


# What It Takes

2014 Annual Report

A full-page background image with a blue tint. It shows a worker in profile, wearing a white hard hat, safety glasses, and a high-visibility vest over a light-colored shirt and dark pants. The worker is walking from left to right. In the background, there are several large, dark, cylindrical pipes stacked horizontally. The overall scene is industrial and dimly lit, with the blue tint dominating the color palette.

What it takes:

Premier positioning

Talent and teamwork

Financial strength

Skilled execution

Portfolio diversity

Focus and discipline

Sustainable business practices

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North America needs energy, infrastructure and companies dedicated to a secure and abundant future. At Spectra Energy, we're working around the clock to responsibly deliver energy where it is needed – and a better tomorrow to communities, customers, partners and investors. Delivering on tomorrow's promise starts now. We know what we have to do – and we know what it takes: Focus. Talent. Positioning. Investment. Discipline. Execution. Trust.

# Real World,

**\$35B** Spectra Energy is committed to securing \$35 billion in new growth projects between 2013 and 2020

**\$3.5B** Firm, commercially-contracted growth secured in 2014

**\$16.5B** Growth projects moved into service or execution since 2013

**14¢** Annual dividend increase of 14 cents per share expected through 2017

**~20%** We deliver about 20% of North America's natural gas



# Real Results



## PIPELINE ASSETS

- 1 Algonquin Gas Transmission
- 2 Big Sandy Pipeline
- 3 East Tennessee Natural Gas
- 4 Gulfstream Natural Gas
- 5 Maritimes & Northeast Pipeline
- 6 Ozark Gas Transmission
- 7 Southeast Supply Header
- 8 DCP Midstream
- 9 Texas Eastern Transmission
- 10 Express Pipeline
- 11 Platte Pipeline
- 12 Union Gas
- 13 Western Canada Operations

## PROCESSING PLANTS

▲ DCP Processing

▲ SET Processing

## IN EXECUTION

Red Lake  
 Dawn-Parkway 2015  
 OPEN  
 Uniontown to Gas City (U2GC)  
 Ozark Conversion  
 Salem Lateral  
 AIM  
 Loudon Expansion  
 Dawn-Parkway 2016  
 Burlington-Oakville  
 Jackfish Lake  
 Gulf Markets  
 Sabal Trail  
 STEP

RAM  
 Access South & Adair Southwest  
 PennEast  
 NEXUS  
 Atlantic Bridge  
 Corpus Christi Lateral  
 Stratton Ridge

- Natural Gas Pipeline
- Crude Oil Pipeline
- ◆ NGL Pipeline
- ▲ Processing Plants
- Projects in Execution

TO OUR SHAREHOLDERS



Fellow Shareholders

**Gregory L. Ebel**

Chairman, President and  
Chief Executive Officer

North America's energy landscape is in the midst of significant change, driven by the forces of 'supply push' from North America's immense oil and natural gas resources and 'demand pull' from markets across the continent and increasingly beyond our shores that require energy to heat homes, fuel industry and contribute to economic and societal progress. Spectra Energy is situated squarely in the center of these intersecting dynamics, connecting producers with consumers and investors with value. We're acting on the opportunities presented by this transformational time, and we are also addressing the challenges that accompany such significant change.

As one of North America's leading pipeline and midstream companies, we build and operate natural gas, natural gas liquids and crude oil infrastructure. We draw upon an impressive base of resources that includes a powerful fleet of pipelines, storage facilities and processing plants ... a talented team of experienced energy professionals ... and the financial capacity to fund growth well into the future. Those are the defining attributes that set us apart from – and ahead of – others in our competitive space.

Your company continues to have what it takes to succeed ... to serve ... and to lead. This year's report focuses on the qualities that make us who we are – and prepare us to deliver real, reliable results through real world cycles. And that's important: because it's easy to deliver positive results when the wind's at your back; more challenging to do so when you're facing headwinds from the economic uncertainty and oil and natural gas liquids price declines that confront us today.

Fortunately, we've designed our business model to thrive in all cycles and all macro-environments. Spectra Energy is not only a fair-weather investment; we are a constant performer ... a 'must-own' in your portfolio ... and a pipeline company committed to a secure and vibrant energy future.

