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EDITED TRANSCRIPT

SE - Q1 2014 Spectra Energy and Spectra Energy Partners Earnings Conference Call

EVENT DATE/TIME: MAY 07, 2014 / 1:00PM GMT

OVERVIEW:

SE reported 1Q14 results.

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PRESENTATION

Operator

Good morning. My name is Bonita, and I will be your conference operator today. At this time, I would like to welcome everyone to the Spectra Energy and Spectra Energy Partners earnings call.

(Operator Instructions)

Thank you. Ms. Dill, you may begin your conference.

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

Thank you, Bonita, and good morning, everyone. I'm Julie Dill, Chief Communications Officer for Spectra Energy. Thank you for joining us today for our review of Spectra Energy's and Spectra Energy Partners' 2014 first quarter results. With me today are Greg Ebel, CEO of both Spectra Energy and Spectra Energy Partners, and Pat Reddy, Chief Financial Officer of both Companies as well.

Pat will begin by sharing our financial highlights for the quarter. Additional information on these results is detailed in both the Spectra Energy and Spectra Energy Partners earnings releases as well of the appendix to today's presentation all of which are available on the Investor page of our website. Next, Greg will update you on our strategic plans and priorities and the progress we're seeing across the enterprise to deliver long-term shareholder value, and as always we'll leave ample time for your questions following Greg's remarks.

Before we begin, let me take a moment to remind you that some of what we'll discuss today concerning future Company performance will be forward-looking information within the meaning of the securities laws. Actual results may materially differ from those discussed in these forward-looking statements, and you should refer to be additional information contained in Spectra Energy and Spectra Energy Partners Form 10-K and other filings made with the SEC concerning factors that could cause those results to differ from those contemplated in today's discussion. As this is a joint presentation, the terms of we, our, and us refer to Spectra Energy and/or Spectra Energy Partners as appropriate.

In addition today's discussion will include certain non-GAAP financial measures as defined under SEC Regulation G. A reconciliation of those measures to the most directly comparable GAAP measures is available on our website. With that, let me now turn things over to Pat.

Pat Reddy - *Spectra Energy Corporation - CFO*

Thanks, Julie. Good morning, all. As you've seen from our earnings release, we delivered exceptional first quarter EBITDA results of more than $1 billion at Spectra Energy, and $413 million at Spectra Energy Partners. Those results are both more than 20% higher than the same quarter last year, and we're extremely pleased with this strong beginning to the year.

At Spectra Energy, distributable cash flow is up more than 25% and considerably more than our original expectation for the quarter. Distributable cash flow is also up significantly at SEP as a result of the 2013 drop-downs. Both entities generated strong coverage ratios in the quarter, 2.8 times at Spectra Energy, and 1.6 times as Spectra Energy Partners. Given the seasonal nature of earnings and maintenance CapEx spend, these DCF numbers and coverage ratios are higher than we would expect on an annual basis. Given our strong start to the year on a full-year basis we now expect Spectra Energy's coverage to be around 1.5 times, and as SEP's to be around 1.2 times.

Both investment-grade balance sheets remain strong and continue to provide the strength and flexibility to efficiently support our ambitious expansion plans. As you know, we initiated a $400 million at-the-market continuous equity offering, or ATM program, at SEP at the end of last year. To date, SEP has raised approximately $120 million in that program. We know it's early in the year but the signs we're seeing and the value we're creating are positive indicators of a great year ahead.

Let's turn now to our EBITDA results by segment. As you can see on the slide, each reporting segment is up year-over-year, so let me focus on the dynamics that drove us to this strong start. Spectra Energy Partners is comprised of our US transmission and liquids businesses. At US transmission, quarterly EBITDA results reflect increased earnings from the expansion projects we placed into service last year.

The business also benefited from higher revenues from greater short-term firm and interruptible demand on our Texas Eastern system, thanks in part to the unusually cold and prolonged winter. Our liquids business realized EBITDA of nearly $60 million from the acquisitions of Express-Platte and our one-third interest in the Sand Hills and Southern Hills NGL pipeline. We expect to continue that strong earnings trend throughout the year, and are on track to more than double the EBITDA from the liquids business by 2016. Spectra Energy received GP and LP distributions from SEP of $168 million in the first quarter.

Turning next to distribution, that segment's EBITDA increase was due mainly to higher customer usage, as a result of record cold winter weather which also drove higher operating fuel costs, and earnings sharing under the incentive rate framework. The business managed this regulatory environment extraordinarily well, and received a couple of regulatory rulings from the Ontario Energy Board that in the aggregate provided a benefit of about $10 million to Union Gas.

