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PRESENTATION

Operator

Good morning. My name is Luke and I will be your conference operator today. At this time I would like to welcome everyone to the Spectra Energy and Spectra Energy Partners second-quarter earnings call.

(Operator Instructions)

Julie Dill, Chief Communications Officer, you may begin your conference.

Julie Dill - ***Spectra Energy Corp and Spectra Energy Partners, LP - Chief Communications Officer***

Thank you, Luke, and good morning everyone. I appreciate you joining us today for our review of Spectra Energy's and Spectra Energy Partners 2016 second-quarter results.

With me today are Greg Ebel, President and CEO of both Spectra Energy and Spectra Energy Partners, and Pat Reddy, Chief Financial Officer of both companies, as well as Bill Yardley, President of our U.S. Transmission business. You will hear from both Greg and Pat this morning as they go through our results for the quarter and provide an update on our growth projects and Bill is available to answer any questions you may have on our projects in our U.S. Transmission business segment.

As always we'll leave plenty of time for your questions.

Our Safe Harbor statement is contained within our presentation materials and available on our website. This disclaimer is important and integral to all of our remarks, so I would ask that you refer to it as you review our materials.

Also contained in our presentation materials are non-GAAP measures that we reconciled to the most directly comparable GAAP measures. And those reconciliations are also available on our website.

With that let me turn things over to Pat.

Pat Reddy - ***Spectra Energy Corp and Spectra Energy Partners, LP - CFO***

Okay, good morning everyone and thanks for joining us today. As you've seen in our news releases Spectra Energy and Spectra Energy Partners delivered solid ongoing earnings and cash for the quarter. These results reflect the strength of our diverse portfolio and are in line with our expectations.

Before I get into the details of the quarterly results I want to discuss some special items we recorded in the quarter that lowered reported EBITDA by $33 million. The first two items relate to the Texas Eastern pipeline incident that occurred in April in Pennsylvania.

We're working closely with PHMSA as we conduct a thorough assessment of the incident, consistent with the amended corrective action order we received on July 19. Spectra Energy's other segment included a special item of $10 million for our self-insured portion of costs associated with this event. U.S. Transmission also recorded a special item of $6 million for inspection and repair costs of our pipeline system in Pennsylvania.

In total, we expect to incur special item costs in the range of $75 million to $100 million related to these activities. Importantly, we expect that by November 1 we will be in a position to fully meet our customer obligations for the winter season.

The next item is a $3 million charge attributable to the effects of recent flooding in British Columbia which affected our Grizzly Valley operations in Western Canada. The full impact of the floods is still being assessed so we will update you when we have a clearer estimate. But we expect insurance recovery for the majority of costs associated with this event.

Next, as part of the ongoing cost management efforts in our Western Canadian business segment and at DCP we took charges of $6 million and $5 million respectively related to employee and overhead reductions.

Lastly, DCP recorded a loss on the sale of an asset during the quarter and our share was $3 million.

Setting aside these special items, our ongoing EBITDA was in line with our expectations thanks to the strong fundamentals that support our base business. We continue to focus on what we can control, allowing us to deliver on the operational, financial and project commitments we made to our investors at the beginning of the year.

Let's take a look at our ongoing EBITDA results by segment as compared to last year. For the quarter, ongoing EBITDA at Spectra Energy was $655 million compared with $652 million in the prior-year quarter. Spectra Energy Partners' standalone ongoing EBITDA was $448 million compared with $456 million in the same quarter last year.

Turning to the drivers of Spectra Energy's results by segment, let's start with Spectra Energy Partners which is composed of our U.S. Transmission and Liquids businesses shown in the upper left-hand corner of slide 4. U.S. Transmission delivered ongoing EBITDA of $412 million compared with $396 million in the prior-year quarter. Quarterly results reflect increased earnings from expansion projects placed into service during the second half of 2015 as well as AFUDC from our Sabal Trail, AIM and NEXUS projects.

Additionally, last year we benefited from a positive property tax adjustment of about $12 million. Taking these factors into consideration U.S. Transmission's results increased $28 million over the prior-year quarter.

Our Liquids business reported second-quarter EBITDA of $58 million compared with $78 million in 2015. This decrease is due almost entirely to the absence of equity earnings from our interest in the Sand Hills and Southern Hills NGL pipelines which Spectra Energy Partners owned until October of last year. While it's not particularly material to our quarterly results, I will note that we saw slightly higher volumes during the second quarter on our pipeline compared with volumes in the first quarter.

In summary, SEP continued to demonstrate strong ongoing earnings and cash generation from its significant expansion program. SEP paid general partner and limited partner distributions to Spectra Energy for the quarter of $67 million and $150 million respectively. Year to date, SEP has page EP and LP distributions of $128 million and $291 million respectively.

Let's turn now to our Canadian business segments which are shown on the right side of this slide. For the quarter, the Canadian dollar was about 5% lower than in the previous year's quarter. The lower Canadian dollar resulted in negative FX impacts on EBITDA of just $9 million at our Canadian businesses. The change in net income related to FX was not material.

Despite the lower FX, Distribution reported second-quarter EBITDA of $104 million compared with $98 million last year. The increase was mainly due to incremental earnings from the 2015 Dawn-Parkway expansion project and higher storage margins, as well as colder weather.