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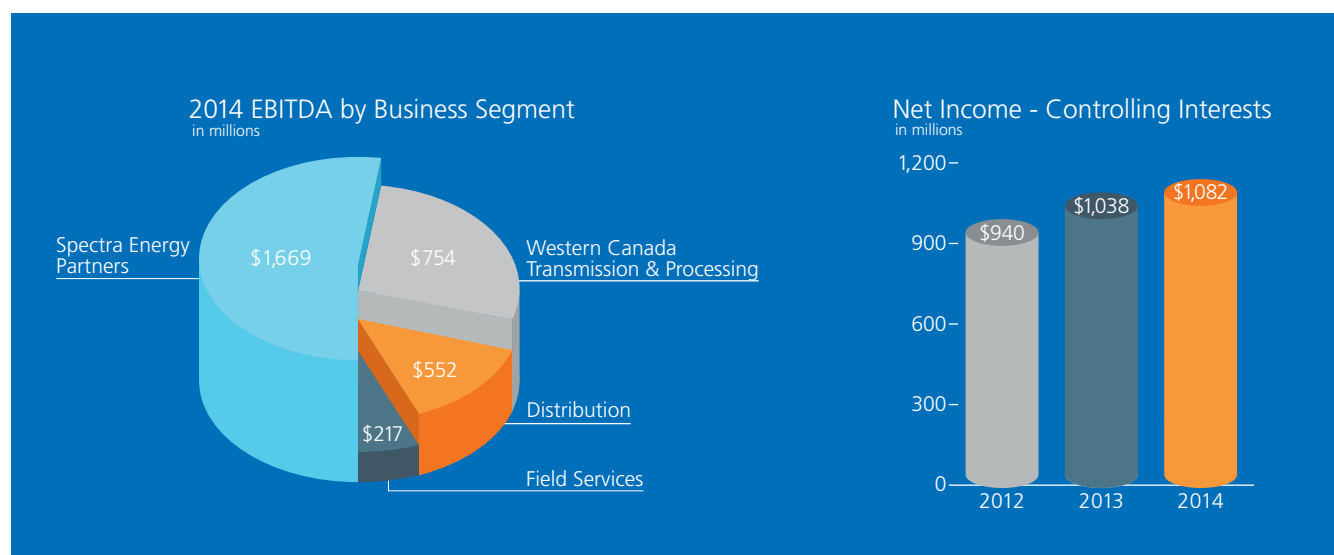
We recorded distributable cash flow nearly **19%** above our expectation for the year

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### What We Achieved in 2014

Spectra Energy delivered strong financial results in 2014, underlining our relative strength even in the face of the lower commodity cycle that began in the last half of the year and persists today. We exceeded our earnings target for the year, delivering ongoing

## FINANCIAL HIGHLIGHTS



(In millions, except per share amounts and percentages)

### Common Stock Data

#### Earnings per share

Basic

**2014** 2013 2012

\$ **1.61** \$ 1.55 \$ 1.44

Diluted

\$ **1.61** \$ 1.55 \$ 1.43

#### Dividends per share

\$ **1.375** \$ 1.22 \$ 1.145

#### Shares outstanding

Year-end

**671** 670 668

Weighted average – basic

**671** 669 653

Weighted average – diluted

**672** 671 656

### Income Statement

#### Operating revenues

\$ **5,903** \$ 5,518 \$ 5,075

#### Total reportable segment EBITDA

**3,192** 3,086 2,819

#### Net income – controlling interests

**1,082** 1,038 940

### Balance Sheet

#### Total assets

\$**34,040** \$33,533 \$30,587

#### Total debt

**14,679** 14,717 12,833

### Capitalization

#### Common equity – controlling interests

**33%** 34% 39%

#### Common equity – noncontrolling interests and preferred stock

**9%** 8% 5%

#### Total debt

**58%** 58% 56%

### Capital and Investment Expenditures, including Acquisitions

\$ **2,287** \$ 3,513 \$ 2,575



earnings before interest, taxes, depreciation and amortization of \$3.15 billion, and ongoing earnings per share of \$1.61. We recorded distributable cash flow in 2014 of almost \$1.5 billion, nearly 19 percent above our expectation for the year.

We increased our annual dividend growth to 14 cents per share, up from the 12 cents per share growth we had pledged at this time last year. Even with this higher than promised dividend growth, we were able to handily surpass our 2014 dividend coverage target.

We made significant progress on our capital expansion plans. During the year we placed almost \$800 million of growth projects into service and secured an additional \$3.5 billion in new growth projects supported by firm, fee-based contracts. Since 2013, we've delivered \$16.5 billion in new projects either into service or into execution, putting us near the halfway mark in our drive to secure contracts for \$35 billion in new project growth by 2020.

We were responsive to the needs of our customers by operating reliably and responsibly. We achieved record volume send-outs across our system – on the Texas Eastern, Algonquin, East Tennessee, Platte, Union Gas, Western Canada and Maritimes & Northeast systems. Nothing speaks to customer satisfaction like repeat business, and for the last decade we've averaged an annual contract renewal rate on our major U.S. pipelines of more than 95 percent, and in 2014 we achieved a contract renewal rate of 99 percent.

### Our premier asset footprint

In our business, success hinges on being in the right place at the right time. And in 2014, we again proved that we are right where we need to be.

Spectra Energy's asset footprint is ideally situated in the midst of North America's most prolific supply basins – and connected to the continent's fastest growing demand markets. The reach of our infrastructure benefits producers, end-use customers, markets and the U.S. and Canadian communities we serve. It means we can deliver energy resources reliably by employing the pipes we already have in place, or building entirely new extensions of our pipeline infrastructure to further our competitive reach. It means we can serve growing needs efficiently and cost effectively by expanding from a strong base. And it means we are looking around the corner to the future – enabling us to build vital new infrastructure by utilizing established resources, rights-of-way and relationships so that we can provide just-in-time service for our customers' growing needs.