Western Canada's EBITDA increase was due primarily to higher earnings at Empress and on plan results across the rest of the Western Canada segment. We earned $60 million of EBITDA at Empress in large part due to higher propane prices. In February, we told you we're working to stabilize the earnings and cash flow contribution from Empress, and that we expected to deliver about $50 million of additional EBITDA beyond our original forecast which would put us at about $80 million for the year.

With these strong results in the first quarter, we remain positive about our ability to deliver that higher number. This is impressive given that our annual expectation takes into account our planned second quarter plant turnaround at Empress which started at the end of April and will continue for about 45 days. All said, a strong start to the year at Empress.

While the Canadian dollar brought with it a bit of a headwind that affected the EBITDA in our Western Canadian and distribution segments, the effect is considerably mitigated on a net income basis as the result of lower depreciation, interest expense, and taxes. Field services benefited from significantly higher commodity prices, improved NGL marketing and logistics margins, and higher margins and volume growth attributable to new projects placed in service. Thanks to field services' strong and steady performance, to date in 2014 we have received $136 million in distributions from DCP Midstream while ahead of our anticipated levels.

All in all, I'm pleased with how we started the year, and barring any significant unplanned events, we fully expect to retain the benefits realized to date, and continue to deliver on the commitments we made for the balance of the year. With that, let me turn things over to Greg to talk about our plans, priorities, and the progress we're making.

Greg Ebel - *Spectra Energy Corporation - President & CEO*

Thanks very much, Pat. Thanks, everyone, joining us today. As Pat described, first quarter results were driven by new assets we put in the ground last year, just in time for the increased demand caused by a cold and pretty long winter. I'm very pleased with how well our people and our system responded to meet the demands of the season.

I think the financial performance easily speaks for itself, so let me provide you with some other factors fueling our strong current and future performance. This past winter, we delivered the highest total quantity of natural gas ever on our Algonquin, Texas Eastern, and East Tennessee systems. Our ability to deliver new infrastructure and expansion projects into service went a long way in ensuring that demand was met in a timely, reliable, and cost-effective manner.

Not only did it add significantly to our EBITDA, the completion of our New Jersey-New York pipeline improved the diversity, reliability, and cost-effectiveness of natural gas supply to important Northeast markets. You can see from this chart the pipeline was fully utilized from day one. The bottom line of all of that, our ability to reliably meet customer demand at critical times, and high utilization rates of our pipelines and storage facilities demonstrate the value of our assets, underscore the need for continued growth of our footprint, and bode well for continued contract renewals. Of course, both of those help Spectra Energy and Spectra Energy Partner investors benefit from our ability to execute on this growth.

Another noteworthy dynamic benefiting our investors are the opportunities enabled by having pipeline assets that can operate bi-directionally. As you all know, North America's natural gas supply and demand picture is undergoing dramatic shifts. While the growing shale supply is a significant driver for the current environment of changing pipeline flows, equally important is the demand growth we're seen along the Gulf Coast, the Southeast, and the Midwest US. Historically, natural gas has flowed from the Gulf to the Northeast markets. Now with increasing quantities of natural gas entering pipelines from the Marcellus and Utica basins, gas is needed both downstream and upstream, and our pipelines are ideally situated to benefit from this changing market dynamic.

We have a number of projects underway today on Texas Eastern to facilitate such bi-directional flows. In fact, by 2017, Texas Eastern will be able to move 2 billion cubic feet of supply per day to the Gulf Coast and Midwest markets via bi-directional flows, and importantly will do that while retaining full capacity to deliver Northeast markets. By the end of this year, when they go into service, TEAM 2014 and TEAM South will be the first Texas Eastern projects to offer firm paths to move Marcellus supply south. By 2015, OPEN will bring incremental supply to the south and the Uniontown to Gas City project will deliver gas to the West. Finally, our two-phased Gulf Markets expansion project is due to be complete in the second half of 2016 and the first half of 2017, providing a pathway to take gas to the southern markets.

The diagram on this slide provides a simplified view of how bi-directional flows work. With piping and valve modifications to our existing infrastructure, our compressor stations can now push gas to the south making the system bi-directional. I invite you to visit the Investor page of our website where we've posted a helpful fact sheet on this topic. This changing landscape provides Spectra Energy the opportunity to offer existing and new customers the flexibility and optionality that they're seeking. As a result of this growth, our investors are also rewarded with enhanced value creation.

We have a very healthy backlog of projects and opportunities that ensure us continued growth and long-term value creation. We remain confident in our ability to deliver upon our pledge to you to place $35 billion of expansion projects into service between 2013 and 2020. I'll update you on a few these projects in which additional progress has been made and milestones met in the first quarter.

We're making solid processed on the Sabal Trail pipeline into Florida which will serve the growing needs of Florida Power and Light and other local utilities for access to natural gas to fuel new power generation. We're pleased to announce that we've executed a precedent agreement with Duke Energy for Sabal Trail to serve Duke's proposed generation facility in Citrus County, Florida. We've got a great team on the ground already, and are on track to submit our FERC filing in October and deliver the pipeline into service in 2017 as planned.

