

Spectra Energy Partners, LP
Form 10-Q
November 08, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2012

or

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-33556

SPECTRA ENERGY PARTNERS, LP

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(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of incorporation)

41-2232463
(IRS Employer Identification No.)

5400 Westheimer Court

Houston, Texas 77056

(Address of principal executive offices, including zip code)

713-627-5400

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At September 30, 2012, there were 96,364,650 Common Units and 1,966,626 General Partner Units outstanding.

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September 30, 2012

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on management's beliefs and assumptions. These forward-looking statements are identified by terms and phrases such as: anticipate, believe, intend, estimate, expect, continue, should, could, may, plan, project, predict, will, potential, forecast, and similar expressions. Forward-looking statements involve risks and uncertainties that may cause actual results to be materially different from the results predicted. Factors that could cause actual results to differ materially from those indicated in any forward-looking statement include, but are not limited to:

state and federal legislative and regulatory initiatives that affect cost and investment recovery, have an effect on rate structure, and affect the speed at and degree to which competition enters the natural gas industries;

outcomes of litigation and regulatory investigations, proceedings or inquiries;

weather and other natural phenomena, including the economic, operational and other effects of hurricanes and storms;

the timing and extent of changes in interest rates;

general economic conditions, including the risk of a prolonged economic slowdown or decline, or the risk of delay in a recovery, which can affect the long-term demand for natural gas and related services;

potential effects arising from terrorist attacks and any consequential or other hostilities;

changes in environmental, safety and other laws and regulations;

the development of alternative energy resources;

results of financing efforts, including the ability to obtain financing on favorable terms, which can be affected by various factors, including credit ratings and general market and economic conditions;

increases in the cost of goods and services required to complete capital projects;

growth in opportunities, including the timing and success of efforts to develop domestic pipeline, storage, gathering and other related infrastructure projects and the effects of competition;

the performance of natural gas transmission, storage and gathering facilities;

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the extent of success in connecting natural gas supplies to transmission and gathering systems and in connecting to expanding gas markets;

the effect of accounting pronouncements issued periodically by accounting standard-setting bodies;

conditions of the capital markets during the periods covered by these forward-looking statements; and

the ability to successfully complete merger, acquisition or divestiture plans; regulatory or other limitations imposed as a result of a merger, acquisition or divestiture; and the success of the business following a merger, acquisition or divestiture.

In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than Spectra Energy Partners, LP has described. Spectra Energy Partners, LP undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements.****SPECTRA ENERGY PARTNERS, LP****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)****(In millions, except per-unit amounts)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Operating Revenues				
Transportation of natural gas	\$ 53.0	\$ 47.9	\$ 163.7	\$ 129.9
Storage of natural gas and other	4.2	5.0	14.1	17.2
Total operating revenues	57.2	52.9	177.8	147.1
Operating Expenses				
Operating, maintenance and other	17.4	17.2	48.8	50.3
Depreciation and amortization	9.3	9.7	27.9	24.9
Property and other taxes	2.8	2.8	9.2	8.3
Total operating expenses	29.5	29.7	85.9	83.5
Operating Income	27.7	23.2	91.9	63.6
Other Income and Expenses				
Equity in earnings of unconsolidated affiliates	26.4	27.3	77.6	81.9
Other income and expenses, net		0.9	0.1	2.2
Total other income and expenses	26.4	28.2	77.7	84.1
Interest Income				0.3
Interest Expense	7.7	7.7	23.1	17.2
Earnings Before Income Taxes	46.4	43.7	146.5	130.8
Income Tax Expense	0.3	0.2	1.1	0.8
Net Income	\$ 46.1	\$ 43.5	\$ 145.4	\$ 130.0
Calculation of Limited Partners Interest in Net Income:				
Net income	\$ 46.1	\$ 43.5	\$ 145.4	\$ 130.0
Less:				
General partner's interest in net income	7.3	5.4	20.6	14.5
Limited partners' interest in net income	\$ 38.8	\$ 38.1	\$ 124.8	\$ 115.5

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Weighted-average limited partner units outstanding basic and diluted	96.3	96.3	96.3	92.0
Net income per limited partner unit basic and diluted	\$ 0.40	\$ 0.40	\$ 1.30	\$ 1.26
Distributions paid per limited partner unit during the periods presented	\$ 0.485	\$ 0.465	\$ 1.44	\$ 1.375

See Notes to Condensed Consolidated Financial Statements.

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SPECTRA ENERGY PARTNERS, LP

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In millions)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Net income	\$ 46.1	\$ 43.5	\$ 145.4	\$ 130.0
Other comprehensive income				
Unrealized mark-to-market net loss on hedges		(0.1)		(0.1)
Reclassification of cash flow hedges into earnings	(0.1)	0.3	(0.4)	2.0
Comprehensive Income	\$ 46.0	\$ 43.7	\$ 145.0	\$ 131.9

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**SPECTRA ENERGY PARTNERS, LP****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)****(In millions)**

	September 30, 2012	December 31, 2011
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1.0	\$ 0.8
Receivables, net	25.7	30.3
Other	4.4	10.5
Total current assets	31.1	41.6
Investments and Other Assets		
Investments in unconsolidated affiliates	726.3	727.2
Goodwill and other	461.8	461.8
Total investments and other assets	1,188.1	1,189.0
Property, Plant and Equipment		
Cost	1,466.2	1,439.3
Less accumulated depreciation and amortization	261.1	234.1
Net property, plant and equipment	1,205.1	1,205.2
Regulatory Assets and Deferred Debits	19.8	21.1
Total Assets	\$ 2,444.1	\$ 2,456.9

See Notes to Condensed Consolidated Financial Statements.

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SPECTRA ENERGY PARTNERS, LP
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions)

LIABILITIES AND PARTNERS CAPITAL	September 30, 2012	December 31, 2011
Current Liabilities		
Accounts payable	\$ 12.7	\$ 20.7
Taxes accrued	8.2	7.1
Note payable affiliates	20.0	30.5
Current maturities of long-term debt	150.0	150.0
Commercial paper	40.9	27.0
Other	13.7	10.6
Total current liabilities		