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Our natural gas  
system delivers  
approximately

20%  
of the  
natural gas consumed  
in North America

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### Our execution advantage

It's not overreaching to suggest that nobody does midstream infrastructure better than Spectra Energy. We've earned a reputation for designing, constructing and operating our assets with unrivaled excellence. We deliver projects into service on time, on budget and to exacting engineering and safety standards. We're not alone in our view. Our New Jersey-New York Expansion won the Platts Global Energy 2014 Premier Construction



Spectra Energy's license to build and operate rests with our record of responsible development, reliable operations and respectful interactions with stakeholders.



Project Award, recognized for excellence in project execution and management.

The projects delivered into service in 2014 join a list of more than two dozen major expansion projects we've delivered into service since 2010 and underscore our ability to execute effectively on large-scale, complex projects that address the needs of an evolving energy marketplace.

Our TEAM 2014 and TEAM South projects expand our Texas Eastern system by approximately 600 billion cubic feet per day – and they address the need for bi-directional flows that can move

increased supplies of natural gas from the Marcellus and Utica to demand markets both north and south of these prolific supply basins. Spectra Energy's pipelines are ideally situated to benefit from this changing gas flow dynamic. In fact, by 2017, with TEAM 2014, TEAM South and other projects we currently have in execution, we will make Texas Eastern fully bi-directional and provide unprecedented flexibility to our customers.

In Western Canada, we placed the North Montney Project into service, providing an additional 210 million cubic feet per day of gas processing capacity to serve customers' needs in the prolific Montney play.

We've got a healthy backlog of projects due to commence service over the next several years – large, strategic projects that extend our portfolio and build a platform for future growth. Our projects in execution include Algonquin Incremental Market, or AIM, which expands the capacity of our Algonquin system and enables the flow of Appalachian natural gas to desperately constrained New England markets ... Ohio Pipeline Energy Network, or OPEN, set to move incremental production from the Utica and Marcellus shales to Midwest, Southeast and Gulf Coast markets ... NEXUS, which will further deliver Utica gas to markets in Michigan, Ontario and beyond ... Sabal Trail, a new 500-mile interstate pipeline that will serve power generation and industrial needs in Florida and Southeast markets ... and a multi-phased expansion of our Dawn-Parkway system in Ontario that will serve growing demand for natural gas in Ontario, Quebec and the U.S. Northeast. And we have a number of great projects in the development phase, such as Access Northeast, a joint project with Eversource Energy and National Grid that will upgrade existing pipeline facilities and market area storage assets in New England to deliver up to one billion cubic feet per day of natural gas to serve regional power generation needs.

Spectra Energy Liquids has experienced steady profitable growth since being added to our portfolio two years ago. We continue to optimize our Express-Platte pipeline system to meet market demand with expansions to the system and associated storage, and we're executing on connections, laterals and extensions to enable increased liquids flow through our Sand Hills and Southern Hills pipelines. Our DCP Midstream business, a 50-50 joint venture with Phillips 66,

is a must-run business that processes about 12 percent of the U.S. gas supply and is strategically positioned in key domestic basins. The business is navigating through the current commodity down cycle while continuing to add facilities that customers still require.

Successful execution goes hand in hand with engagement amongst our various stakeholders – the communities where we operate, the customers we serve, the local citizens and regulatory agencies who monitor our performance and hold us to a high standard. Early and ongoing communication with stakeholder groups is central to how we operate our existing assets and develop new ones. We build infrastructure; but the trust we build with community partners is the foundation for every project, our daily operations, and all of our progress.

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In 2014 our recordable  
injury frequency  
rate improved

40%  
over  
2013  
results

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### Our experienced team

Our success in 2014 – and always – is a reflection of our accomplished team. The men and women of Spectra Energy performed exceptionally well during the year, and focused intently on delivering improved results, growing value, better service and new solutions. Their steadfast commitment to safe and reliable operations underlines the fact that our license to build and operate is in good hands. Serving with them each day is a humbling honor.

We are especially proud of the safety results delivered last year. On many fronts, 2014 was our best-ever year in terms of safety performance. Our employee injury rate improved 40 percent over 2013, and our other safety metrics likewise improved year-over-year. Those advances are testament to the focus and hard work our team has committed to ensuring a work place where safety is considered above all else and where true success can only be realized when each shift finishes the day with zero work-related injuries or illnesses.

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Committed to  
securing **\$35B**  
in secured projects by 2020

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Our progress on all fronts is made possible by a culture of accountability, empowerment and integrity. The men and women of Spectra Energy demonstrate our values every day, and in 2014 their dedication was well recognized. We were honored to once again be named to the Ethisphere Institute's annual list of the World's Most Ethical Companies, and to important sustainability metrics like the Dow Jones Sustainability Indexes and the CDP Indexes. I encourage you to visit our sustainability report which details our performance in the areas of environmental integrity, economic value and social responsibility.

Your dedicated board of directors plays a key role in defining our culture, setting our strategic course, and ensuring that management is accountable for the results we achieve for investors. I am grateful to our entire board, including our independent lead director Tony Comper, for their wise counsel, guidance, perspective and support.