Western Canada recorded ongoing EBITDA for the quarter of $106 million compared with $115 million last year. In line with our expectations results for the quarter reflect lower gathering and processing revenues, lower earnings at Empress and a lower Canadian dollar largely offset by reduced plant turnaround costs this year.

As previously noted, Western Canada began implementing cost-saving measures to prepare for a challenged commodity environment, especially as it relates to its gathering and processing business. The recent improvement in natural gas prices in Western Canada is a positive signal for regional producers. However, we will continue to monitor the macro environment and proactively adjust our business plans to manage accordingly.

Moving to Field Services, our 50% share of DCP's ongoing earnings was a negative $6 million in the quarter, $21 million better than in the prior year. These considerably improved results for the quarter reflect higher earnings attributable to favorable contract realignment efforts, continued cost savings initiatives and incremental earnings from expansions. These increases were partially offset by lower commodity prices and lower margin volume declines.

Ongoing net expenses in Other were $26 million compared with $12 million in 2015. The increase quarter over quarter reflects higher employee benefit costs driven by an improvement in our stock price as well as an increase in business development expenses.

So, all in all, Spectra Energy's ongoing EBITDA for the quarter was in line with our expectation and our achievement during the quarter affirms our attractive footprint, strong business model and stable cash flows. Importantly, we continue to demonstrate robust cash generation for our investors.

So let's take a look at our DCF schedules beginning with SEP. SEP's standalone ongoing distributable cash flow for the quarter was $281 million compared with $321 million last year. The lower DCF is primarily attributable to the absence of Sand Hills and Southern Hills contributions in 2016 compared with 2015.

Additionally, with SEP's robust expansion program underway you will also note that AFUDC was higher this quarter compared with last year and the business incurred lower interest expense due to higher capitalization. You will also notice quarter-to-quarter distributions from equity investments are lower. This is strictly a timing issue associated with distributions from Gulfstream and SESH. We expect full-year distributions from equity investments to be completely in line with our 2016 guidance.

For the full year, we anticipate SEP's coverage to be 1.2 times, consistent with our 2016 forecast. And earlier this morning SEP announced its 35th consecutive quarterly distribution with an increase of $0.0125 per unit, raising the total quarterly distribution to more than $0.66 per LP unit.

Let's turn now to Spectra Energy's distributable cash flow. At Spectra Energy ongoing distributable cash flow was $271 million for the quarter compared with $285 million last year. The lower DCF is attributable to the same SEP drivers I mentioned previously as well as lower maintenance CapEx due to reduced plant turnaround activities in Western Canada.

We expect 2016 full-year maintenance CapEx to be in line with the guidance we provided earlier this year. For the full year, we expect coverage to be 1.2 times, consistent with the forecast we provided at the beginning of the year. While we still have five months to go we are feeling very good about how the businesses continue to perform.

We expect to deliver on the commitments we made for the remainder of the year thanks to our balanced portfolio of businesses and our ability to benefit from our different segments with diverse, underlying business drivers. One way we've been able to differentiate ourselves this year has been with the flexibility and competitive advantages offered by our structure. Our investment-grade balance sheets remain solid and we have total available liquidity across the entire Spectra Energy enterprise of $3.5 billion as of June 30.

We have multiple equity currencies available to us and have used them to ensure the greatest value was delivered to all of our investors. Let me remind you of the wide range of financing tools we have successfully used in recent months to finance our growth. We raised $383 million in the first quarter through the newly launched Spectra Energy ATM. Spectra Energy equity provides attractive optionality to funded incremental growth.

SEP has raised approximately $850 million this year through its ATM and other LP and GP issuances. Late last year, Westcoast raised CAD115 million in a preferred share issuance.

Given our excellent liquidity and financial flexibility we have also been able to access the debt markets in an optimal manner. For example, given the capital markets environment that was unfolding last year, and was anticipated for 2016, we were able to get a jump on our 2016 debt maturities by successfully pre-funding Gulfstream and Westcoast debt at attractive terms in the second half of 2015. In the second quarter of this year, we were able to opportunistically enter the market with the Union Gas CAD500 million new debt issuance with a weighted average interest rate of a little over 3% for 10- and 30-year terms.

Importantly, the rating agencies reaffirmed our low-risk business profile and financing strategy. During the quarter, Fitch affirmed Spectra Energy Capital, Spectra Energy Partners and Texas Eastern ratings and raised Spectra Energy Capital's business outlook to BBB stable, a notable achievement in the current environment. DBRS and Moody's also reaffirmed the investment-grade ratings of Westcoast and Texas Eastern, respectively, during the quarter.

We are disciplined and balanced in our financial management and we'll continue using our competitive cost of capital across our various financing entities. Investors can have confidence in the capacity of both Spectra Energy and SEP to finance the incremental growth CapEx we've added to our backlog. As you've heard and as we've demonstrated, we have the financial strength and flexibility to sustain our growth, supported by investment-grade balance sheets, excellent liquidity and multiple attractive currencies.

So with that let me turn things over to Greg who will speak to the impressive slate of projects we have in execution and in development.

Greg Ebel - ***Spectra Energy Corp and Spectra Energy Partners, LP - Chairman, President & CEO***

Well, thanks very much, Pat, and good morning everybody. You've heard me say that fundamentals matter and Spectra Energy and SEP's fundamentals continue to be extremely strong. Both companies are an investment for all cycles.

