

Texas Eastern Transmission, LP

Consolidated Financial Statements

(Unaudited)

Quarter Ended March 31, 2007

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

	Three Months Ended March 31,	
	2007	2006
Operating Revenues		
Transportation of natural gas	\$ 171	\$ 170
Storage of natural gas and other services	55	78
Total operating revenues	<u>226</u>	<u>248</u>
Operating Expenses		
Operation and maintenance	76	83
Depreciation and amortization	23	22
Property and other taxes	8	13
Total operating expenses	<u>107</u>	<u>118</u>
Gains on Sales of Other Assets and Other, net	<u>-</u>	<u>23</u>
Operating Income	119	153
Other Income	2	2
Interest Expense	<u>20</u>	<u>19</u>
Earnings Before Income Taxes	101	136
Income Taxes	<u>38</u>	<u>51</u>
Net Income	<u>\$ 63</u>	<u>\$ 85</u>

See Notes to Consolidated Financial Statements.

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

	March 31, 2007	December 31, 2006
ASSETS		
Current Assets		
Accounts receivable, net of allowance for doubtful accounts	\$ 143	\$ 147
Inventory	29	30
Collateral assets	55	55
Other	12	-
Total current assets	<u>239</u>	<u>232</u>
Other Assets		
Advances receivable - affiliates	1,697	1,643
Goodwill	136	136
Collateral assets	25	25
Total other assets	<u>1,858</u>	<u>1,804</u>
Property, Plant and Equipment		
Cost	4,319	4,317
Less accumulated depreciation and amortization	<u>1,448</u>	<u>1,437</u>
Net property, plant and equipment	<u>2,871</u>	<u>2,880</u>
Regulatory Assets and Deferred Debits	<u>80</u>	<u>82</u>
Total Assets	<u><u>\$ 5,048</u></u>	<u><u>\$ 4,998</u></u>

See Notes to Consolidated Financial Statements.

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

	March 31, 2007	December 31, 2006
LIABILITIES AND PARTNERS' CAPITAL		
Current Liabilities		
Accounts payable	\$ 6	\$ 28
Taxes accrued	244	223
Current maturities of long-term debt	300	300
Interest accrued	17	24
Other	124	136
Total current liabilities	<u>691</u>	<u>711</u>
Long-term Debt	<u>770</u>	<u>770</u>
Deferred Credits and Other Liabilities		
Deferred income taxes	874	873
Other	84	76
Total deferred credits and other liabilities	<u>958</u>	<u>949</u>
Commitments and Contingencies		
Partners' Capital		
Partners' capital	2,629	2,569
Accumulated other comprehensive loss	-	(1)
Total partners' capital	<u>2,629</u>	<u>2,568</u>
Total Liabilities and Partners' Capital	<u>\$ 5,048</u>	<u>\$ 4,998</u>

See Notes to Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 66</u>	<u>\$ 120</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(12)	(12)
Net increase in advances receivable - affiliates	(54)	(58)
Net cash used in investing activities	<u>(66)</u>	<u>(70)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions to partners	-	(50)
Net cash used in financing activities	<u>-</u>	<u>(50)</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 COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(In millions)

	Partners' Capital	Accumulated Other Comprehensive Income (Loss)	Total
Balance December 31, 2005	\$ 2,509	\$ (13)	\$ 2,496
Net income	85		85
Other comprehensive income		3	3
Distributions to partners	(50)		(50)
Balance March 31, 2006	\$ 2,544	\$ (10)	\$ 2,534
Balance December 31, 2006	\$ 2,569	\$ (1)	\$ 2,568
Cumulative Effect Adjustment	(3)		(3)
Net income	63		63
Other comprehensive income		1	1
Balance March 31, 2007	\$ 2,629	\$ -	\$ 2,629

See Notes to Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2007	2006
Net Income	\$ 63	\$ 85
Other comprehensive income		
Reclassification adjustment into earnings	2	5
Other comprehensive income, before income taxes	2	5
Income tax expense related to items of other comprehensive income	(1)	(2)
Total other comprehensive income	1	3
Total Comprehensive Income	<u>\$ 64</u>	<u>\$ 88</u>

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements (Unaudited)

1. Nature of Operations

Texas Eastern Transmission, LP, a Delaware limited partnership (together with its subsidiaries, the “Partnership”), is an indirect, wholly-owned subsidiary of Spectra Energy Corp. 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).

2. 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 Consolidated Financial Statements and Notes to Consolidated Financial Statements. Although these estimates are based on management’s best available knowledge at the time, actual results could differ.

3. 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 consolidated statements of cash flows. Accounts Receivable and Other Current Liabilities each include \$60 million as of March 31, 2007 and December 31, 2006, related to gas imbalances. Natural gas volumes owed to (by) the Partnership are valued at natural gas market index prices as of the balance sheet dates.

4. Marketable Securities

During the three months ended March 31, 2006, the Partnership received shares of stock as consideration for settlement of a customer’s transportation contract. The market value of the equity securities, determined by quoted market prices on the date of receipt, of approximately \$23 million is reflected in Gains on Sales of Other Assets and Other, net in the Consolidated Statements of Operations for the three months ended March 31, 2006. During the three months ended March 31, 2006, these securities were sold and an additional gain of approximately \$1 million was recognized in Other Income and Expenses, net in the Consolidated Statements of Operations.

5. 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.

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 \$10 million at March 31, 2007 and December 31, 2006. Management believes that completion or resolution of these matters will have no material adverse effect on consolidated results of operations, cash flows, or financial position.

Litigation. The Partnership is involved in legal, tax and regulatory proceedings in various forums regarding performance, contracts and other matters arising in the ordinary course of business, some of which involve substantial amounts. Management believes that the final disposition of these proceedings will have no material adverse effect on the Partnership’s results of operations, cash flows or financial position.