### What you can expect

We did what we set out to do in 2014 – and then some. But we are now focused on 2015 and beyond. This means executing on the \$9.5 billion in projects we have contractually secured, while also ensuring that we are rigorous in our assessment of both the opportunities and risks facing our business in the current and longer-term environment. We have worked diligently to buffer your company from the type of volatility that the current commodity, currency and economic cycles are showing can quickly occur. We have, as a result, built a powerhouse of high-performing fee-based businesses that have the ability to deliver secure, ongoing earnings, cash flow and dividend growth.

Although we are not immune to the dramatic and recent drop in crude oil and natural gas liquids prices, we have structured Spectra Energy such that well in excess of 90 percent of our earnings are sheltered from commodity price movements. That puts us in a good place to weather this current commodity cycle without compromising our commitment to investors or curtailing our growth expectations.

Over the past five years we've doubled the number of projects we have in execution, which means





Our employees across North America dedicate time and energy to volunteer initiatives that improve communities and the lives of our neighbours.

we're growing earnings, cash flows and value for investors. This value can be seen in the 115 percent total shareholder return our investors have realized in that same period. We're well on our way to achieving our goal of \$35 billion in secured growth projects by the end of the decade. And our track record of successfully building both infrastructure and relationships makes us a trusted, preferred energy partner in communities across North America.

The talented men and women of Spectra Energy commit passion and purpose to ensuring that stakeholders realize value from their association with us. We strive to prove ourselves anew with

each project we take on, each challenge we tackle, each decision we make.

We are confident that we have what it takes to excel in this exciting new era of energy. I believe you can share equally in that confidence, and I thank you for your investment.

**Gregory L. Ebel**

Chairman, President and  
Chief Executive Officer





## Strategic Positioning

Our TEAM 2014 project was delivered into service last year and is now moving Appalachian natural gas to Northeast, Midwest, Southeast and Gulf Coast markets.

Spectra Energy's vast network of assets, developed over the course of a century, is located in strategically important regions of North America. Our natural gas, crude oil and liquids pipelines are situated in the midst of both conventional and emerging shale supply basins like the Montney and Horn River in Western Canada, the Marcellus and Utica in the northeast U.S., the Bakken and Niobrara in the west and the Barnett, Eagle Ford and Haynesville in the south.

Our integrated storage assets provide critical balancing needs for diverse markets – and offer producers and shippers desired working capacity, liquidity and flexibility. The Dawn Storage Hub is the second largest physical natural gas trading hub in North America, with total capacity of close to 160 billion cubic feet per day and connections to 12 U.S. and Canadian pipelines.

We're likewise connected to growing markets, delivering supply where the lights are – high-demand metro centers that require enhanced infrastructure to meet growing power generation, industrial and residential needs. Our New Jersey-New York pipeline, the first new natural gas pipeline to enter Manhattan in 40 years, exemplifies our ability to complete large, complex projects to serve urban markets. We also serve small, rural communities like Red Lake, Ontario, which received its first access to clean, affordable natural gas in 2012 when Union Gas completed a pipeline to serve the small mining community. Today, Red Lake residents are saving 50 to 70 percent on home heating costs.

Our strategic positioning enables us to serve energy needs that extend beyond North America as well. In Western Canada and along the U.S. Gulf Coast, we're involved in numerous efforts to facilitate the

export of liquefied natural gas (LNG) to international markets. Our Westcoast Connector Gas Transmission Project, being developed to serve multiple LNG projects in Western Canada's Prince Rupert region, continues to advance and achieved a key milestone in 2014 with receipt of an Environmental Assessment Certificate for two pipelines in this corridor from the British Columbia government.

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**22,000** miles  
of natural gas, natural gas liquids and  
crude oil pipelines

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Spectra Energy's superior positioning allows us to efficiently and cost-effectively grow our asset footprint. We're able to build off a strong base, utilize existing rights-of-way and draw upon important regional relationships and knowledge. We're moving quickly to access new markets, new supplies and new opportunities – and that's what it takes to create and grow shareholder value.



## Employee and Community Engagement

Spectra Energy hosts numerous community meetings to inform local residents of our project plans, address questions and receive valued public input.

Spectra Energy employees understand that customers and communities depend on us for vital, mission-critical service – and they deliver 24/7. They're the best at what they do, whether that's running our pipelines and business, developing new projects, building vibrant communities or leading industry initiatives. As a company, we devote significant focus to ensuring the long-term capacity of our team. Through a comprehensive program of skills and leadership development, mentoring opportunities, rotational assignments, succession planning and targeted recruitment, we're ensuring that our 'people portfolio' is as robust and thoughtfully managed as our asset portfolio.

Community engagement is central to how we operate at Spectra Energy. We strive to operate our assets safely and reliably – and develop new projects responsibly and in partnership with affected communities and regulatory agencies. Our consultation and outreach efforts begin long before we turn the first shovel of dirt on a project – and extend through the full project life cycle. Our goal, always, is to ensure that stakeholders realize the full benefit of our assets, operations and presence in their communities.