We've got an outstanding natural gas focused footprint that goes where the lights are, to high demand, high growth markets. Our pipeline and projects are fee-based with minimal volume risk. We serve strong credit worthy customers and as you've just heard we have the investment-grade balance sheets and liquidity to support our growth.

Because those fundamentals are working today we are in an even stronger position than we were last quarter or at the beginning of the year. Let me walk through a few of the actions that have made us stronger and position us well going forward.

Pat has spoken to some of these but I think they are worth repeating. We are one of the few companies that continue to meaningfully add to an already strong project backlog while delivering projects into services plant. During the quarter, we added $1.8 billion in new demand-pull projects, bringing our total backlog to $10 billion, extending our growth backlog and horizon. This impressive track record is possible thanks to a robust project execution model that allows us to hit the mark and meet investor and customer expectations.

We achieved another solid quarter of strong earnings and cash generation. Our performance year to date is in line with the expectations we had at the beginning of the year, underscoring the strength of our portfolio in all market conditions. And as Pat just mentioned, we have further enhanced our competitive position as a result of the successful capital markets activities we've executed so far this year.

Next, we reduced our commodity exposure with the sale of the Empress NGL business to Plains All American. We expect the sale to close in the next few days and generate proceeds of approximately $200 million.

Lastly, DCP is making great progress towards its goal to meet or exceed $0.35 NGL cash breakeven target. Based on the addition of fee-based assets and the contract realignment efforts to date, DCP LLC's standalone margin is now about 50% fee-based compared to 35% at the beginning of 2015. When combined with DPM, DCP's consolidated 2016 margin is expected to now be 55% fee-based.

All DCP's strategic initiatives allow the business to be self-sufficient and resilient in a lower for longer environment. So, we've realized another strong quarter. Our expansion plans are moving forward nicely, so let me update you on the progress we're making on our secured projects in execution.

You've seen this slide before and we've heard from many investors that it highlights the strength and quality of our expansive backlog. As I mentioned, since our last call we've added $1.8 billion in demand-pull projects to our backlog and I'll speak to those shortly. With the addition of these projects, 80% of Spectra Energy's execution portfolio is now supported by demand-pull customers, up from 75% at the start of the year.

But first let me start with the 2016 in-service projects. The Ozark Conversion went into service on time and began flowing product in July. All of our other projects including AIM are on track for their expected 2016 in-service dates.

You will note that we've shifted High Pine to be in service during the first half of 2017 due to the NEB review. And I'm pleased, however, to report that the Jackfish Lake project in Western Canada is now on an accelerated path to in-service. With recent NEB approval and construction starting in August we now expect Jackfish to be fully in service in early 2017 ahead of our original expectations and providing a nice offset to the High Pine timing.

Our other projects shown on the slide have in-service dates beyond 2016 and are advancing well and achieving important milestones. Rather than going through all of these individually I will provide a few highlights of our progress since our last call.

Pre-construction work is currently underway on Sabal Trail. The project is scheduled to begin full construction in late summer to meet an early summer 2017 in-service date.

In July, we received a draft environmental impact statement, or DEIS, on NEXUS and TEAL, a significant milestone that keeps these projects on track to be in service in the fourth quarter of 2017. We received a FERC notice of schedule in July for Access South, Adair Southwest and the Lebanon Extension and we expect the environmental assessment soon. This progress keeps us on track for service to commence in the second half of 2017.

And PennEast received its DEIS in July as well and is expected to reach its in-service target. These are great strides forward and, as you've heard me say before, regulatory approval and permitting, particularly at the state level, is the single biggest challenge our industry faces. But I have great confidence in our project execution model and in the people who are working hard to deliver on our growth promises to customers and investors.

Let's now take a look at the $1.8 billion in new high-quality projects we added to our execution backlog since our last call. You'll note that these three projects have a similar profile to the others already in execution. They are demand-pull projects supported by strong credit worthy customers.

First, Union Gas added the $265 million Panhandle Reinforcement project, a regulated cost of service pipeline expansion to serve incremental industrial market growth in Southwestern Ontario. We submitted the OEB application in June with approval expected early next year and in-service by the end of 2017.

Next, we filed the FERC application for the $30 million Bayway Lateral in July with an anticipated in-service date in the first half of 2018. This lateral is supported by 20-year contracts with investment-grade refinery and cogeneration customers in New Jersey. And the most significant addition to our backlog is the $1.5 billion intrastate Valley Crossing project.

So let's take a look at that now. In June, Spectra Energy was named the successful bidder in the 2.6 Bcf Nueces to Brownsville RFP process conducted by CFE. CFE is the Mexico state-owned power utility and a strong investment-grade customer. The Valley Crossing project is expected to begin service during the fourth quarter of 2018 and is underpinned by a 23-year fee-based US dollar denominated contract.

This project is significant on its own merits and will meaningfully add to earnings and cash flow. But it also positions us well to pursue other incremental upstream regional business. As Mexico's energy reforms progress we expect the market will evolve and lead to further opportunities for pipeline expansions as commercial, industrial and power generation loads mature.

CFE is the customer for both the Valley Crossing and the South Texas Expansion Project or STEP. As such, we are more closely aligning the in-service dates for the two projects. So all in all, not only have we added significantly to our backlog this quarter, we've also notably advanced our projects in execution.

