



Investor Relations Frequently Asked Questions August 6, 2008

Questions Regarding Second Quarter 2008:

- **Why did US Transmission's ongoing earnings decrease for 2Q08 compared with 2Q07?**
 - U.S. Transmission's ongoing 2Q08 EBIT was down by \$10 million or 4.9%, compared with 2Q07. U.S. Transmission's earnings decreased due to:
 - higher project development costs due to capitalization of costs in 2Q07 of about \$18 million and higher transmission and storage costs in 2Q08
 - offset by higher earnings from expansion projects and capitalized interest on expansion projects (primarily SESH).

- **What was the driver of Distribution's earnings for second quarter 2008 compared to the prior year?**
 - 2Q08 earnings for Distribution were unchanged compared to last year. Distribution results reflect benefits from higher storage and transportation revenues and a stronger Canadian dollar, offset by a \$15 million provision recorded as a result of a decision from the Ontario Energy Board (OEB) related to unregulated storage revenues collected from 11/06 through 6/08. We are in the process of appealing, and are expecting a decision by the end of this year.

- **What were the drivers for Western Canadian Transmission and Processing for 2Q08 vs. 2Q07?**
 - Our Western Canadian operations posted an 81% increase in EBIT for the quarter compared with 2Q07. Western Canada Transmission & Processing earnings increased primarily as a result of stronger NGL prices and volumes related to the Empress processing plant, a stronger Canadian dollar and higher processing revenues. Volumes were significantly higher this year due to a major turnaround at Empress last year. The 2Q08 average frac spread was \$8.39/MMBtu compared with \$5.85/MMBtu in 2Q07.

- **What were the earnings drivers at DCP Midstream in 2Q08 vs. 2Q07?**
 - Field Services reported 2Q08 ongoing EBIT of \$216 million, compared with \$126 million in 2Q07, a 71% increase. DCP Midstream Partners, the MLP, hedges some of its commodity positions to protect cash distributions; those cash flow hedges are subject to mark-to-market (MTM) accounting. This quarter the MTM on these hedges had a negative effect on earnings of \$24 million compared with 2Q07. Field Services' EBIT before this negative MTM was \$117 million higher this year than last year. This increase was driven primarily by higher NGL prices, which correlate to higher crude oil prices. Crude oil averaged \$124 per barrel in second quarter 2008, versus \$65 per barrel during the same period a year ago. The expected effect on EBIT from higher crude was mitigated somewhat by lower correlations which averaged 50% in this year's quarter compared with 68% last year. Natural gas prices averaged \$11 per MMBtu in second quarter 2008 compared with an average

of \$8 per MMBtu in second quarter 2007. Second quarter 2008 results also reflect improved plant operating efficiencies and over 5% higher processing volumes. Last year, several plants were affected by severe weather which decreased operating efficiencies and volumes; this was not an issue this quarter. Cash distributions for 2Q08 from DCP Midstream to Spectra Energy were \$444 million including a special dividend of \$250 million in April. In July, we received an additional \$110 million.

- **What was your net effective income tax rate in 2Q08 compared to 2Q07?**
 - Our effective tax rate was 31% for both 2Q08 and 2Q07. We continue to expect an effective tax rate in the 32-33 percent range for the year.
- **What was the effect of the Canadian Dollar Exchange Rate for the second quarter 2008?**
 - For this quarter, the net after tax effect was about \$5 million favorable compared with second quarter 2007.
- **What is the current level of credit facilities, the unused capacity and total liquidity at 6/30/08?**
 - Our total credit facilities at 6/30/08 totaled \$2.7 billion with unused capacity of \$1.8 billion. Total liquidity is \$1.9 billion.
- **What is the progress of the stock repurchase plan?**
 - As of June 30, 2008, stock repurchases were 10.5 million shares totaling approximately \$284 million. We expect the \$600 million repurchase plan will be complete in the third quarter.
- **Why was interest expense lower in 2Q08 compared with 2Q07?**
 - Interest expense was \$149 million for the quarter, compared with \$156 million for 2Q07. The decrease resulted from lower interest rates on commercial paper and higher interest costs capitalized. These decreases were partially offset by the effects of the stronger Canadian dollar on interest expense denominated in Canadian dollars.
- **What were your capital expenditures for 2Q08 and year-to-date?**
 - Our 2Q08 capital expenditures totaled \$555 million, \$458 million for expansion and \$97 million for maintenance.
 - On a year-to-date basis, we've spent \$773 million on expansion and \$157 for maintenance, for a total of \$930 million.

Other Questions:

- **Do you expect to exceed your \$1.56 per share employee incentive target for 2008?**
 - With year to date earnings per share of \$1.02, and our ability to deliver on plan, paired with the prospect of continued robust commodity pricing, we are confident that we will significantly exceed our \$1.56 employee incentive target for the year.
- **How do I derive the correlation/price relationship between crude oil prices and NGL prices?**
 - Using hypothetical assumptions of an oil price at \$100 per barrel and an average NGL price of \$1.30 per gallon, it is first necessary to come up with a gallon price equivalent for crude oil. This is done by dividing \$100/barrel oil

by 42 (the number of gallons in a standard barrel). So, at \$100 oil, this equals \$2.38 per gallon ($\$100/42$). In this hypothetical example, the correlation of liquids prices to crude would equal 55% ($\$1.30/\2.38).

- **What are the sensitivities for DCP Midstream's business?**
 - DCP Midstream's annual EBIT projection is based on a 2008 crude oil strip price of \$83. Every \$1 change in crude oil has a \$12 million impact on annual EBIT. We do not hedge our commodity positions at Field Services, except for certain positions at DCP Midstream Partners (DPM) which are hedged to protect cash distributions. The correlation for NGL's to crude was assumed at 60%. If correlations are lower than 60%, EBIT will decrease and if higher than 60%, EBIT will increase. At \$100 per barrel crude oil price, each percentage change in the correlation equates to about \$15 million. The correlation sensitivity increases as oil prices increase.
 - The forecast for 2008 also includes an assumption for natural gas of \$8/MMBtu. Every \$0.10/MMBtu change in the natural gas price equates to a \$2 million change in EBIT.

- **What are the current settled and forward estimates for crude oil and natural gas?**
 - As of August 4, the current settled and forward price for crude oil is a little less than \$120/barrel range and correlations are running in the mid-50% range. Natural gas prices for the year are averaging almost \$10/MMBtu.

- **What are your sensitivities to the frac spread at Empress for 2008?**
 - Our Empress system has exposure to changes in the frac spread. On an annual basis, we have a sensitivity of approximately \$16 million for every 50 cent change in the frac spread.
 - The average frac spread in the 2008 forecast for Empress is ~ \$7.25 / MMBtu. The average frac spread for the first 6 months of 2008 was \$8.26/MMBtu.
 - Keep in mind that, in addition to this frac spread, Empress' earnings are affected by other operational factors such as fuel costs, freight costs, other O&M, volumes processed and NGL inventory volumes and value.

- **Based upon public information available, how can an investor estimate the Empress frac spread?**
 - A simple proxy for Empress' frac spread is the difference between Belvieu propane and Alberta (AECO) gas in US\$/MMBtu. One way to estimate this would be to take the NYMEX Propane price converted to \$/MMBtu less the combination of the NYMEX Natural Gas price and the NYMEX Clearport Alberta Basis Swap price (to get an Alberta outright price equivalent). Note the gas prices are already in \$/MMBtu.

In formula terms:

NYMEX Propane in \$/gallon * ~10.92 gallons/MMBtu = Propane in \$/MMBtu

Less:

(NYMEX Henry Hub Natural Gas plus NYMEX Clearport Alberta Basis Swap price)

For example:

Based upon 7/29/08 Nymex most recent settle for Sept contract month

Commodity	Contract Month	NYMEX Price	Conversion Rate	MMBTU Price
Propane	Sep '08	1.755	10.92	19.16
NG HH	Sep '08	9.195		9.20
NG Alberta Basis Swap	Sep '08	0.4575		0.4575
Natural Gas Price at Alberta				9.65
Estimated Frac Spread (19.16-9.65)				9.51

Note:

- This example computes the frac spread for only one contract month. Be advised that this provides an indication only, given the lack of forward market liquidity for propane.
 - Actual Empress' earnings are impacted by other operational factors such as fuel costs, freight costs, other O&M, volumes processed and NGL inventory volumes and value.
- **Is Spectra Energy still projecting \$3 Billion of Capital Expenditures over 2008-2010?**
 - Yes. We continue to see total opportunities over \$4 billion and we believe that our ability to spend \$1 billion per year in growth capex will continue into 2010. We have a host of opportunities before us and have the ability to upgrade our choice of projects to support our CapEx spending projections.
 - During 2008, we expect to place into service about \$1.6 billion in capital projects. We expect these projects to contribute about \$90 million EBIT in 2008 and an incremental \$110 million EBIT in 2009.
 - **What level of Capital Expenditures is Spectra Energy expecting for 2008?**
 - About \$2.0 billion of which \$550 million is maintenance capex.
 - **What are Spectra Energy's expected returns for capital projects?**
 - Overall, our project returns on capital employed (ROCE) will average between 10-12% (ROCE= EBIT/Capital Employed). We have two different categories of projects:
 - Organic (bolt-on or expansion of an existing project) – These typically produce ROCE in the low to mid teens
 - Greenfield – (construction of a new asset) – These typically produce high single digit ROCE
 - **What is Spectra Energy's plan for additional drop-downs to SEP?**
 - At this time we have not announced any additional drop-downs beyond the Saltville Assets which closed in April 2008. We have stated that our strategy for growing SEP will be a combination of organic growth, accretive acquisitions, and, as required, additional drop-downs. We will take the steps necessary to be certain we maintain the strength of SEP's currency.
 - **What are Spectra Energy's current credit ratings?**
 - Moody's: Spectra Energy Capital's Senior Unsecured debt rating is Baa1, its Commercial Paper is P-2 and TETLP's Senior Unsecured debt rating is A3 -- Outlook: Stable
 - S&P: Spectra Energy Capital's Senior Unsecured debt rating is BBB the operating subsidiaries Senior Unsecured debt is BBB+ -- Outlook: Stable