The men and women of Spectra Energy are empowered to help shape the future and build better outcomes by tackling industry challenges, coming up with innovative energy solutions, and rolling up their sleeves when communities need help. Our employees are involved in a variety of non-profit organizations in the communities we serve. In 2014, employees and retirees completed 440 volunteer projects across the U.S. and Canada,

including our annual Helping Hands in Action event in which employees select, coordinate and participate in 'sweat equity' projects designed to improve communities and support non-profit causes. Charitable giving from the company, along with employee and retiree donations and the value of volunteer hours, totaled approximately \$10 million in 2014 – and was directed toward our focus areas of education and workforce development, community vitality and employee support and volunteerism.

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**Spectra Energy ranked among Houston's Top 150 Workplaces for 5 years**

**Union Gas ranked among Canada's Top 100 Employers for 5 years**

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## Growth-focused Execution

Spectra Energy's project management approach involves careful, continuous planning and oversight to ensure all projects are developed to exacting safety and quality standards.



Spectra Energy is in the midst of the greatest expansion effort in our history. We have set an ambitious goal of securing \$35 billion in new capital expansion by the end of the decade – and we're nearly halfway there.

The projects we're building and pursuing are large in scale and scope, reflecting the enormity of need for North American infrastructure. They span the continent, connecting abundant, affordable supply with growing demand markets. In the Southeast U.S. we're building the 500-mile, one-billion-cubic-feet-per-day Sabal Trail pipeline that will serve Florida Power & Light's power generation needs. Our NEXUS system will move supplies of Appalachian shale gas to high-demand markets in the U.S. Midwest and Ontario, Canada.

In the Northeast we're constructing projects like AIM, Salem Lateral and Atlantic Bridge – additions that will help the region address bottlenecks caused by growing demand, environmental pressures and coal and nuclear retirements. Our Access Northeast project, being developed in partnership with Eversource Energy and National Grid, is the kind of innovative, solution-based project that is our hallmark. Through enhancements to our Algonquin and Maritimes systems and a strategic alliance with Iroquois Gas Transmission, the new pipeline project will connect to more than 70 percent of New England's gas-fired electric generation, saving electric customers about \$1 billion annually. And, our team is minimizing environmental and community impacts by using existing pipeline and utility corridors where possible.

Our Union Gas business is similarly pursuing a record level of expansion to serve customers in eastern Canada and the U.S. Northeast – growth that will

increase the capacity of its immense transmission system by nearly 25 percent. And in Western Canada, our prime location in the heart of the world-class Montney basin is driving investment and value via our BC Pipeline.

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In 2014, Spectra Energy filed 29 regulatory applications and received 39 regulatory decisions from federal, provincial and state oversight authorities

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Spectra Energy has what it takes to develop and deliver this huge roster of projects into service on time and on budget. We're able to draw upon the expertise of an experienced executive team, in-house technical staff and best-in-class engineering, procurement and construction contractors. We adhere to – and help advance – exacting safety, engineering, design and construction standards. We build relationships as well as infrastructure, which contribute to our record of regulatory effectiveness and timely permitting. Our stakeholder outreach program is viewed as an industry model, allowing us to address concerns, mitigate impacts and build understanding and support within project communities. And our projects are positioned for early success and continual assessment through a rigorous project lifecycle process and controls.



## Sustainable Business Practices

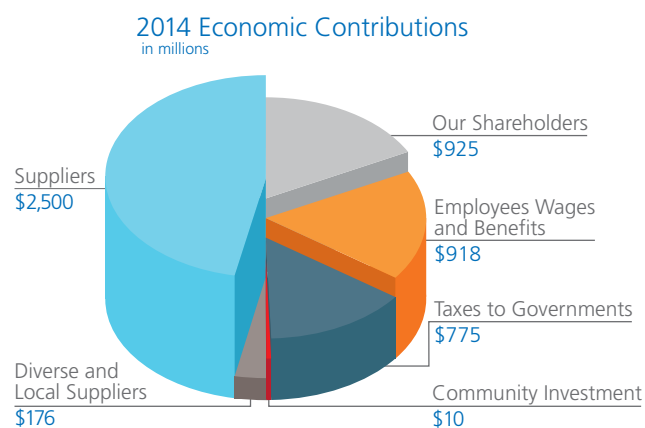
Our team of engineering and environmental professionals monitor pipeline rights-of-way and our assets to ensure we are operating in a sustainable, conscientious manner.

Spectra Energy is committed to enduring business success and sustainable value creation – and to operating in an economically, environmentally and socially responsible manner. In 2014 we continued to deliver on our financial commitments. We exceeded our distributable cash flow and earnings targets; maintained positive credit metrics and investment-grade balance sheets at both the corporate and master-limited partnership level; and we demonstrated our ability to fund significant levels of growth. And we increased our annual dividend growth to 14 cents per share.

Our business model involves developing large-scale projects that require significant investment – and responsible development. Our work to reduce the environmental footprint of new projects begins at the planning and design phase. We select routes that avoid biologically and culturally sensitive areas, employ low-emitting equipment such as turbines and exhaust catalyst systems, optimize water use and minimize waste. And many of our new pipeline projects serve the need for cleaner, more affordable power generation as local distribution companies seek to replace coal-fired generation with less carbon-intensive natural gas.

