

Spectra Energy Partners, LP
Form 10-Q
August 09, 2010
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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 June 30, 2010

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

(Exact Name of Registrant as Specified in its Charter)

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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 July 30, 2010, there were 58,705,791 Common Units, 21,638,730 Subordinated Units and 1,639,117 General Partner Units outstanding.

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FORM 10-Q FOR THE QUARTER ENDED

June 30, 2010

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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;

results and costs 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 infrastructure projects and the effects of competition;

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

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

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

conditions of the capital markets during the periods covered by the 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 June 30, | | Six Months Ended June 30, | |
|---|--|-------------|--------------------------------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| Operating Revenues | | | | |
| Transportation of natural gas | \$ 41.3 | \$ 35.3 | \$ 83.4 | \$ 65.7 |
| Storage of natural gas and other | 6.1 | 6.0 | 14.5 | 11.2 |
| Total operating revenues | 47.4 | 41.3 | 97.9 | 76.9 |
| Operating Expenses | | | | |
| Operating, maintenance and other | 17.3 | 11.7 | 33.0 | 22.5 |
| Depreciation and amortization | 7.4 | 7.1 | 14.8 | 13.8 |
| Property and other taxes | 2.8 | 1.8 | 5.2 | 3.9 |
| Total operating expenses | 27.5 | 20.6 | 53.0 | 40.2 |
| Operating Income | 19.9 | 20.7 | 44.9 | 36.7 |
| Other Income and Expenses | | | | |
| Equity in earnings of unconsolidated affiliates | 17.2 | 17.6 | 35.6 | 34.4 |
| Other income and expenses, net | 0.2 | 0.1 | 0.2 | 0.1 |
| Total other income and expenses | 17.4 | 17.7 | 35.8 | 34.5 |
| Interest Income | 0.1 | | 0.1 | 0.1 |
| Interest Expense | 3.9 | 4.6 | 7.9 | 8.6 |
| Earnings Before Income Taxes | 33.5 | 33.8 | 72.9 | 62.7 |
| Income Tax Expense | 0.3 | 0.2 | 0.6 | 0.6 |
| Net Income | \$ 33.2 | \$ 33.6 | \$ 72.3 | \$ 62.1 |
| Calculation of Limited Partners' Interest in Net Income: | | | | |
| Net income | \$ 33.2 | \$ 33.6 | \$ 72.3 | \$ 62.1 |
| Less: | | | | |
| General partner's interest in net income | 2.4 | 1.2 | 4.7 | 2.0 |
| Limited partners' interest in net income | \$ 30.8 | \$ 32.4 | \$ 67.6 | \$ 60.1 |

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| | | | | |
|--|---------|---------|---------|---------|
| Weighted average limited partner units outstanding basic and diluted | 80.3 | 74.1 | 80.3 | 72.3 |
| Net income per limited partner unit basic and diluted | \$ 0.38 | \$ 0.44 | \$ 0.84 | \$ 0.83 |
| Distributions paid per limited partner unit during the periods presented | \$ 0.42 | \$ 0.37 | \$ 0.83 | \$ 0.73 |

See Notes to Condensed Consolidated Financial Statements.

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SPECTRA ENERGY PARTNERS, LP
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions)

| | June 30, 2010 | December 31, 2009 |
|--|------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 14.5 | \$ 12.2 |
| Receivables, net | 22.3 | 27.3 |
| Other | 7.4 | 8.0 |
| Total current assets | 44.2 | 47.5 |
| Investments and Other Assets | | |
| Investments in unconsolidated affiliates | 534.6 | 536.3 |
| Goodwill | 267.9 | 267.9 |
| Total investments and other assets | 802.5 | 804.2 |
| Property, Plant and Equipment | | |
| Cost | 1,138.3 | 1,124.3 |
| Less accumulated depreciation and amortization | 193.5 | 179.0 |
| Net property, plant and equipment | 944.8 | 945.3 |
| Regulatory Assets and Deferred Debits | 15.9 | 15.5 |
| Total Assets | \$ 1,807.4 | \$ 1,812.5 |

See Notes to Condensed Consolidated Financial Statements.

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SPECTRA ENERGY PARTNERS, LP
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions)

| | June 30, 2010 | December 31, 2009 |
|---|-------------------|----------------------|
| LIABILITIES AND PARTNERS' CAPITAL | | |
| Current Liabilities | | |
| Accounts payable | \$ 13.6 | \$ 14.8 |
| Taxes accrued | 4.4 | 4.1 |
| Interest accrued | 0.7 | 0.5 |
| Note payable - affiliates | 25.0 | 27.5 |
| Other | 8.5 | 9.0 |
| Total current liabilities | 52.2 | 55.9 |
| Long-term Debt | 390.0 | 390.0 |
| Deferred Credits and Other Liabilities | | |
| Deferred income taxes | 10.3 | 10.0 |
| Other | 3.8 | 8.1 |
| Total deferred credits and other liabilities | 14.1 | 18.1 |
| Commitments and Contingencies | | |
| Partners' Capital | | |
| Common units (58.7 million units outstanding) | 1,014.4 | 1,015.0 |
| Subordinated units (21.6 million units outstanding) | 308.8 | 308.5 |
| General partner units (1.6 million units outstanding) | 29.2 | 27.2 |
| Accumulated other comprehensive loss | (1.3) | (2.2) |
| Total partners' capital | 1,351.1 | 1,348.5 |
| Total Liabilities and Partners' Capital | \$ 1,807.4 | \$ 1,812.5 |

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**SPECTRA ENERGY PARTNERS, LP****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)****(In millions)**

| | Six Months Ended June 30, | |
|---|--------------------------------------|-------------|
| | 2010 | 2009 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 72.3 | \$ 62.1 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 14.8 | 13.8 |
| Deferred income tax expense | 0.3 | 0.5 |
| Equity in earnings of unconsolidated affiliates | (35.6) | (34.4) |
| Distributions received from unconsolidated affiliates | 41.7 | 36.9 |
| Other | 0.2 | (13.6) |
| Net cash provided by operating activities | 93.7 | 65.3 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditures | (11.9) | (8.8) |
| Investment expenditures | (10.7) | (21.9) |
| Acquisition of Ozark | | (294.5) |
| Distributions received from unconsolidated affiliates | 6.1 | 70.5 |
| Proceeds from sales and maturities of available-for-sale securities | | 31.6 |
| Net cash used in investing activities | (16.5) | (223.1) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |