

Spectra Energy Corp
Spectra Energy Partners, LP
Definitions of Non-GAAP Financial Measures and Supplemental Reconciliations

EBITDA

EBITDA, a non-GAAP financial measure, represents earnings from continuing operations before interest, taxes, depreciation and amortization. The most directly comparable GAAP measure for EBITDA is net income.

Distributable Cash Flow (DCF)

DCF, a non-GAAP financial measure, represents the cash generation capabilities of the company to support dividend/distribution growth. We define it as EBITDA plus distributions from equity investments, less earnings from equity investment, equity AFUDC, interest expense, cash effect of income taxes, distributions to non-controlling interests, maintenance capital expenditure and certain other non-cash items affecting net income. The most directly comparable GAAP measure for DCF is net income.

DCF Dividend/Distribution Coverage

DCF Dividend/Distribution coverage, a non-GAAP financial measure, represents DCF, divided by dividends/distributions declared on common stock/partnership units. The most directly comparable GAAP measure for DCF coverage is reported Earnings Per Share/ Earnings Per Unit.

DCP Midstream's and DCP Midstream Partners' Stand-Alone Adjusted EBITDA

Adjusted EBITDA, a non-GAAP financial measure, represents net income or loss less interest income, non-cash commodity derivative gains, plus interest expense, income tax expense, depreciation and amortization expense, non-cash commodity derivative losses, and certain other non-cash charges. The commodity derivative non-cash losses and gains result from the marking to market of certain financial derivatives used by us for risk management purposes that we do not account for under the hedge method of accounting. These non-cash losses or gains may or may not be realized in future periods when the derivative contracts are settled, due to fluctuating commodity prices.

DCP Midstream Partners' Stand-Alone DCF

DCF, a non-GAAP financial measure, represents net cash provided by or used in operating activities, less maintenance capital expenditures, net of reimbursable projects, plus or minus adjustments for non-cash mark-to-market of derivative instruments, proceeds from divestiture of assets, net income attributable to noncontrolling interests net of depreciation and income tax, net changes in operating assets and liabilities, and other adjustments to reconcile net cash provided by or used in operating activities.

Spectra Energy Corp
Distributable Cash Flow
(Unaudited)
(in millions)

	Year Ended December 31, 2015	
EBITDA	\$	2,024
Add:		
Earnings from equity investments		(76)
Non-cash impairment at DCP		366
Distributions from equity investments		209
Empress non-cash items		42
Non-cash goodwill impairments associated with the Westcoast acquisition in 2002		333
Other non-cash asset impairment		16
Other		25
Less:		
Interest expense		636
Equity AFUDC		111
Net cash paid for income taxes		29
Distributions to non-controlling interests		198
Maintenance capital expenditures		691
Total Distributable Cash Flow	\$	1,274
Dividend	\$	1,017
Coverage Ratio		1.3x

Spectra Energy Partners, LP
Distributable Cash Flow
(Unaudited)
(In millions)

	Year Ended December 31, 2015
EBITDA	\$ 1,816
Add:	
Earnings from equity investments	(167)
Distributions from equity investments	207
Non-cash impairment at Ozark Gas Gathering	9
Other	12
Less:	
Interest expense	239
Equity AFUDC	76
Net cash paid for income taxes	12
Distributions to non-controlling interests	31
Maintenance capital expenditures	314
Total Distributable Cash Flow	\$ 1,205
Distributions	\$ 976
Coverage Ratio	1.2X

Spectra Energy Corp
Distributable Cash Flow
(In millions)

	<u>2016e</u>	<u>2017e</u>	<u>2018e</u>
Total Reported Net Income	\$ 1,150	\$ 1,345	\$ 1,435
Add:			
Interest expense	625	675	690
Income tax expense (benefit)	315	385	325
Depreciation and amortization	765	825	875
EBITDA	<u>2,855</u>	<u>3,230</u>	<u>3,325</u>
Add:			
Net cash from equity investments	85	95	120
Other	85	70	50
Less:			
Interest expense	625	675	690
Equity AFUDC	145	110	90
Cash paid for income taxes	15	55	180
Distributions to non-controlling interests	255	330	390
Maintenance capital expenditures	615	625	640
Total Consolidated Distributable Cash Flow	<u>\$ 1,370</u>	<u>\$ 1,600</u>	<u>\$ 1,505</u>
Coverage Ratio	1.2x	1.3x	1.1x

Spectra Energy Partners, LP
Distributable Cash Flow
(In millions)

	<u>2016e</u>	<u>2017e</u>	<u>2018e</u>
Total Reported Net Income	\$ 1,395	\$ 1,600	\$ 1,670
Add:			
Interest expense	255	285	295
Income tax expense (benefit)	0	5	5
Depreciation and amortization	315	345	365
EBITDA	<u>1,965</u>	<u>2,235</u>	<u>2,335</u>
Add:			
Net cash from equity investments	(15)	(80)	50
Other	10	10	10
Less:			
Interest expense	255	285	295
Equity AFUDC	100	60	50
Cash paid for income taxes	0	10	10
Distributions to non-controlling interests	30	30	30
Maintenance capital expenditures	265	265	260
Total Consolidated Distributable Cash Flow	<u>\$ 1,310</u>	<u>\$ 1,515</u>	<u>\$ 1,750</u>
Coverage Ratio	1.2x	1.2x	1.2x

Spectra Energy Corp
DCP Midstream's Stand-Alone Adjusted EBITDA
Price Neutral
(In millions)

	2016 e	2017 e	2018 e
Net loss attributable to members' interests	\$ (120)	\$ (55)	\$ (60)
Net income attributable to noncontrolling interests	130	125	95
Net income	10	70	35
Interest expense, net	320	320	355
Income tax expense	5	5	5
Depreciation and amortization	395	395	400
Non cash commodity derivative activity	70	10	-
Adjusted EBITDA	\$ 800	\$ 800	\$ 795

Spectra Energy Corp
DCP Midstream's Stand-Alone Adjusted EBITDA
Recovery Case
(In millions)

	2016 e	2017 e	2018 e
Net income (loss) attributable to members' interests	\$ (120)	\$ 45	\$ 70
Net income attributable to noncontrolling interests	130	145	125
Net income	10	190	195
Interest expense, net	320	320	355
Depreciation and amortization	395	395	400
Income tax expense	5	5	5
Non cash commodity derivative activity	70	5	-
Adjusted EBITDA	\$ 800	\$ 915	\$ 955

Spectra Energy Corp**DCP Midstream Partners's Stand-Alone Adjusted EBITDA and Distributable Cash Flow****(In millions)**

	2016 e	
	Low Forecast	High Forecast
Net income attributable to partners	\$ 265	\$ 295
Interest expense, net of interest income	98	98
Income taxes	2	2
Depreciation and amortization, net of noncontrolling interests	130	130
Non-cash commodity derivative mark-to-market	70	70
Adjusted EBITDA	565	595
Interest expense, net of interest income	(98)	(98)
Maintenance capital expenditures, net of reimbursable projects	(30)	(45)
Distributions from unconsolidated affiliates, net of earnings	30	45
Income taxes and other	(2)	(2)
Distributable cash flow	\$ 465	\$ 495