Once operational, we ensure pipeline integrity by investing almost \$800 million annually in ongoing maintenance – and ensuring we are ready to respond in an emergency. In 2014, we served as the industry lead in a U.S. Environmental Protection Agency emergency preparedness drill involving our crude oil pipeline infrastructure in Wyoming. The comprehensive exercise, involving close to 200 government, community, and emergency response representatives, simulated spill and recovery scenarios and tested our ability to successfully deploy environmental and crisis response systems.

Our business activities contribute significantly to economic vitality across North America. In 2014, we spent \$5.3 billion in employment, procurement of materials and service and tax payments to local, state and provincial governments. Our procurement practices are aimed at building the capacity of local communities and we have been successful in creating employment opportunities for local and Aboriginal communities and fostering diverse supplier relationships, including women-, minority-, and Aboriginal-owned businesses across North America. We purchased \$176 million in goods and services from these diverse and local suppliers in 2014.



## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share amounts)	Years Ended December 31,		
	2014	2013	2012
<b>Operating Revenues</b>			
Transportation, storage and processing of natural gas	\$3,291	\$3,128	\$3,149
Distribution of natural gas	1,583	1,577	1,366
Sales of natural gas liquids	497	440	401
Transportation of crude oil	302	224	—
Other	230	149	159
Total operating revenues	5,903	5,518	5,075
<b>Operating Expenses</b>			
Natural gas and petroleum products purchased	1,219	1,139	1,037
Operating, maintenance and other	1,964	1,941	1,717
Depreciation and amortization	796	772	746
Total operating expenses	3,979	3,852	3,500
<b>Operating Income</b>	1,924	1,666	1,575
<b>Other Income and Expenses</b>			
Equity in earnings of unconsolidated affiliates	361	445	382
Other income and expenses, net	59	124	83
Total other income and expenses	420	569	465
<b>Interest Expense</b>	679	657	625
<b>Earnings From Continuing Operations Before Income Taxes</b>	1,665	1,578	1,415
<b>Income Tax Expense From Continuing Operations</b>	382	419	370
<b>Income From Continuing Operations</b>	1,283	1,159	1,045
<b>Income From Discontinued Operations, Net of Tax</b>	—	—	2
<b>Net Income</b>	1,283	1,159	1,047
<b>Net Income – Noncontrolling Interests</b>	201	121	107
<b>Net Income – Controlling Interests</b>	\$1,082	\$1,038	\$ 940
<b>Earnings per Common Share</b>			
Basic	\$ 1.61	\$ 1.55	\$ 1.44
Diluted	\$ 1.61	\$ 1.55	\$ 1.43
<b>Dividends per Common Share</b>	\$ 1.375	\$ 1.22	\$ 1.145

## CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)	Years Ended December 31,	
	2014	2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 215	\$ 201
Receivables	1,336	1,336
Inventory	313	263
Other	468	281
Total current assets	2,332	2,081
<b>Investments and Other Assets</b>		
Investments in and loans to unconsolidated affiliates	2,966	3,043
Goodwill	4,714	4,810
Other	327	385
Total investments and other assets	8,007	8,238
<b>Property, Plant and Equipment, Net</b>	<b>22,307</b>	<b>21,829</b>
<b>Regulatory Assets and Deferred Debits</b>	<b>1,394</b>	<b>1,385</b>
<b>Total Assets</b>	<b>\$34,040</b>	<b>\$33,533</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 458	\$ 440
Commercial paper	1,583	1,032
Current maturities of long-term debt	327	1,197
Other	1,441	1,370
Total current liabilities	3,809	4,039
<b>Long-term Debt</b>	<b>12,769</b>	<b>12,488</b>
<b>Deferred Credits and Other Liabilities</b>		
Deferred income taxes	5,405	4,968
Regulatory and other	1,401	1,457
Total deferred credits and other liabilities	6,806	6,425
<b>Preferred Stock of Subsidiaries</b>	<b>258</b>	<b>258</b>
<b>Equity</b>		
Controlling interests	8,160	8,494
Noncontrolling interests	2,238	1,829
Total equity	10,398	10,323
<b>Total Liabilities and Equity</b>	<b>\$34,040</b>	<b>\$33,533</b>



## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)	Years Ended December 31,		
	2014	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 1,283	\$ 1,159	\$ 1,047
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	809	787	760
Deferred income tax expense	388	421	210
Equity in earnings of unconsolidated affiliates	(361)	(445)	(382)
Distributions received from unconsolidated affiliates	380	324	307
Changes in working capital	(202)	(74)	156
Other	(76)	(142)	(160)
Net cash provided by operating activities	2,221	2,030	1,938
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditures	(2,028)	(1,947)	(2,025)
Investments in and loans to unconsolidated affiliates	(259)	(312)	(520)
Acquisitions, net of cash acquired	—	(1,254)	(30)
Sales (purchases) of held-to-maturity securities, net	25	38	(93)
Sales (purchases) of available-for-sale securities, net	(6)	146	(130)
Distributions received from unconsolidated affiliates	266	87	17
Other changes in restricted funds	(1)	2	93
Other	—	4	14
Net cash used in investing activities	(2,003)	(3,236)	(2,674)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net increase in commercial paper and long-term debt	418	2,027	975
Dividends paid on common stock	(925)	(821)	(753)
Proceeds from issuances of Spectra Energy Partners, LP common units	327	214	145
Proceeds from issuance of Spectra Energy common stock	—	—	382
Distributions to noncontrolling interests	(175)	(144)	(120)
Contributions from noncontrolling interests	145	23	—
Other	11	17	25
Net cash provided by (used in) financing activities	(199)	1,316	654
Effect of exchange rate changes on cash	(5)	(3)	2
Net increase (decrease) in cash and cash equivalents	14	107	(80)
<b>Cash and cash equivalents at beginning of period</b>	<b>201</b>	<b>94</b>	<b>174</b>
<b>Cash and cash equivalents at end of period</b>	<b>215</b>	<b>\$ 201</b>	<b>\$ 94</b>

## CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(In millions)	Common Stock/ Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income		Noncontrolling Interests	Total
			Foreign Currency Translation Adjustments	Other		
December 31, 2011	\$4,815	\$1,977	\$1,832	\$(559)	\$ 831	\$ 8,896
Net income	—	940	—	—	107	1,047
Other comprehensive income	—	—	212	24	3	239
Dividends on common stock	—	(752)	—	—	—	(752)
Spectra Energy common stock issued	399	—	—	—	—	399
Spectra Energy Partners, LP common units issued	26	—	—	—	108	134
Distributions to noncontrolling interests	—	—	—	—	(120)	(120)
Other, net	58	—	—	—	(58)	—
December 31, 2012	5,298	2,165	2,044	(535)	871	9,843
Net income	—	1,038	—	—	121	1,159
Other comprehensive income (loss)	—	—	(487)	219	(7)	(275)
Dividends on common stock	—	(820)	—	—	—	(820)
Stock-based compensation	19	—	—	—	—	19
Distributions to noncontrolling interests	—	—	—	—	(144)	(144)
Contributions from noncontrolling interests	—	—	—	—	23	23
Spectra Energy common stock issued	23	—	—	—	—	23
Spectra Energy Partners, LP common units issued	42	—	—	—	147	189
Transfer of interests in subsidiaries to Spectra Energy Partners, LP	(511)	—	—	—	817	306
Other, net	(1)	—	—	—	1	—
December 31, 2013	4,870	2,383	1,557	(316)	1,829	10,323
Net income	—	1,082	—	—	201	1,283
Other comprehensive loss	—	—	(541)	(38)	(7)	(586)
Dividends on common stock	—	(924)	—	—	—	(924)
Stock-based compensation	19	—	—	—	—	19
Distributions to noncontrolling interests	—	—	—	—	(175)	(175)
Contributions from noncontrolling interests	—	—	—	—	145	145
Spectra Energy common stock issued	11	—	—	—	—	11
Spectra Energy Partners, LP common units issued	49	—	—	—	248	297
Transfer of interests in subsidiaries to Spectra Energy Partners, LP	3	—	—	—	(1)	2
Other, net	5	—	—	—	(2)	3
December 31, 2014	\$4,957	\$2,541	\$1,016	\$(354)	\$2,238	\$10,398

## SPECTRA ENERGY BOARD OF DIRECTORS



**Gregory L. Ebel**

Greg Ebel is chairman, president and chief executive officer of Spectra Energy. He is also chairman, president and chief executive officer of Spectra Energy Partners. He previously served in a number of leadership roles for Spectra Energy and its predecessor companies, including chief financial officer; president of Union Gas; vice president of investor and shareholder relations; managing director of mergers and acquisitions; and vice president of strategic development. Ebel is a director of our joint venture entity, DCP Midstream, and The Mosaic Company.



**Austin A. Adams**

Austin Adams is the retired executive vice president and chief information officer (CIO) of JPMorgan Chase & Co., a role he assumed in 2004 when JPMorgan Chase and Bank One Corporation merged. Before joining Bank One in 2001, Adams served as CIO for First Union Corporation. Adams serves on the boards of First Niagara Financial Group, Inc., CommScope Holding Company, Inc. and Dun & Bradstreet Corporation.



**Joseph Alvarado**

Joe Alvarado is chairman, president and chief executive officer of Commercial Metals Company. He previously served as president and chief operating officer of Commercial Metals and as president of U.S. Tubular Products, Inc., a division of U.S. Steel. He also served as president of Lone Star Technologies, prior to its acquisition by U.S. Steel. He has held executive positions with Ispat North America (now ArcelorMittal), Birmingham Steel and Inland Steel.



**Pamela L. Carter**

Pamela Carter is president of Cummins Distribution Business. She previously served as president of Cummins Filtration, vice president and general manager of Cummins' Europe, Middle East and Africa business and operations, and as vice president and general counsel for Cummins Inc. She served as attorney general for the State of Indiana from 1993 to 1997. Carter is a member of the Export-Import Bank of the United States' sub-Saharan Africa Advisory Council and a director of CSX Corporation.