The Algonquin Incremental Market project, or AIM, is a billion-dollar effort to increase the West-to-East capacity of Algonquin pipeline by about 350 million cubic feet per day. The project is 100% subscribed by virtually all of the local major distribution companies in New England. We submitted our FERC filing for AIM in February, and we expect to receive our FERC certificate in the first quarter of 2015, all as planned.

We're advancing nicely on our NEXUS project which will bring supply diversity to Michigan and Eastern Canada by delivering Utica and Marcellus gas. The project will serve Eastern Canadian and Midwest LDC's and Appalachian producers. We're pleased to report that the three key local distribution companies have now signed precedent agreement to utilize a portion of the project's currently anticipated capacity. I expect producer contracts to follow during the next couple of quarters as they continue to recognize the risk of being stuck with gas in the ground, and no pipe to get it to gas-hungry markets.

At the beginning of the year, we announced the Atlantic Bridge project to further expand Algonquin. Since then we've conducted a very successful open season, receiving strong interest from 33 parties to support many times over the targeted 200 million to 300 million cubic feet project and its 2017 in-service date. This level of interest sets the stage for further expansion opportunities in the region beyond this timeframe.

Beyond our projects in various phases of execution and advanced development, we have a host of longer-term opportunities that we're also pursuing. We're pursuing opportunities in the Gulf Coast area related to both LNG exports and growing Industrial demand. We also see the need for more pipeline infrastructure to serve electric generators and other customers in the mid-Atlantic and the Southeast US. Of course, DCP Midstream has almost $2 billion of expansions underway today with another $2 billion in the development phase.

When we rolled out our 2014 business plan, we shared with you our growth priorities for the year. We're working on all of these, so let me update you on some of the progress that we're making, starting with SEP's US transmission. We committed to securing $3 billion of expansion projects this year, at or better than 10% returns. We're well on our way, thanks to the strong results I described with our Atlantic Bridge open season and the progress we've made on signing contracts for NEXUS. We told you we'd safely and successfully advance the projects we have in execution, and we are. We received FERC certificate to the Kingsport and TEAM 2014 projects, commenced construction, and are well on track to achieve the targeted budget and in-service dates. Our TEAM South project will begin construction this summer, and come into service before year-end.

This has been a record year already in terms of FERC filings for us. We submitted our FERC filings for the AIM, OPEN, and Uniontown to Gas City projects. We're on track to submit our FERC filing for the Salem Lateral this summer, and as mentioned, we're making steady progress on the Sabal Trail project, advancing toward the FERC filing in October. We told you we'd secured and ensure re-contracting of our base revenue through 2016, and this past winter's system usage certainly confirmed our customers' need to hold firm capacity which bodes well for continued re-contracting as well is incremental investment.

With respect to SEP's liquids business, we told you we'd ramp up existing contracts on Sand Hills and Southern Hills, and we are on track to meet the 2014 volume ramp up to a combined 230,000 barrels per day. We committed to ramp up Express-Platte contracted volumes and EBITDA, and we are. As Pat mentioned, the liquid segment will see a doubling of its EBITDA contribution by 2016. We're also pursuing longer-term opportunities to expand our crude oil business by the end of the decade. The Inland California Express project which we're developing in partnership with Questar Corporation includes a new rail terminal in Southern California, together with the reactivation of an existing pipeline into the Los Angeles-Long Beach refining complex. We'll know more about the success of this project later in the year.

With our partner ATCO Energy Solutions, we intend to build the Synergy pipeline to further link growing oil sands production to the Edmonton-Hardisty hub. Preliminary engineering is complete, and we are in discussion with multiple potential shippers for this. A big project on the drawing board entails the twinning of our entire Express-Platte system from Alberta to Illinois to bring growing oil sands apply to the Midwest and beyond. Similar to the Synergy project, we have completed preliminary engineering, and the project looks compelling. We are currently in discussion with several large refiners for that project. These are mostly end of the decade projects, but fortunately with our strong backlog of secured projects in execution and already confirmed to contribute to EBITDA growth over the 2016 to 2017 timeframe, we're able to also focus on longer-term business development efforts.

At Union Gas, we're focused on building upon the strength and stability of our asset base. As discussed, our assets performed exceptionally well during Ontario's coldest winter in 35 years. We told you we executed on our 2015 Dawn-Parkway expansion, and with this it'll allow Canadian LDC's to diversify their supply portfolio through enhanced access to Union's Dawn hub. This expanded access to Dawn will support the NEXUS project to move new Marcellus and Utica supplies to Dawn.

