



Investor Relations Frequently Asked Questions November 6, 2007

Questions Regarding Third Quarter 2007 Earnings:

- **What were the US Transmission earnings drivers for 3Q07 compared with 3Q06?**
 - U.S. Transmission reported third quarter 2007 segment EBIT of \$230 million compared with \$179 million in third quarter of 2006. Strong operational results from all U.S. pipeline and storage businesses, primarily reflecting higher demand for services and increased earnings from expansion projects, drove the improvement. This segment also benefited from the capitalization of previously expensed development costs, primarily as a result of favorable regulatory orders and other demonstrated progress on the Southeast Supply Header and Gulfstream Phase IV projects.
- **What was the driver of increased earnings for the Distribution segment for third quarter 2007 compared to the prior year?**
 - The Distribution segment reported third quarter 2007 segment EBIT of \$40 million compared with \$24 million in third quarter of 2006. This increase primarily reflected higher storage and transmission revenues and increased distribution margin. Favorable market conditions continued to drive strong storage revenues while transmission revenues benefited from the completion of Phase 1 of the Dawn-Trafalgar expansion at the end of 2006. These increases were partially offset by higher operating and maintenance costs, including higher costs for conservation efforts which are recovered in rates.
- **Why were earnings at DCP Midstream lower in 3Q07 than in 3Q06?**
 - Field Services reported third quarter 2007 EBIT of \$140 million, compared with \$158 million in the third of quarter 2006. The 2007 earnings include \$3 million in costs related to the creation of stand-alone corporate functions. Lower margins in gathering and processing, and gas marketing, as well as higher operating costs, were partially offset by favorable commodity prices. Field Services is faced with a unique environment today: We've seen unprecedented liquids and crude prices. At the same time, natural gas prices have remained relatively low, resulting in extremely high frac spreads. These trends have continued for an extended period of time. Due to these high frac spreads, some producers are electing to process their own gas, and others are moving from keep-whole to percent of proceeds contracts, which provide the producer with higher margins. Therefore, we are not able to capture all of the upside we might otherwise have expected. In addition, the third quarter results were affected by lower margins on contract renewals and well connects, and plant and pipeline outages due to maintenance, some of which was weather related. Despite these changing market dynamics, Field Services

continues to produce strong cash flows and distributions to Spectra Energy.

- **What were the drivers for Western Canadian Transmission and Processing for 3Q07 vs. 3Q06?**
 - Western Canada Transmission & Processing's third quarter 2007 ongoing EBIT was \$102 million compared with \$83 million in third quarter of 2006. EBIT improved \$19 million, primarily due to maintenance costs from a plant turnaround at Fort Nelson in 3Q06, as well as the timing of costs related to pipeline integrity work and a stronger Canadian dollar. Similar to third quarter 2006, the Empress facility had a positive quarter due to strong commodity prices. Frac spreads for 3Q07 averaged \$8.37 while 3Q06 was \$6.92.
- **Why was your net effective income tax rate lower in 3Q07 compared to 3Q06?**
 - Our effective tax rate for third quarter was 32 percent, compared with 41 percent last year. This quarter's effective rate is more representative of a normal tax rate. The higher tax rate in 3Q06 was primarily attributable to non-deductible costs associated with the spin-off of Spectra Energy from Duke Energy and an increase in a reserve for state income taxes.
- **What was the affect of the Canadian Dollar Exchange Rate for the third quarter 2007?**
 - We've seen recent upward trending of the Canadian dollar, which has been a positive for both our Distribution and Western Canada Transmission and Processing business segment earnings. For this quarter, the net after tax effect was \$3.7 million favorable compared with third quarter 2006.

Questions Regarding Spectra Energy's Future:

- **How are crude oil prices affecting DCP Midstream's business?**
 - DCP Midstream's annual EBIT projection is based on a 2007 crude oil strip price of \$68.50. Every \$1 change in crude oil has a \$15 million impact on annual EBIT. Currently the forward curve looks to be above our plan for the last quarter of the year, however the settled and forward average price for the full year is around \$72, compared to our budget of \$68.50. We do not hedge our commodity positions at Field Services, except for certain positions at DCP Midstream Partners (DPM).
- **What are your sensitivities to the frac spread at Empress?**
 - Our Empress system has exposure to changes in the frac spread. On an annual basis, we have a sensitivity of approximately \$12.5 million for every 50 cent change in the frac spread.
 - The frac spread at Empress averaged about \$8.37 for 3Q07 compared to about \$6.92 in 3Q06.
 - The average settled and forward frac spread for 2007 is \$7.07.
 - Keep in mind that, in addition to this frac spread, 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.

- **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 10/29/07 Settled Nymex Data or most recent settle

Commodity	Contract Month	NYMEX Price	Conversion Rate	MMBTU Price
Propane	Dec '07	1.553	10.92	16.95
NG HH	Dec '07	7.974		7.97
NG Alberta Basis Swap	Dec '07	-0.9050		-0.9050
Natural Gas Price at Alberta				7.07
Estimated Frac Spread (16.95-7.07)				9.88

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 2007-2009?**
 - Yes. We continue to see total opportunities over \$4 billion and we believe that our ability to spend \$1 billion 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.
 - By the end of 2007, we expect to place into service between \$625-650 million in capital projects. We expect these projects to contribute about \$75 million to EBIT next year.
 - **Is Spectra Energy still expecting \$1.6 Billion of Capital Expenditures in 2007?**
 - Yes. This amount includes about \$500 million of 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 three 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
 - Storage – (enhancements to our storage system) – These organic projects typically produce low to mid teen ROCE.
- **How much cash did Spectra Energy receive from Spectra Energy Partners (SEP) MLP?**
 - In early July, SEP closed its initial public offering of 11.5 million units – 17 percent of its outstanding equity. Spectra Energy realized \$345 million in net cash.
- **What is Spectra Energy's plan for additional drop-downs to SEP?**
 - At this time we have not announced any additional drop-downs. 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?**
 - Earlier in the year, Moody's upgraded Spectra Energy Capital's Senior Unsecured debt rating to Baa1, its Commercial Paper to P-2 and TETLP's Senior Unsecured debt rating to A3 -- Outlook: Stable
 - S&P affirmed Spectra Energy Capital's Senior Unsecured debt rating at BBB and upgraded the operating subsidiaries Senior Unsecured debt to BBB+ -- Outlook: Stable
- **What is the current level of credit facilities and what is the unused capacity?**
 - As of 9/30/07, our Credit Facilities totaled about \$2.2 billion, with unused capacity of about \$1.8 billion.
- **Does Spectra Energy still expect to finance its cash short-fall with debt in 2007?**
 - Yes.
- **Does Spectra Energy expect to buy back stock in the 2007-2009 timeframe?**
 - No, stock buy-backs are currently not expected.