growth at DPM, which, of course, turns into GP and LP cash flows, which, I think as Wouter laid out, an increasing portion of the cash coming to Spectra is actually GP and LP cash flows from DPM.

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**Faisel Khan** - *Citigroup - Analyst*

Okay, got it. And then, just on the OPEN project, how quickly could you expand that project, if need be? How much capacity is there to reverse flows down to the south? I see you have about 500 million cubic feet a day being expanded down to the south, but how quickly could you actually expand that facility if producers came to you and wanted to open the spigot?

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**Bill Yardley** - *Spectra Energy - President US Transmission and Storage*

Yes, Faisel, actually very quickly. The project was designed so that 70-mile greenfield portion in eastern Ohio, we can power that up with compression. And to the degree that we get subscription for that, you can count on, from the time we sign a contract to the time that it's in service, the three-year timeframe. So if we sign contracts this spring, we get in place for early 2017, maybe earlier, and probably at least another 0.5 a Bcf, if not a full Bcf more.

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**Faisel Khan** - *Citigroup - Analyst*

Thanks.

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**Craig Shere** - *Tuohy Brothers - Analyst*

Craig Shere, Tuohy Brothers. A couple of questions for Pat and Wouter, if that's okay. Pat, real quick, can you give us some color around the expected tax rates over time, if they are progressing in one direction or another for, say, the SEP LP distributions up to the C-Corp, the Canadian earnings? Do we stay at 0% US, but maybe 25% Canadian tax? And are the DCP and SEP GP distributions simply at the top bracket?

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**Pat Reddy** - *Spectra Energy - CFO*

Starting with the latter, as those distributions come across to us on the equity method, there are just like any other earnings. But looking forward in terms of our controlling interests, in 2014 our US rate would be about 38%, Canada a little over 7%, for a combined rate of almost 28%.

In 2015 -- and these are not cash. Obviously, these are our book rates. But 38% in 2015 for the US, 9.5% in Canada. And in 2016, 38% US, 12% in Canada.

And so, the effective cash tax rate in 2014 for us is 5%; in 2015, 25%; and 25% in 2016, as well.

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**Craig Shere** - *Tuohy Brothers - Analyst*

Okay, and for all the projections and capital spend, do I understand the projects on slides 10 and 19 for pipes and liquids are not included in any of the guidance figures in terms of spend for (multiple speakers)

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**Pat Reddy** - *Spectra Energy - CFO*

Our one-third interest would be to the extent there is capital to be spent, but I think for this projection period out through 2016 data, we are not going to be incurring much capital for expansions on Southern Hills or Sand Hills.

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**Wouter van Kempen** - *DCP Midstream - Chairman, President & CEO*

Again, it is lower than $0.25 billion over the next couple of years, and laterals extensions from both pipes.

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**Greg Ebel** - *Spectra Energy - President, CEO*

And on the oil side, you don't have any incremental capital, really, very small amounts of capital, because most of those projects are post-2016.

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**Craig Shere** - *Tuohy Brothers - Analyst*

And Wouter, can you comment about the size of DCP, LLC, excluding DPM net of the dropdowns, say over the time period of this year to 2016, how you see the asset's productivity at the parent level a couple of years from now versus today?

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**Wouter van Kempen** - *DCP Midstream - Chairman, President & CEO*

Yes, if you look at it today, if you do round numbers, there is probably two-thirds of the assets are sitting in the private entity and about a third of the assets are sitting in the publicly traded entity.

What we have been doing over the last couple of years, we have been continuing to grow both entities, so depending on what we are doing, do we do an exact growth for growth where we take $1 out of midstream that we spend on capital and drop it down into the partnership? If you do that math, the size of midstream stays pretty much the same or goes up a little bit while the partnership is growing.

We also highlighted that there is a potential for us to potentially go a little bit faster on that growth for growth strategy, so maybe you drop $1.10 or $1.50, instead of $1, down. In that case, what would happen is that the partnership will grow a little bit faster than midstream, but given the size that we have on midstream, even with some of the kind of ranges that we have showed to you in the presentation here, midstream is going to continue to be a very, very large entity.

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**Craig Shere** - *Tuohy Brothers - Analyst*

Great, and last question, Wouter, could you comment since without rejection you're disproportionately more exposed to ethane than the rest of the industry? Some have commented on the potential not only of exporting ethane through manufactured end products, like ethylene, but actually shipping ethane in a more liquid form to European petchems. How realistic do you think that is, and if it were potential, what kind of timeframe would that be? Would that be concurrent with all the new crackers coming online in the US or ahead of time?

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**Wouter van Kempen** - *DCP Midstream - Chairman, President & CEO*

Yes, so we are following it closely, obviously, as the largest NGL producer in the country. We are rooting for people on export facility. We talk with a lot of people about export facilities.

The difficulty on ethane, I don't think it's as much here on the US side. It is more on the receiving side, the billions and billions of dollars that people will have to put in infrastructure on the receiving side, be it in Europe or Latin America.

And then we'll -- people have to make commitments right at the time when these big cracker projects are starting to come up in the Gulf Coast, so how do you look at that? I think even though the amount of ethane that we are going to continue to see here in the United States, I am reasonably bullish that we are going to figure something out and there's probably going to be some export. It is going to be a ways away, though.

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**Julie Dill** - *Spectra Energy - Chief Communications Officer*

I understand we have another call on the phone.

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**Operator**

John Edwards, Credit Suisse.

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**John Edwards** - *Credit Suisse - Analyst*

I was just curious on the liquids side, I guess in particular the Inland California Express project, I guess how that's coming?. I know that pipeline, that oil line, has been out of service for some time, and I guess how likely do you think that is going to come together and maybe what -- how you decided to go into a JV with Questar on that? Thanks.

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**Greg Ebel** - *Spectra Energy - President, CEO*

It's a project, but it's certainly not a done deal. We're still in discussions with customers.

Our engineering shows that it's eminently feasible, and commercially, it makes a lot of sense. It's a way for these refiners in California, who are -- have traditionally used California heavy or Alaska North Slope oil, which are both in decline, it's a way for them to access low-cost North American crude. As I said, it's -- we are in development, but it looks promising at this point, and we and our partners, Questar, are quite excited about it.

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**John Edwards** - *Credit Suisse - Analyst*

Okay, thank you.

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**Matthew Akman** - *Scotiabank - Analyst*

Matthew Akman, Scotiabank. I'm not sure who this question is for, but there has been a lot of discussion today on West Coast LNG opportunities for Spectra. I just wanted to touch on East Coast. There is a slide, I think, Bill, in your presentation that shows Maritimes & Northeast reversal, but I don't think you talked about it. I am just wondering if you are trying to sneak Marcellus gas off the East Coast to Canada, or what is the proposal there?

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**Bill Yardley** - *Spectra Energy - President US Transmission and Storage*

Yes, fair enough. Actually, what M&N reversal alludes to on that slide is getting more of that Atlantic Bridge project gas into Maine and Maritimes Canada for local distribution company and electric generation.

Certainly, having existing infrastructure in that corridor, where, yes, there have been some proposals floated for LNG export, would be a huge benefit if those materialize, Matt, and so we'd stand ready and we, of course, have been in dialogue with those folks.

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**Matthew Akman** - *Scotiabank - Analyst*

Okay, thanks for that. And follow-up for Mark on the western Canadian segment. You didn't talk about large-scale new gas processing, necessarily, and I'm just wondering what the opportunity is there on that front, given the excitement around some of the new plays in western Canada, around Duvernay and some of the stuff going on in Montney. There is existing plant inspectors. Is the idea to increase utilization of existing plant or to build potentially new larger scale -- new large-scale processing?

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**Mark Fiedorek** - *Spectra Energy - President Transmission Western Canada*

That's a great question. We are very focused on actively in the G&P space on opportunities with the producers as they continue to monetize the Montney.

The Montney is winning real-time pre-FID, pre-LNG with the western Canadian demand in BC, strong market for gas supply. The declines that we are seeing in Alberta on the conventionals, the Montney is being drilled. And with that, we're able to keep our traditional plants full, and it's very much a great business opportunity to work with the Montney developers to provide short-term solutions at the existing sites, but then leg into large-scale facilities for them.

Probably in the next 12 or 18 months, I think you're going to see, if we do things right, a couple large-scale plants will get brought to bear from Spectra.

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**Greg Ebel** - *Spectra Energy - President, CEO*

One way to think about it, Matt, I think is that following FID, I would expect Mark and his team to be able to secure, call it, $1 billion every 18 months in infrastructure related to LNG.

You know, the north Montney project that is relatively small, call it $160 million, $175 million, is really front-end LNG. The customer is PETRONAS. And that is re-plumbing the existing plants, so obviously very high return, but the big win will be as soon as people start making FID.

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**Matthew Akman** - *Scotiabank - Analyst*

Thank you very much.

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**Christine Cho** - *Barclays - Analyst*

I have a question on the TETCO reversals that you've mentioned. Are those going to get treated as rolled-in rates or how should we think about that?

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**Bill Yardley** - *Spectra Energy - President US Transmission and Storage*

Eventually, that could very well happen. We have structured a number of them so that they are system rate projects. A number of them are negotiated rate and outside of the actual system rates. But generally, it's hard to hold onto revenue going in both directions, ultimately, so I would look at those as ultimately rolled in.

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**Christine Cho** - *Barclays - Analyst*

And then, the Renaissance project wasn't included in this presentation, and I know you have historically talked about pushing that out.

**Bill Yardley** - *Spectra Energy - President US Transmission and Storage*

Yes, that Renaissance, as it was designed for what we were pursuing last year, was going to be an incremental project to the Atlanta area.