As we communicated in January, we received approval from the Ontario Energy Board for this expansion, and we're on track to place them into service in the fourth quarter of 2015. We continue to be very confident about the additional Dawn-Parkway expansions about 2016 and 2017. We received strong response to our 2016 open season and anticipate filing of facilities application with the OEB this summer for additional facilities. We'll be able to adjust rates to realize immediate earnings from these investments, thanks to the capital cost pass-through mechanism component of our five-year incentive rate deal. Given the dynamics of natural gas flows in Canada to US, we're seeing an usually high capital deployment opportunity around large pipeline expansion infrastructure at Union Gas.

We're likewise on track to deliver on the commitments we made related to our Western Canadian business. We committed to substantially de-risk our Empress commodity exposure. We've enhanced the risk management program in the first quarter of this year to minimize the volatility of cash flows at Empress, and allow us to deliver base level, ongoing EBITDA from the business in line with our forecast expectations.

We told you we placed the North Montney project into service in the second quarter of 2014, and we're on track to do that later this month. We also told you that we'd advanced regulatory approvals and obtain environmental permits for our Westcoast Connector project. We filed our environmental application in March, and expect to receive our environmental assessment certificate by year-end making us the first project into Prince Rupert to receive such environmental approvals. Of course, the potential for LNG [prep] development on the BC coast is greater than any single project. We intend to benefit from the additional LNG projects being developed in BC and expect to participate in gathering and processing, as well as the pipeline expansion, needed by the producers and various LNG developers.

Turning to field services, we committed to placing three projects into service this year, and we've already done that. The Goliad plant in the Eagle Ford and the Front Range pipeline were delivered into service in February, and the O'Connor Plant expansion in March. We indicated to you that DCP would drop down at least $1 billion of assets to DPM, and we accomplished more than that in the first quarter, with the March drop-down of one-third interest in Sand Hills and Southern Hills, the remaining 20% of the Eagle Ford system, and the Lucerne 1 plant. So DCP has come up fast in 2014 with this first drop-down, and more is expected by the year-end.

We've been focused on securing permits and beginning construction of two new gathering and processing plants, Lucerne 2, located in the growing Niobrara Shale. It's slated to go into service in mid-2015, and Zia II, a sour gas plant that will serve producers in Southeast New Mexico and West Texas regions of the Permian. In the first half of next year, that'll be ready to go. We told you we'd ramp up existing contracts in Sand Hills and Southern Hills, and as mentioned previously, we're on track there.

We've had a busy start to the year and exceptionally strong first quarter. Spectra Energy realized EBITDA in excess of $1 billion. Distributable cash flow levels of Spectra Energy and SEP are robust. We have strong distribution coverage ratios exceeding our first quarter expectation, and our investment-grade balance sheets are solid. Clearly, we are executing not only by running our system safely and reliably until we meet all of our customer commitments, but by delivering new infrastructure into service, securing new business, pursuing opportunities to continue to expand and enhance our footprint, all the while delivering solid dividend and distribution growth to our investors.

Strong, fee based cash flows continue to underpin that growth. As we've said before, as we do better we will look to share that upside with our investors. We're really pleased with our first quarter performance as we continue to build on the momentum that carried us into this year. We've got an impressive list of growth opportunities at attractive returns. We're executing on and working to complete through the end of the decade, $35 billion worth of expansion projects that cover every single one of our business units. With that, let me turn things back to Julie, so we can take your questions.

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

Thank you, Greg. We'd like to hear from you now, so we'll open up the lines for your questions. Bonita, would you please provide the instructions on how folks can ask questions?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Darren Horowitz, Raymond James.

Darren Horowitz - *Raymond James - Analyst*

A couple of questions, and I appreciate the color on the Texas Eastern system, but with regard to the projects that you outlined to move the gas south and the potential for capacity expansions beyond what you've announced, if I'm thinking about TEAM South in February you talked about bids during the open season being four times that 300 million cubic feet of capacity. Just looking at where differentials are now and seemingly more supply building behind infrastructure, how do you think about expanding TEAM South and possibly even Uniontown to Gas City further?

Greg Ebel - *Spectra Energy Corporation - President & CEO*

We're a little bit limited on what we can do with the current infrastructure. As I said, this is the same case we've gotten further in the Northeast, and with the over-capacity request in the Northeast, we're looking at, can you do even a bigger expansion all the way down to the Gulf? The challenge with that of course is being able to do it on an economic basis, as you point out, some of the basis challenges that exist there.

We're putting two projects into service this year to move gas south. We're putting two more in next year. I hear a lot of discussion of people looking at projects, but I think we're 18 months ahead of others. That really gives us another opportunity to look at even larger expansions. But that's going to be more capital and bigger assets, as opposed to just reconfiguring compressor stations and pipe guards, if you will.