Again, this project is a strong indication of our record and reputation for delivering results.

In addition to the slate of projects in execution we continue to pursue a portfolio of development opportunities which will lead to continued growth beyond 2018 and we're working diligently on those. The most significant project advancing towards execution this year is the $3 billion Access Northeast project. We've recently achieved a number of noteworthy milestones on this innovative project, so let's take a look.

Access Northeast is uniquely designed both physically and contractually to serve the needs of New England power generators. This project is focused on improving reliability and saving consumers an average of $1 billion a year in energy costs. We're working with our partners Eversource and National Grid to advance state approvals for the customer agreements and we are well-positioned to participate in the various state processes underway.

In Maine the PUC recently voted to endorse a contract with Access Northeast. We view this as a positive development because the state commission concluded following a lengthy independent review that customers would benefit from the project. The commission also approved a business model of the electric utilities entering into pipeline capacity contracts.

The Massachusetts Department of Public Utilities commenced hearings yesterday to review the pipeline capacity contracts submitted by affiliates of Eversource and National Grid and is expected to deliver a decision later this year.

And over the weekend we cleared another hurdle when the Massachusetts legislature passed an energy bill that does not prohibit electric distribution companies from holding gas pipeline capacity contracts.

Connecticut's Department of Energy and Environmental Protection issued an RFP for natural gas capacity in the early summer. The department received multiple bids in late June including a bid from Access Northeast and is now evaluating the submissions with a decision expected in late August.

In Rhode Island a long-term pipeline capacity contract with Access Northeast was submitted to the PUC in June and a decision is expected by the end of October. So with continued progress on the state regulatory front, we anticipate moving the project into execution later this year.

Access Northeast is a complex project, particularly in its regulatory, permitting and public outreach components. So the strong partnership Spectra Energy has formed with Eversource and National Grid is invaluable when it comes to understanding and executing on the local ground game.

And these types of partnerships are important on our other projects, as well, projects like Sabal Trail, NEXUS and PennEast. We believe these types of partnerships provide our investors and customers with greater project execution assurance, ownership optionality for us and, of course, improves our competitive position to realize these projects.

We are now more than halfway through the year and we're clearly demonstrating how our stable, disciplined and reliable approach allows us to deliver on our dividend and distribution growth commitments to investors. We believe this differentiates Spectra Energy and SEP from many other pipeline companies today.

So let me summarize what I hope you heard today. Overall, our project execution efforts are proceeding on track. Second, we continue to add projects with attractive returns to our backlog, increasing not only the size of the backlog but also the growth horizon. Third, we're delivering solid ongoing results that are in line with the expectations we laid out for investors at the beginning of the year and that further underscores the strength and resilience of our portfolio. And fourth, Spectra Energy and SEP have excellent liquidity and investment-grade balance sheets and access to multiple advantageous financing options to efficiently fund our growth.

As we've demonstrated time and time again, we make realistic promises and have a record of doing what we say we'll do in all market conditions. Both Spectra Energy and SEP are must-own investments and they are exceptionally well-positioned to continue providing investors with steady growth and attractive returns, regardless of the economic or commodity cycles.

So with that let me turn things back to Julie so that we can take your questions.

Julie Dill - ***Spectra Energy Corp and Spectra Energy Partners, LP - Chief Communications Officer***

Thanks, Greg. So Luke, if you would give some instructions in terms of how to queue up for the questions I'd appreciate it.

QUESTION AND ANSWER

Operator

(Operator Instructions) Darren Horowitz, Raymond James.

Darren Horowitz - ***Raymond James & Associates, Inc. - Analyst***

Good morning, guys. Great, I know this is a tricky one on Access Northeast and certainly very tough to handicap, but when you think about the four states PUC approvals that are required to proceed, which state hurdle do think is going to be the most challenging to clear and if the timeframe does end up getting pushed back for situations outside of your control, do you have an idea as to how long that process might take to be remedied and what do you think it might mean in terms of deploying capital and actually starting construction?

Greg Ebel - ***Spectra Energy Corp and Spectra Energy Partners, LP - Chairman, President & CEO***

Well I think clearly given the progress on some of the other states but then just where it's located the Massachusett's approvals are probably the most critical ones. That being said, it's also where I think our partners probably have the best ground game. They are good in the entire region but I feel pretty confident in their ability to achieve that.

As you know, we have not put this project in execution yet. But that being said, I think at this point in time we still feel confident that we will be able to deliver the service as expected.

The other thing I'd say, Darren, it's really not a financing issue because most of our capital work is done in the last call it seven to 12 months of any project cycle. So there's no near-term financing issues related to it. It's really much more of a get the ground game done and then go out and execute.

So I guess if you thought there was going to be a delay I couldn't handicap what that is. But I can remember a year or two ago there were multiple projects and now there's just one. I don't think there's any doubt that without natural gas infrastructure they are going to have a hard time keeping lights in New England.

And if you have continued cold weather, and I remember two years ago I mentioned $1 billion in savings but two years ago it was more like $2 billion in customer savings. So I think logic will prevail and as usual the consumer should be the benefactor here. And nothing like the consumer actually has power with politicians and regulators.