I talked a little bit about electric generation needs in Midwest, Southeast, and, of course, mid-Atlantic. I would expect something that looks a lot like Renaissance to surface over the next 12 to 24 months, but Renaissance in its current form ended up just being a little bit too much risk for what we willing to put -- for what -- for the capital we were looking to put in place.

**Christine Cho** - *Barclays - Analyst*

And then, a question on your commodity prices for DCP, the $0.94 a gallon. I was just curious if you could give us the ethane and propane prices that comprise that price?

**Wouter van Kempen** - *DCP Midstream - Chairman, President & CEO*

We normally -- we don't disclose the individual components, so I can't, unfortunately, give you the details of the underlying barrel.

I would like to go back, Greg, to your comment about ethane quickly again. One other thing that is a much simpler kind of way to export ethane is, as you know, most of the European and Asian markets are using a much higher heat rate type of gas, so there is a great opportunity to spike, basically, export LNG by putting more ethane in it. It is a very simple way to do it, and that's probably a great way to get more ethane out of the market.

**Christine Cho** - *Barclays - Analyst*

I just have one more question, sorry. On the $0.94 a gallon still, is that pricing that you expect to realize at Mont Belvieu, given your commodity makeup, or is that back into the processing plant realization?

**Wouter van Kempen** - *DCP Midstream - Chairman, President & CEO*

It's after we transport and frac. So, it's pretty much a Belvieu realized barrel.

**Christine Cho** - *Barclays - Analyst*

And then, I know it's -- it reflects 100% Belvieu, but do you have the option to get Conway pricing if you so choose to?

**Wouter van Kempen** - *DCP Midstream - Chairman, President & CEO*

There are opportunities for us to still get product in Conway. We still put some product in Conway.

I will give you an example. The good benefit of having such a large portfolio and geographic footprint that we have, our northern region, we still have an opportunity to put product in Conway. So we did some of that here at the recent -- some of the recent price spikes that we have seen.

We even took some product out of our Permian region and rerouted that into the Conway market. So there is definitely, on a temporary basis, there is opportunities to move a little bit of product. In the end, Belvieu is the market where you want to be, and we are seeing a temporary spike. I think there is a reason why things are spiking the way they do in Conway, because it's not a liquid market. In the end, where you want to be with your project -- with your product, if you are the largest NGL producer in North America, you want to have your product in Belvieu, where all the demand is, where the petchems are, where the export facilities are, et cetera.

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**Greg Ebel** - *Spectra Energy - President, CEO*

Probably the biggest upside from a Conway perspective this year is really happening at Empress, because that's how Empress product gets priced.

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**Ted Durbin** - *Goldman Sachs - Analyst*

Ted Durbin, Goldman Sachs. A question for Bill on the US transmission projects, the $7 billion that you talked about. Can you just give us a sense of where the big dollars are, where the big greenfield CapEx is, versus what's sort of reversals and stuff that's smaller capital?

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**Bill Yardley** - *Spectra Energy - President US Transmission and Storage*

Yes, I think certainly the first two that are identified, NEXUS and Atlantic Bridge, would be significant capital projects. The only reversal piece of Atlantic Bridge, for example, would be whatever we end up doing on Maritimes.

And then, just for competitive reasons, don't want to throw out too, too much, but if you take a look at where else Marcellus and Utica producers are looking to go, one, that's probably incremental greenfield. And then, number two, if you look in the Gulf, some of the LNG export facilities and a number of the petrochemical facilities are going to need more significant new infrastructure than what exists in their close proximity. So I would put them in those categories and I hope that is satisfactory.

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**Ted Durbin** - *Goldman Sachs - Analyst*

And then, if I can ask a somewhat detailed question on the SEP guidance on page 44, I guess I'm just trying to understand why the interest expense between 2014 and 2016 is basically down. I would expect -- you have got about $1 billion of CapEx you're going to spend there. Is there just a refinancing assumption there or what is going on there?

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**Pat Reddy** - *Spectra Energy - CFO*

What you are seeing there is that the capitalized interest is going to increase each year, so it goes from about $12 million to $30 million to $55 million in the period, and that is primarily due to the financing of Sabal Trail, the big $3 billion pipeline that we're going to be a 50-50 partner in.

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**Julie Dill** - *Spectra Energy - Chief Communications Officer*

Okay, I apologize, but I have to get these executives off to some other things.

So, I know that there is a number of questions that we've left unanswered here in the room, and I apologize for the people on the phone as well, but we have run out of time. So, of course, my team, Roni Cappadonna and Derick Smith, myself, and you can even still call John, I think he will take calls. Or he will send them to me. But please, we're at your -- at your convenience, give us a call. We will be very happy to try and help you walk through things.

Thank you very much for coming, for braving the weather. For those of you that were here, be safe going home, and thanks to our executive panel, as well. So have a good day.

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