Darren Horowitz - *Raymond James - Analyst*

If you had to rank order the opportunities to invest discretionary dollars back into the ability to move more gas south, whether or not it's on TEAM South, or OPEN, or the Uniontown to get that expansion, in terms of unlevered rates of returns, where do you think you get the most accretive bang for the buck?

Greg Ebel - *Spectra Energy Corporation - President & CEO*

Interestingly enough, given the demand I actually think all of them. We're targeting those 10% type returns, and I think all of them can achieve that. Again, the challenge is not so much what we think they can achieve, it's what producers are willing to pay in that regard.

I would say the opportunities that I like the most, mainly because it produces the most amount of capital and obviously going to huge markets, is getting down to the Gulf Coast. All that being said, I think the important part is we are right at the nexus, no pun intended, of the Utica and Marcellus.

While folks are talking about moving gas west, and then you've got some others talking about moving east, we can move gas to the Northeast. We're going to move it west. We're already doing that. We're going to move north, and we're going to move it south.

At this point in time, given the opportunities we see before us, given the capital structure we have, I don't feel restricted by pursuing any of the opportunities that we have out there. I think we can do that earning those 10% type returns.

Darren Horowitz - *Raymond James - Analyst*

Okay. Last question for me if I could switch to field services, just curious with what's going on with composite NGL barrel pricing, if that's changed the way that you thought about your guidance. I know that you were building in at the DCP level a weighted barrel price of about $0.94 a gallon, and you had about 25,000 barrels a day of ethane built into the guidance being rejected.

Obviously the demand pool from [C3] plus has been a lot different over the past couple months, and where the relationship between composite barrel pricing is versus crude. You've got a bit better producer net backs, so I'm wondering if anything's changed in terms of where you're expecting realized pricing, or possibly ethane rejection, and how that alters what Sand Hills and Southern Hills can do in terms of cash flow into the back end of the year?

Greg Ebel - *Spectra Energy Corporation - President & CEO*

Obviously, it's going to be helpful to ramp up the volumes, but we had a pretty good ramp that we expect, and we're seeing that. I would say what we've seen in results to date, and exclude some of the weather impacts on propane, have been very consistent, that $0.93, $0.94, the 38%, 39% relationship with WTI. I think we're going to see that for some period of time.

You've got a bunch of dynamics going on. The more I hear about propane exports and ethane exports, the happier I get about setting floor on NGLs, and obviously is by far the largest producer of NGLs in North America. That makes me happy every day. The only thing I wish is that we had some export capabilities, but we don't have that directly today.

Darren Horowitz - *Raymond James - Analyst*

Okay, I appreciate it. Thank you.

Greg Ebel - *Spectra Energy Corporation - President & CEO*

Thank you.

Operator

Bradley Olsen, TPH.

Bradley Olsen - *Tudor, Pickering, Holt & Company - Analyst*

First question is a little bit more macro focused. We've seen a tremendous pace of pipeline reversals out of the Northeast. Do you think that we're approaching a point now where we're getting close to saturated on capacity additions, specifically out of the Southwest Marcellus and Utica shales, especially for capacity headed to the South and to the West?

Greg Ebel - *Spectra Energy Corporation - President & CEO*

I think maybe the way I would articulate it, Brad, is that these things come in waves, two or three year waves. I'm glad that we've got the projects we have because I think the next big round is for stuff in 2017 and 2018. Don't forget that a need hasn't been met yet in the Mid-Atlantic region, and I think that opportunity is out there. Obviously, that could be a pretty big opportunity which we're going to pursue pretty forcefully with various the folks looking for that.

I think you might be right, if you haven't got stuff now, it's going to be hard to realize the benefits of that in 2015 and 2016. The next round of plays are for 2017, 2018, and 2019, and that's what we're focused on.

Bradley Olsen - *Tudor, Pickering, Holt & Company - Analyst*

In terms of 2017, 2018, and 2019 projects, you're referring to those Mid-Atlantic projects? Or do you believe that there's more work to be done in plumbing the Northeast?

Greg Ebel - *Spectra Energy Corporation - President & CEO*

Both. As I indicated, given the demand that we saw for things like Atlantic Bridge, given the demand we've seen for AIM, I think there's another round of projects that have to occur, at least brownfield type projects probably, but maybe even some big greenfield projects into the Northeast. Of course, that 2017, 2018 timeframe is exactly where NEXUS will come in.

I think to the West, it's a little bit tougher, but that's not a big focus for us. Remember, we built TEMAX, TEAM 2012, and ultimately Jersey-New York to take gas from the back end of REX. Now given where our assets are, we're the front end of REX. Lebanon and Clarington are not big producing areas. They're not producing areas. You want to be coming through Spectra's Texas Eastern and stuff to feed that west, but I don't see a huge need for a ton more pipe into Chicago.