Darren Horowitz *- Raymond James & Associates, Inc. - Analyst*

How big of a challenge, Greg, do you think it's going to be to get the FERC EIS? I know you guys filed for it in April but just from a process perspective, is there anything that you guys can do in order to expedite the process? When do you expect to receive that?

Greg Ebel *- Spectra Energy Corp and Spectra Energy Partners, LP - Chairman, President & CEO*

No, I don't know if we actually have a date on EIS at this point in time but I would say I don't see FERC as the big challenge here, Darren. We have a very standard -- this is not unique from a FERC perspective, this project. We've got a pretty well-trod path in New England on projects.

You know about, obviously, AIM that will be done this year and then Atlantic Bridge next year. I don't expect anything unique on that front. I think this is much more about the innovative contracting structure here and the local requirements.

Darren Horowitz *- Raymond James & Associates, Inc. - Analyst*

Then quickly if I could on Valley Crossing, you address the opportunities upstream of the Nueces origin. I'm just thinking from your perspective how do you further leverage Texas Eastern?

It looks like there could be multiple source points for hydrocarbons and there could be a meaningful from a return perspective opportunity for you guys to add some significant vertical integration there. Can you just identify that opportunity set for us?

Greg Ebel *- Spectra Energy Corp and Spectra Energy Partners, LP - Chairman, President & CEO*

I may let Bill speak to this but I guess what I'd say is if you look at our history we build backbones and we build ribs off it. And this is a further extension, actually, of the Texas Eastern backbone. And so if you follow that backbone up I think that's where the opportunity is, but Bill do you want to --

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Bill Yardley *- Spectra Energy Corp and Spectra Energy Partners, LP - President, U.S. Transmission*

Yes, Darren I think quite clearly we're tapping into an enormous market with the Valley Crossing project getting to the border of Mexico. And if you follow that back and you get to the Texas Eastern system and our vast infrastructure across the Gulf we hit all if not most of the major supply areas. And eventually Mexico we'll probably be looking to get back to those, and I think that puts us in a good position.

Greg Ebel *- Spectra Energy Corp and Spectra Energy Partners, LP - Chairman, President & CEO*

I think the headers system there, Darren, is about 5 Bcf. I think there's 10 interconnects so that's what it's all about. If you think ultimately Valley Crossing we are going where the lights are.

The lights may not all fully be built yet but there's -- well they are there, they are not all powered by natural gas yet but that's clearly where the Mexican government is going. And they are going to have to reach back into greater supply locations and I think that's a real competitive advantage that we offer.

Darren Horowitz *- Raymond James & Associates, Inc. - Analyst*

Last question, Greg. Just quickly on the financing, and I fully agree with you from a scale perspective, I think there's a tremendous amount of intrinsic opportunity there.

But from a financing perspective, you've got many different tools at your disposal and you could argue that it possibly could be considered to be financed at the SE level and then maybe even drop down to SEP, hypothetically you could assume that SE would want to take more SEP units, certainly from a tax liability management perspective. Can you just give me your thoughts roughly on how you're thinking about that?

Greg Ebel *- Spectra Energy Corp and Spectra Energy Partners, LP - Chairman, President & CEO*

I think you just did. I think all those options are on the table, Darren. So, obviously, we want to achieve the lowest cost of capital. That's always what we do. If there is a delta between the cost of capital in SE and SEP we may use that. I think it's fair to say, ultimately, it's not surprising that you'd see this asset regardless of where it's initially financed into SEP.

But, again, that's going to depend on the expectations of investors both at SE and SEP and, frankly, whoever values it most I guess that would make sense for us to finance it there. And as you pointed out, the tax situation is also a bit unique than it was a year ago.

Darren Horowitz *- Raymond James & Associates, Inc. - Analyst*

Thank you.

Operator

Ted Durbin, Goldman Sachs.

Ted Durbin *- Goldman Sachs - Analyst*

Good morning. Maybe just starting with NEXUS and maybe the competitive dynamics into Dawn. TransCanada is now on record as potentially offering a discounted tariff from Empress to Dawn and then you've got obviously the competitor pipeline out of the Marcellus that's going to bring a lot of gas in there. Is there a potential that we might flood that market, maybe potential to rationalize some of the capacity that's getting built out of the Marcellus into Dawn?

Greg Ebel *- Spectra Energy Corp and Spectra Energy Partners, LP - Chairman, President & CEO*

Well, I don't think we will flood that market. It's a massive market, and remember some of that gas could flow right through the Dawn Hub and up the Dawn-Parkway system. As you know we're building a chunk there and even further east.

There's nothing new about TransCanada's offer that, I guess we've seen that multiple years. I think it will be interesting whether they get any take-up on that.

And as you know there's always some gas that's going to come from Western Canada. So I don't see that as a big issue, Ted.

I guess I would just remind folks of the interconnect. So we've got I think a 1.5 Bcf, Bill, maybe it's even gone up a little bit along our pipeline. So a bunch of the gas will get dropped off along the way, and I think I've said before theoretically if all the interconnects get used there would be no gas from NEXUS showing up at Dawn.

I don't expect that to be the case. So I feel good that we've sized our pipe correctly. We've got the drop-offs along the way that are going to be utilized.

Whether TransCanada we're not as successful on that front I don't think that's a huge issue from our perspective. We continue to be full steam ahead on that. I don't know maybe some others have some larger pipes that they'd rationalize, but from our perspective I think we've sized this right.

Ted Durbin *- Goldman Sachs - Analyst*

Okay, great. Then coming back to Valley Crossing and maybe I missed this but are the returns on this, the $1.5 billion, going to be in line with what you would normally look for or have you adjusted those a bit given the concentrated counterparty that you're working with? And then would you consider actually investing in country, you've got some of your competitors again that have decided to actually go into Mexico and invest there, or would you rather just stay north of the border?

Greg Ebel *- Spectra Energy Corp and Spectra Energy Partners, LP - Chairman, President & CEO*

So on the first question absolutely, this is right in line with our 6 to 8 times EBITDA build. I think, and one would maybe expect that, so good returns there. Obviously, there was other competition but I think what we offered, what we delivered.

And maybe obviously our cost of capital advantage kept some competitors away from this process at this point in time, so that's good. So I would expect no different returns from this project. In fact, I'd say probably a little better returns than what we see in some of the Northeast projects on this project.

And obviously intrastate while not easier has some less onerous requirements to get built, so that's positive as well, Ted. With respect to in country, absolutely we'd be interested in that. That's all a discussion of risk.

What we have seen to date is other investors or other pipeline companies willing to take much higher risk for much lower returns. And with $10 billion in backlog here, that didn't seem to be a great idea at this point in time for us. So we'll continue to look at that, and obviously we want to balance the risk profile with the returns and typically higher risk should get you higher returns, not the other way around.

Ted Durbin *- Goldman Sachs - Analyst*

That all makes sense. I will leave it at that. Thank you.

Operator

Brian Gamble, Simmons & Company.

Brian Gamble *- Simmons & Company International - Analyst*

Good morning, guys. First one for you on Valley Crossing. One more if I may.

The I guess look-through over the longer term into Mexico's planned electric generation needs, clearly this is a big project for them and for CFE specifically. Can you talk about I guess the longer-term discussions with CFE?

Does this project come halfway to meeting what they are expecting from the longer-term electrification plan? Are there other projects like this, essentially, that could come to fruition over time that you guys may have a leg up on already now that this one is in the books?

Greg Ebel *- Spectra Energy Corp and Spectra Energy Partners, LP - Chairman, President & CEO*

Yes, absolutely. I think this probably gets them to at least that 2019, 2020 time frame, Brian. But there's no doubt that they will be looking for more opportunities as those gas markets, both on the power side but I'd even say industrial and consumer uses, as well, require more and more gas. And that's why I never take it for granted, obviously, we like our competitive position with this pipe, but I think the upstream opportunities along Texas Eastern back into the supply areas and particularly in supply areas who are going to be looking for outlets.

As you know, folks in the Mid-Con and the Permian and the Eagle Ford and such and even I guess you could go as far as the Haynesville if you wanted to, less desire for that gas in the Northeast given all the product up there and the Mexico market is perfect. So I don't see another major project in say 2019, but as you start to get to 2020 this pipeline is going to be utilized fully on day one, they will be looking for additional growth opportunities.

And we think our pathway is going to be extremely competitive. So it's always good to have the backbone, Brian. Building the ribs off the backbone is key, that's the basis of our entire strategic positioning.

Brian Gamble *- Simmons & Company International - Analyst*

Great. Then maybe focusing on backbone but maybe sticking in the US, from a Southeast power pull standpoint we've seen a pretty big shift year over year that seems to continue to favor natural gas generation throughout the Southeastern market.

You've got Sabal Trail down there that starts to move gas around a little bit. What other additional opportunities or additional avenues are you guys looking at that may be in response to the dramatic change in the power generation mix that we've seen over the last 12 to 18 months?

Greg Ebel - ***Spectra Energy Corp and Spectra Energy Partners, LP - Chairman, President & CEO***

Sure. Bill, do you want to take a shot at that?

Bill Yardley - ***Spectra Energy Corp and Spectra Energy Partners, LP - President, U.S. Transmission***

I think in a number of areas we are extremely strong. I think the Southeast is one that we would love to get a penetration into and so we're working that area hard. You may remember a few years back we had the Renaissance project that needed a fairly high subscription rate.

We got close but didn't quite get there. And we'd be willing to try that again because you are right, there is a ton of coal conversion and new gas that's going to be going on the southeast and we think we will be a player there. We will probably need a good, a fairly large critical mass to get it.

Greg Ebel - ***Spectra Energy Corp and Spectra Energy Partners, LP - Chairman, President & CEO***

Yes, so I think what Bill is saying, between Sabal and some of the activities that are going on that you're probably meeting that market but as you start again get into that 2019, 2020 time frame all of those power producers are going to be moving more and more gas. I think, I may stand corrected, but I think very shortly if not now Southern and FPL NextEra will be the largest buyers of natural gas just about anywhere, definitely in North America. That's going to continue to need infrastructure.

And equally so, it's not so much, and I think you point this out, it's not so much about necessarily demand growth with rather anemic economic growth you might be focused on that, but it's really about fuel switching and diversity of supply. As we've seen with Sabal, sure, there's one pipe in through Gulfstream, some people talk about maybe expanding Gulfstream, but people want multiple sources of infrastructure and supply and I think that's going to create opportunities too.

One thing is a utility and you're seeing those challenges in the Northeast. You can't run out of gas in the winter. That's just a requirement to have it.

So I think the opportunities are there but as Bill said we're not number one in the Southeast yet. I think we're making good progress there and obviously Sabal helps us, but I see that as an opportunity for us to use not only our cost of capital, our competitive position, our execution successes to hone in on some of those markets. And that's what we're looking to do.

Brian Gamble - ***Simmons & Company International - Analyst***

Just one quick follow-up. If you think, if you re-propose Renaissance as it was originally proposed do you think you could get what you needed now to get it through?

Greg Ebel - ***Spectra Energy Corp and Spectra Energy Partners, LP - Chairman, President & CEO***

Don't know. It doesn't appear to be a go at this point in time.

There is some changes around people, different ownership structures, all that kind of stuff. But I can assure you it has not been scratched from our drawing board, but we obviously don't have that in the backlog at this point in time. It will be needed ultimately.

Brian Gamble - ***Simmons & Company International - Analyst***

I appreciate it guys. Have a good one.

Operator

Kristina Kazarian, Deutsche Bank.

Kristina Kazarian - ***Deutsche Bank - Analyst***

Good morning, guys. So a question, a follow-up to one of the questions earlier. You guys obviously at the SEP level used the ATM for the expense leader in the quarter. Can you just give me some color on how much capacity you guys are thinking you have left there? And do you think it's having any material impact on that valuation, as well?

Pat Reddy - ***Spectra Energy Corp and Spectra Energy Partners, LP - CFO***

Kristina, we've issued about $360 million roughly under the SEP ATM in the year and periodically as you need to we can refresh that amount. I would say that at our rollout back in February we mentioned that we intended to finance projects at SEP about 50/50 with debt and equity consistent with maintaining our credit rating and the returns on the cost of capital that we've used on our projects. And so we've kept the SEP ATM turned on during the year.

It's off currently because of the earnings blackout but would expect that that would come back on and we could use it opportunistically to top up between now and the end of the year. With respect to the potential for overhang, I don't know. I think most of the MLPs out there are using these to raise equity.

Of course, we have smaller float since the parent owns about 77% of the shares outstanding. So that's obviously a factor. But it's very cheap cost of capital for us in terms of the equity issuance cost.

It's less than a percent as opposed to doing an overnight or a bought deal and it allows us to, if you will, dribble out the equity as we need it and not frontload and get out ahead of ourselves. But as Greg said, we've got the ability to toggle. You saw us do that in April with the $480 million purchase of SEP units by SE.

That was partly driven by tax considerations with bonus depreciation. So I think we're just going to keep our options open on that, Kristina.

Kristina Kazarian - ***Deutsche Bank - Analyst***

Okay. And then I know we've talked a lot about Access Northeast, but when I think about which of the milestones are needed to actually move it into the execution phase, which are those? And then can you just give me a quick reminder as well? I think we are still watching the Algonquin tariff case at FERC. What's the timing here and what does that mean for the project either way?

Bill Yardley - ***Spectra Energy Corp and Spectra Energy Partners, LP - President, U.S. Transmission***

Yes, Kristina, it's Bill. So I'd say the milestones kind of in order would be let's get through the Massachusetts SJC. That decision probably coming in the next, within the next month or so.

If that's a go then I think we've got a lot of momentum. Connecticut's RFP will be decided in the fall and Rhode Island will issue their decision on the contract that National Grid submitted probably by the end of October. All that points to a late fourth quarter I would say movement into execution of the project. So that's I would say those are probably the biggest milestones.

In terms of FERC I would expect a decision sooner rather than later on that. There's been a fair amount of publicity around it but in reality this is something that, this tariff waiver that frankly the LDCs enjoy now in a different form but the same concept in order to facilitate retail and bundling. So I would expect a positive decision there and while it wouldn't derail the project for sure because there are alternatives it's just administratively more challenging.

Kristina Kazarian - ***Deutsche Bank - Analyst***

Perfect. Thanks Bill, always appreciate your expertise.

Operator

Danilo Juvane, BMO Capital Markets.

Danilo Juvane - ***BMO Capital Markets - Analyst***

Thank you. Most of my questions have been hit, I just had one quick follow-up.

With respect to the equity distribution at SEP, should we expect that the number that you reported this quarter to be the run rate going forward? I know that last quarter there was something funky with the timing of that distribution as well. I was trying to figure out how that looks on a go-forward basis here.

Pat Reddy - ***Spectra Energy Corp and Spectra Energy Partners, LP - CFO***

You're talking about the distributions from equity investments. And there was something unusual in the first quarter relating to SESH and Gulfstream and it had to do with the change from quarterly distributions to monthly.

And so our distributions this quarter are down about $15 million as a result of that change. But by the end of the year we will be exactly on track to the number we had in our rollout in February. So it's really just timing between the quarters.

Danilo Juvane - ***BMO Capital Markets - Analyst***

Okay, so the $32 million is that an appropriate run rate to think about for the balance of the year then?

Pat Reddy - ***Spectra Energy Corp and Spectra Energy Partners, LP - CFO***

Yes. That's right.

Danilo Juvane - ***BMO Capital Markets - Analyst***

Okay, all right. Thank you. That's it for me. Thanks.

Operator

Jean Ann Salisbury, Bernstein.

Jean Ann Salisbury - ***Bernstein - Analyst***

Hi, I'm trying to understand how much exposure to rising NGL prices SE has? Is it correct to say that because of the debt covenant at DCP the exposure from DCP is minimal through at least 2019 from a distributable cash standpoint?

Greg Ebel - ***Spectra Energy Corp and Spectra Energy Partners, LP - Chairman, President & CEO***

Yes, absolutely. At SE proper, we'd have no exposure to NGLs either up or down.

That's all at DCP and obviously it's got its own rating, as you know, and the debt covenants at SE don't affect that. As you would have seen our three-year plan, we have not expected anything material from DCP on a go-forward basis.

Jean Ann Salisbury - ***Bernstein - Analyst***

Okay, great, thanks. Just another one on Rover and NEXUS.

They have very similar FERC review timelines. I was wondering whether in your ongoing discussions with FERC you've heard any indication either way of if they are thinking of the combined impact of the projects or treating them as completely individually?

Greg Ebel - ***Spectra Energy Corp and Spectra Energy Partners, LP - Chairman, President & CEO***

I think they've looked at those completely individually. I think there was a phone call that involved FERC Commissioner Tony Clark by one of the houses this weekend. I think he spoke to that directly actually.

So a number of very different markets. I know people look at Dawn but remember our project is going arguably just a little bit west and then straight north. The competitive projects are out there going to Defiance and serving quite different markets.

Jean Ann Salisbury *- Bernstein - Analyst*

Okay great. That's all for me. Thanks.

Operator

Michael Blum, Wells Fargo.

Michael Blum *- Argus Research Company - Analyst*

Hey, good morning. I think the only thing that wasn't covered that I wanted to talk about was just obviously the DC Court of Appeals remanded the income tax allowance issue back to the FERC regarding ownership of pipelines inside of the partnership structure. I was just wondering if you guys can comment just generally your thoughts on how this plays out and then in the effect that FERC did change its policy how that would impact SEP? Thanks.

Greg Ebel *- Spectra Energy Corp and Spectra Energy Partners, LP - Chairman, President & CEO*

As you know I think the FERC folks have a lot of opportunity here to look at this and I personally don't think they will make a change in how to deal with this. But I think there's a couple of unique elements to Spectra.

And the first one is 75% or 80% of our MLP is owned by the C Corp. And as such we already paid the taxes, so the impact would be rather minimal to us.

And in NP, we don't have any cases like that sitting before the FERC today. So I wouldn't expect we're not looking for changes in rates or structures and the vast majority of all our new contracts, obviously not the vast majority, virtually all of them, are negotiated rates. So I think at least for a Company like Spectra Energy if they went an unexpected route I don't think it would have a material -- it would not have a material impact on Spectra Energy.

Michael Blum *- Argus Research Company - Analyst*

Great, thank you.

Pat Reddy *- Spectra Energy Corp and Spectra Energy Partners, LP - CFO*

And Greg, I had a clarification based on Danilo's question. I may not have understood the last part about the run rate.

Let just say that as I mentioned we'd be on track to get about the $160 million that we had budgeted for the full year. for the first six months we're at about a little under $100 million, so I would say we've gotten two-thirds in the first six months of that and the balance in the second six months. So I wouldn't take any one of the quarters and annualize it.

Operator

Nick Raza, Citi.

Nick Raza *- Citigroup - Analyst*

Thank you. Most of my questions were answered but I have just a couple of add-ons. First off, on the AIM could you just give us a status update and just tell us if you guys are still scheduled to make the in-service date in November?

Greg Ebel - ***Spectra Energy Corp and Spectra Energy Partners, LP - Chairman, President & CEO***

Absolutely. We are full steam ahead. As you know it's a challenging environment out there but as you know we've got all of our permits.

We expect to be in service on November 1 and I would say nothing that we've seen has really surprised us. We've worked up there for a long period of time and expect to see us in service November 1.

Nick Raza - ***Citigroup - Analyst***

Awesome. And then I guess the second question that I had was the Access Northeast project, is there an opportunity there to build out the Vermont? I think I recall there was some mention of serving that market as well, if you guys could talk about that.

Bill Yardley - ***Spectra Energy Corp and Spectra Energy Partners, LP - President, U.S. Transmission***

This is Bill. We're a ways away from Vermont. The Algonquin system that traverses New England, which is our pipeline, comes out through southern New England and through Connecticut, Rhode Island and up to Boston.

It would be a long pull to get a pipe to Vermont from our system for probably what is a small amount of load. And so I would not look for us to do that anytime soon.

Nick Raza - ***Citigroup - Analyst***

Okay, fair enough. That's all I had guys. Thank you.

Operator

There are no further questions at this time. I turn the call back over to the presenters.

Julie Dill - ***Spectra Energy Corp and Spectra Energy Partners, LP - Chief Communications Officer***

Great, well Luke, thanks very much and thanks everyone for joining us on the call today. We're going to be seeing many of you I know next week at a conference and then the following week at the Citi MLP conference as well. So we'll look forward to seeing you then.

In the meantime, if you have any additional questions, please don't hesitate to give Roni Cappadonna or me a call. Have a good and safe day. Thanks very much.

Operator

This concludes today's conference call. You may now disconnect.