

Texas Eastern Transmission, LP

Consolidated Financial Statements

(Unaudited)

June 30, 2008

TEXAS EASTERN TRANSMISSION, LP
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Operating Revenues				
Transportation of natural gas	\$ 162	\$ 158	\$ 330	\$ 329
Storage of natural gas and other services	66	59	131	114
Total operating revenues	<u>228</u>	<u>217</u>	<u>461</u>	<u>443</u>
Operating Expenses				
Operating and maintenance	81	67	154	143
Depreciation and amortization	22	23	46	46
Property and other taxes	13	5	21	13
Total operating expenses	<u>116</u>	<u>95</u>	<u>221</u>	<u>202</u>
Operating Income	112	122	240	241
Other Income	2	2	3	4
Interest Expense	<u>20</u>	<u>17</u>	<u>41</u>	<u>37</u>
Net Income	<u>\$ 94</u>	<u>\$ 107</u>	<u>\$ 202</u>	<u>\$ 208</u>

See Notes to Consolidated Financial Statements.

TEXAS EASTERN TRANSMISSION, LP
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In millions)

	June 30, 2008	December 31, 2007
ASSETS		
Current Assets		
Accounts receivable, net of allowance for doubtful accounts	\$ 252	\$ 156
Inventory	27	29
Cash collateral held by affiliate	80	80
Other	15	-
Total current assets	<u>374</u>	<u>265</u>
Other Assets		
Advances receivable - affiliates	1,667	1,602
Goodwill	136	136
Total other assets	<u>1,803</u>	<u>1,738</u>
Property, Plant and Equipment		
Cost	4,610	4,547
Less accumulated depreciation and amortization	1,545	1,507
Net property, plant and equipment	<u>3,065</u>	<u>3,040</u>
Regulatory Assets and Deferred Debits	<u>57</u>	<u>62</u>
Total Assets	<u>\$ 5,299</u>	<u>\$ 5,105</u>

See Notes to Consolidated Financial Statements.

TEXAS EASTERN TRANSMISSION, LP
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In millions)

	June 30, 2008	December 31, 2007
LIABILITIES AND PARTNERS' CAPITAL		
Current Liabilities		
Accounts payable	\$ 43	\$ 29
Taxes accrued	26	30
Interest accrued	24	24
Gas imbalances payable	124	70
Other	103	79
Total current liabilities	<u>320</u>	<u>232</u>
Long-term Debt	<u>1,166</u>	<u>1,166</u>
Deferred Credits and Other Liabilities		
Deferred income taxes	3	3
Other	78	74
Total deferred credits and other liabilities	<u>81</u>	<u>77</u>
Commitments and Contingencies		
Partners' Capital	<u>3,732</u>	<u>3,630</u>
Total Liabilities and Partners' Capital	<u>\$ 5,299</u>	<u>\$ 5,105</u>

See Notes to Consolidated Financial Statements.

TEXAS EASTERN TRANSMISSION, LP
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In millions)

	Six Months Ended June 30,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 231</u>	<u>\$ 198</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(72)	(57)
Net increase in advances receivable - affiliates	(65)	(41)
Other	6	-
Net cash used in investing activities	<u>(131)</u>	<u>(98)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions to partners	(100)	(100)
Net cash used in financing activities	<u>(100)</u>	<u>(100)</u>
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of period	-	-
Cash and cash equivalents at end of period	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See Notes to Consolidated Financial Statements.

TEXAS EASTERN TRANSMISSION, LP
CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL AND ACCUMULATED OTHER COMPREHENSIVE LC
(Unaudited)
(In millions)

	Partners' Capital	Accumulated Other Comprehensive Income (Loss)	Total
Balance December 31, 2006	\$ 2,569	\$ (1)	\$ 2,568
Cumulative effect adjustment	(3)	-	(3)
Net income	208	-	208
Other comprehensive income			
Reclassification adjustment into earnings	-	1	1
Total comprehensive income	208	1	209
Distributions to partners	(100)	-	(100)
Balance June 30, 2007	\$ 2,674	\$ -	\$ 2,674
Balance December 31, 2007	\$ 3,630	\$ -	\$ 3,630
Net income	202		202
Distributions to partners	(100)		(100)
Balance June 30, 2008	\$ 3,732	\$ -	\$ 3,732

See Notes to Consolidated Financial Statements.

Texas Eastern Transmission, LP
Notes to Consolidated Financial Statements
(Unaudited)

1. General

Nature of Operation. Texas Eastern Transmission, LP, a Delaware limited partnership (together with its subsidiaries, the “Partnership”), is an indirect, wholly-owned subsidiary of Spectra Energy Corp (Spectra Energy). The Partnership is primarily engaged in the interstate transportation and storage of natural gas. The Partnership’s interstate natural gas transmission and storage operations are subject to the rules and regulations of the Federal Energy Regulatory Commission (FERC).

Basis of Presentation. The financial statements herein are prepared in accordance with the accounting principles generally accepted (GAAP) in the United States and reflect the financial position, results of operations and cash flows of the Partnership.

Use of Estimates. To conform with GAAP in the United States, management makes estimates and assumptions that affect the amounts reported in the financial statements and notes. Although these estimates are based on management’s best available knowledge at the time, actual results could differ.

Natural Gas Imbalances. The Consolidated Balance Sheets include in-kind balances as a result of differences in gas volumes received and delivered for customers. Since the settlement of imbalances is in-kind, changes in the balances do not have an impact on the Partnership’s Condensed Statements of Cash Flows. Accounts Receivable and Other Current Liabilities each include \$166 million as of June 30, 2008 and \$70 million as of December 31, 2007, related to gas imbalances. Natural gas volumes owed to the Partnership are valued at natural gas market index prices as of the balance sheet dates.

Income Taxes. The Partnership was subject to an income tax under tax sharing agreement with Duke Energy Corporation (Duke Energy) in 2006 prior to the spin-off of Spectra Energy from Duke Energy on January 2, 2007. During those periods, income taxes were calculated by the Partnership on the basis of its separate company income and deductions in accordance with respective established practices of Duke Energy. Deferred income taxes have been provided for temporary differences between the GAAP and tax carrying amounts of assets and liabilities. These differences create taxable or tax deductible amounts for future periods.

Effective with the spin-off, the Partnership is no longer subject to the tax sharing agreement. In conjunction with the termination of the tax sharing agreement, the Consolidated Financial Statements for the second quarter of 2007 has been restated accordingly. The Partnership remains subject to Tennessee and Texas state income tax.

2. Commitments and Contingencies

Environmental. The Partnership is subject to federal, state and local regulations regarding air and water quality, hazardous and solid waste disposal and other environmental matters. Management believes there are no matters outstanding that will have a material adverse effect on the Partnership’s results of operations, financial position or cash flows.

Remediation activities. The Partnership is responsible for various environmental remediation obligations. All of these obligations generally are managed in the normal course of business. The Partnership has recorded reserves for remediation activities on an undiscounted basis of \$8 million at June 30, 2008 and \$9 million at December 31, 2007. Management believes that completion or resolution of these matters will have no material adverse effect on Partnership’s results of operations, financial position or cash flows.

Litigation. The Partnership is involved in legal, tax and regulatory proceedings in various forums, including matters regarding contracts, performance and other matters, arising in the ordinary course of

business, some of which involve substantial monetary amounts. Management believes that the final disposition of these proceedings will not have material adverse effect on the Partnership's results of operations, financial position or cash flows.