Bradley Olsen - *Tudor, Pickering, Holt & Company - Analyst*

Great. Thanks for the color. This question is related more to the Canadian market and the role it has to play absorbing some of this Northeast supply. You're looking now with the REX reversal at close to 4 Bs a day, moving into the Midwest over the next few years, and probably closer to 10 Bs a day moving down to the Gulf Coast, yet we've only seen really about a B of committed export projects to Canada.

NEXUS which seems like it's on the doorstep of being fully contracted, but still has taken a while to get signed up, especially in light of the fact that the economics shipping gas to Canada seemed like a no-brainer, is there another economic factor at play here? Is there something related to TransCanada's import tariffs out of the Northeast that's making what would be a very economic proposition maybe a little bit less economic?

Greg Ebel - *Spectra Energy Corporation - President & CEO*

No. I don't think so, Brad. I think as usual, things can take some time from a regulatory perspective, A, B, remember, the way pipe always gets done is at first producers say, we've got spectacular results in whatever region that we're in. That filters through the market, and then the pipeliners come along and say, gets back the results, surely you don't want to be stuck in the ground. Until they're 100% confident they've got what they think they've got in the ground, they're not going to sign up for long-term commitment.

Then you get on the demand side of things, okay, we see that the Utica and the Marcellus are humming along great. We can see that we've got some challenges in Western Canada, so we in the Michigan, Ontario, area are now ready to take supply. You need all three of those things to lineup to be able to get a project, in particular a greenfield projects of this size, to shake out. You've got the exact same thing with New Jersey-New York, even with Sabal Trail.

Remember, the Sabal Trail project was probably three years in the works between getting exactly what you needed on the demand side, comfort on the supply side, and then actually going through the process. I just think we're in the world of what used to be 18 to 24 months from development to construction to in-service, to now 24 to 36 months. That's just the reality of the world with some of the really changing dynamics on the supply side and the demand side, as well as the overlying, let's face it, a tougher siting environment that we're in.

Bradley Olsen - *Tudor, Pickering, Holt & Company - Analyst*

Great. Just one last question related more to the modeling side of things. As we think about DCP, historically DCP had pretty significant deliveries into Conway, and now with Sand Hills, Southern Hills, Front Range, Texas Express, there are obviously a lot of ways for DCP to move its NGL barrels to the Gulf Coast. In a period like the first quarter where there were extended periods of time where keeping those NGLs in the Midwest, does DCP still have the option to keep those barrels in the Midwest, if the price dictates that that's the right thing to do? It just seemed like the realized price that DCP reported, while much stronger than guidance, was still maybe not as high as the spiking prices that we saw in the Conway spot price would've indicated.

Greg Ebel - *Spectra Energy Corporation - President & CEO*

I think that's fair. We have very little capability to keep the stuff at Conway. It's got to get to Belvieu. As you know, Brad, this is the long-term game. There is no doubt about it that the best market to take NGLs perhaps in the world but definitely North America is into Mont Belvieu. That's what we're playing, but in the near-term, yes, when you have some impact like you saw this winter and Conway spiked up, we can play a little bit of that on our marketing and logistics side.

Now Spectra of course does really well when Conway spikes because that's obviously a close connection to Empress, and to the extent we may not have hedged and obviously if we just worked into a hedging program in the first quarter, that really helped Empress from that perspective as well. But at DCP, you would be correct, the bulk of our focus now would be Mont Belvieu. That's where we want to be.

Bradley Olsen - *Tudor, Pickering, Holt & Company - Analyst*

Great. I guess just any parting thoughts on the potential to increase payout, just given the fact that full-year coverage is already setting up to be very strong?

Greg Ebel - *Spectra Energy Corporation - President & CEO*

As I said, it's the first quarter, but you know what I love? I love the firepower we have to have a discussion towards the end of the year. Obviously, with a nice running, leaping start to the start of the year, and the budget looking the way it is, and our forecast for the rest of the year, I don't see why we should see any change from that with things within our control.

I'm looking forward to the discussion later in the year about what we do for next year. We've said before, if the type of results we've seen in the first quarter keep playing through, and we see better coverages, we definitely want to look at sharing those with investors. I think those are discussions we typically have towards the end of the year as we put our three-year plans together.

Bradley Olsen - *Tudor, Pickering, Holt & Company - Analyst*

Great. Thanks for all the color.

Greg Ebel - *Spectra Energy Corporation - President & CEO*

Okay. Thanks, Brad.

Operator

Craig Shere, Tuohy Brothers.

Craig Shere - *Tuohy Brothers - Analyst*

Good morning. Congratulations on a good quarter.

Greg Ebel - *Spectra Energy Corporation - President & CEO*

Thank you, sir.

Craig Shere - *Tuohy Brothers - Analyst*

Greg, let me pick up on the NGL commodity question that Darren started off with. I think you highlighted exports of, if I heard correctly, both propane and ethane contributing the floors for NGLs. My question is do you see ethane sea borne exports, such as Enterprise's terminal plan for third quarter 2016, as a reality?

Do you see stair steps in pet chem demand including, I think, this summer we've got Williams Geismar on lines and [Lyondell's La Porte] expansion coming online, and then a couple more expansions next year for [Lyondell] as well as others. Do see those pet chem expansions just keeping pace with the growing NGL production, or how do you see things in the next 18 months?

Greg Ebel - *Spectra Energy Corporation - President & CEO*

I don't see a big change in the next 18 months. I think most people have looked to 2017, 2018, 2019 where the big demand kicks in. They'll be Geismar and some of the things that'll come back online, and they were pretty big outages, but in terms of big incremental demand, and given the growth in NGLs, it's really looking at 2017, 2018 time period.

My comments about ethane, the Enterprise guys always do a really good job. If they can get on the water I just think just like propane that sets a floor because they're going to get more global prices for those products, if you will, ethane and propane. That's just a positive from North American NGL pricing, particularly as we leg into the demand growth closer to the end of the decade than the beginning of the decade.

Craig Shere - *Tuohy Brothers - Analyst*

There's been a lot of discussion in the last year with the acquisition of Express-Platte, the drop-downs, really turbocharging some of your game plan here. People are like, what's next? What can we do with DCP?

I guess my question is, apart from financial engineering, the problem at DCP, LLC, has been it's very low cost basis, and also that part of the business versus the MLP is very commodity sensitive. If we can in a couple of years start to, as you say, set a floor for ethane which I know DCP is very exposed to, couldn't we see a material uplift in a multiple valuation that could be ascribed to that business? Maybe that's a better timeframe to start thinking about what to do with it?

Greg Ebel - *Spectra Energy Corporation - President & CEO*

First of all, I don't know why we have to wait a couple of years for that. My view is that the writing's on the wall, and as you see things like Southern Hills, Sand Hills, Texas Express, all adding a fee based nature to DCP's earnings, then in fact we should start realizing some of that uplift. I think it's begun to start but in my view, not enough.

I think one interesting thing to think about is, Craig, as you know, we've always paid our dividend out of our fee based earnings, out of the non-DCP piece. As you say, a floor gets set, and maybe some more fee based earnings from things like the pipeline, I think then the opportunity is do we start to pay out some of those DCP earnings that aren't volatile to the Spectra investor. That's the kind of thing I'm thinking through.

Craig Shere - *Tuohy Brothers - Analyst*

That's a good point. My last question, just to clarify, this $35 billion by the end of the decade, that's a gross figure, right? That's not proportional for DCP or Sabal Trail or things like that?

Greg Ebel - *Spectra Energy Corporation - President & CEO*

That's got 100% of DCP in it.

Craig Shere - *Tuohy Brothers - Analyst*

Okay. Great. Thanks a lot.

Operator

John Edwards, Credit Suisse.

John Edwards - *Credit Suisse - Analyst*

Greg, just following on some of the other questions here, regarding you were talking about the additional volumes in the 2017 to 2019 timeframe for north to south. You're thinking, aggregate, what do you think those volumes are, and what do you think Spectra can capture, just ballpark unit?

Greg Ebel - *Spectra Energy Corporation - President & CEO*

I guess if I look at what we're doing right now, so between 2014 and 2017, and starting in 2014 and 2015, we're talking about 2 Bcf. I don't see why we wouldn't be able to replicate a similar type situation, and in fact, it may be much bigger volumes only because the next set of growth projects probably take more capital, more greenfield or brownfield type capital, as opposed to utilizing systems and maybe various parts that may not be fully utilized today. I think the restraint will slowly be on can we have a meeting of the minds if you will between producers and consumers to actually get those 10% type returns.

Yes, I don't see why another 2 Bcf at least couldn't come on between 2017 in 2019, and that's excluding what we do on NEXUS. I think NEXUS represents a really great opportunity, and I think as producers look at that, we've talked about that as a 1 Bcf a day pipeline. Maybe that's going to be substantially bigger, and obviously if that's the case, the economics of that both for producers and on the demand side get better.

John Edwards - *Credit Suisse - Analyst*

Okay, that's helpful. I'm just curious, so on this bi-directional flow, what kind of tariffs do you apply to that? How does that impact the tariffs that you put on that project?

Greg Ebel - *Spectra Energy Corporation - President & CEO*

Here's the way we look at it. On a net-net basis, all the capital we put to work, it's earning about a 10% return. It's a competitive world out there. We're negotiating on these rates, and so think about in terms of 10% types return on capital employed. That's the way I would get into it, as opposed to getting into specific commercial returns.

John Edwards - *Credit Suisse - Analyst*

All right, so just have us back into it, would be the way to think about it?

Greg Ebel - *Spectra Energy Corporation - President & CEO*

Yes.

John Edwards - *Credit Suisse - Analyst*

Okay, great. All right. Thank you very much.

Greg Ebel - *Spectra Energy Corporation - President & CEO*

Okay, thank you.

Operator

Christine Cho, Barclays.

Christine Cho - *Barclays Capital - Analyst*

Hi. Just regarding the NEXUS pipeline, it looks like many producers have already signed up with an existing pipe to go to the same markets, sooner than the 2000 timeframe that I think you guys have proposed. Do you think there's risk to this project getting pushed out? Or is there still not enough capacity to go to those markets without NEXUS? I'm just trying to gauge when do we see producers sign up with your project?

Greg Ebel - *Spectra Energy Corporation - President & CEO*

As I mentioned, I'd expect we'd see producers in the next couple of quarters sign up. And, no, I think a lot of what you see from a capacity perspective at this point in time isn't giving people direct access to Dawn. That's what we're proposing. There are some issues. I guess you could go to Chicago and up and around the bend, and you get a lot of rate stacking that goes on. We still don't see anybody with the type of volumes we're talking about getting to Dawn, or with this competitive a rate from that perspective.

Again, a lot of what you're seeing is people using partial pipes or pipe that aren't utilized in relatively small volumes. A lot of that stuff is also going towards the Gulf as opposed into Dawn. There's always risk to projects until you get them built and in the ground. But as I said, with three LDCs signed up, focus is on the producers, and over the next couple of quarters, that's the real focus, Christine.

Christine Cho - *Barclays Capital - Analyst*

Even with the stacking up of the tariff that you just described, is NEXUS still competitive? Yes, it's stacking, but it's also old pipe. I would think that the tariff is not that high versus you guys probably have to do a little more new build, right?

Greg Ebel - *Spectra Energy Corporation - President & CEO*

Yes, a big chunk of ours is new build, but also, yes, we're very competitive. Some of the rates I've seen people put out on the [REX] thing, I have no doubt we're better than that from that a competitive perspective. I was actually surprised at how high those rates were.

Christine Cho - *Barclays Capital - Analyst*

Okay. Then my last question is, you talked about 2 Bcf a day of TETCO being bi-directional by 2017. Have we maxed out with existing infrastructure been reversed? Do you have to do more new build to add more capacity capabilities to go to the Gulf? Can you help us think about how much higher you could go then that 2 Bcf a day?

Greg Ebel - *Spectra Energy Corporation - President & CEO*

I think the 2 Bcf is about it. There's a little bit, and of course then you start getting constrained on different parts of the pipe. Christine, I think as I tried to mention earlier, I think with the two coming into service this year, TEAM South, TEAM 2014, and then the two pieces next year, Uniontown to Gas City, et cetera, then I think we're pretty close to utilizing, perhaps optimizing, the pipe that exists. Now you start getting into bigger builds.

Therefore, you have to get into big builds to make the economics work. I think it's 2 Bcf of very economic builds for our customers. Then after that, we're talking about bigger builds, and then it's going to be a fight from a competitive perspective and what type of diversity and opportunity and delivery points you have. That's what I love as usual, the map that we have from a satellite perspective, where we've got all the lights, whether it's west, north, south or east.

Christine Cho - *Barclays Capital - Analyst*

One of the things that I've heard is with other pipelines to have the capability from going Gulf to Northeast, if they were to get through all of their low hanging fruit and doing new builds like you just described, they say that the tariff will be in the dollar range. Do you agree with that?

Greg Ebel - *Spectra Energy Corporation - President & CEO*

I think that totally depends on the size, Christine. Beyond the 2 Bcf, it might be in that amount. Again, it totally depends how big. Obviously, if it's a 1 Bcf of pipe it's going to be a lot more expensive than 2 Bcf a day pipeline.

I actually don't want to get into a discussion about how well we'll be competitively. I know we're going to be competitive, but I would suggest it totally depends on the size of the pipe that you're talking about here.

Christine Cho - *Barclays Capital - Analyst*

Okay. Super. Thank you so much.

Greg Ebel - *Spectra Energy Corporation - President & CEO*

Thanks, Christine.

Operator

There are no further questions. Are there any closing remarks?

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

Thank you, Bonita. I want to thank everyone that joined us on the call today. We're looking forward to seeing many of you in a couple of weeks of both the AGA Financial Forum and the NAPTP MLP Investor Conference. In the meantime, as always if you have any additional questions, please feel free to give Roni Cappadonna or myself a call at your convenience. Thanks very much, all. Have a good day.

Operator

This concludes today's conference call. Thank you for your participation. You may now disconnect.