**Clarence P. Cazalot, Jr.**

Clarence Cazalot is the retired executive chairman, president and chief executive officer of Marathon Oil Corporation. He held various executive positions with Texaco Inc. and currently serves on the boards of Baker Hughes, Inc. and FMC Technologies. Cazalot also serves on the advisory board of the James A. Baker III Institute for Public Policy, the Board of Visitors of M.D. Anderson Cancer Center, the Memorial Hermann Health Care System Board and the LSU Foundation.



**F. Anthony Comper**

Tony Comper is the lead director of Spectra Energy's board of directors. He is the retired president and chief executive officer of BMO Financial Group. He was appointed to that position in February 1999 and served as chairman from July 1999 to May 2004. Comper previously served on the board of directors of the Bank of Montreal.



#### Peter B. Hamilton

Peter Hamilton is the retired vice president and chief financial officer of Brunswick Corporation. He previously served Brunswick in a number of executive leadership capacities, including vice chairman of Brunswick Corporation; president, Brunswick Boat Group; president, Life Fitness division; and president, Brunswick Bowling & Billiards. He serves as a director of Oshkosh Corporation and SunCoke Energy, Inc.



#### Michael McShane

Mike McShane served as chairman, president and chief executive officer of Grant Prideco, Inc. from 2002 until the 2008 merger of Grant Prideco and National Oilwell Varco, Inc. He previously served as senior vice president of finance, chief financial officer and director of BJ Services Company. McShane is a director of Superior Energy Services, Inc., Oasis Petroleum, Inc. and Forum Energy Technologies, Inc. He is also an advisor for Advent International, a global private equity fund, and TPH Asset Management, LLC.



#### Michael G. Morris

Michael Morris is the retired chairman, president and chief executive officer of American Electric Power Company, Inc (AEP). Morris joined AEP as chairman, president and chief executive officer in January 2004. Prior to joining AEP, he served as chairman, president and chief executive officer of Northeast Utilities System. Morris is a director of Alcoa, Inc., L Brands, Inc., and The Hartford Financial Services Group.



#### Michael E.J. Phelps

Michael Phelps is chairman and founder of Dornoch Capital Inc., a private investment company. From 1988 to 2002, he served as president and chief executive, and subsequently as chairman and chief executive officer of Westcoast Energy, Inc. He has served as a director of Duke Energy, Canadian Imperial Bank of Commerce, Canadian Pacific Railroad Company and Prodigy Gold, Inc. Phelps was appointed by the government of Canada to chair a committee to review the regulation of securities markets. He is a director of Marathon Oil Corporation.

### Board of Directors Committee Membership

Director	Audit Committee	Compensation Committee	Corporate Governance Committee	Finance and Risk Management Committee
Austin Adams	○		○	
Joseph Alvarado		○		○
Pamela Carter		○	●	
Clarence Cazalot		○		○
Anthony Comper	○		○	
Peter Hamilton	●		○	
Michael McShane	○			●
Michael Morris		○		○
Michael Phelps		●		○

● Indicates committee chair

## SPECTRA ENERGY LEADERSHIP TEAM



**Greg Ebel** is chairman, president and chief executive officer of Spectra Energy. He also serves as chairman, president and CEO of Spectra Energy Partners, and on the board of directors of DCP Midstream.

**Dorothy Ables** is chief administrative officer, responsible for the company's information technology, audit services, human resources, support services and community relations functions. She also serves on the board of directors for Spectra Energy Partners.

**Steve Baker** is president of Union Gas, one of Ontario's largest natural gas utilities. Union Gas also provides natural gas storage and transportation services to other utilities and energy market participants in Ontario, Quebec and the U.S.

**Doug Bloom** is president of the company's Canadian LNG business, leading development efforts related to liquefied natural gas infrastructure opportunities in western Canada.

**Guy Buckley** is chief development officer, responsible for the company's strategy, economic evaluation and merger and acquisition efforts. He also oversees Spectra Energy's liquids business.

**Julie Dill** is chief communications officer, responsible for the company's communications with internal and external audiences, including investors, the media, employees and other stakeholders. She also oversees Spectra Energy's sustainability efforts.





The members of Spectra Energy's executive leadership team, back row: Mark Fiedorek; Bill Yardley; Guy Buckley; Greg Ebel; Julie Dill; and Reggie Hedgebeth. Front row: Steve Baker; Dorothy Ables; Pat Reddy; and Doug Bloom.

**Mark Fiedorek** is president of the company's western Canadian operations, responsible for four of the company's western-based divisions: BC Pipeline; BC Field Services; Midstream; and Natural Gas Liquids. He also serves on the board of directors of DCP Midstream Partners.

**Reggie Hedgebeth** is general counsel and chief ethics and compliance officer for Spectra Energy. He leads the company's legal department, office of the corporate secretary, compliance, regulatory affairs, government relations and global supply chain teams. He also serves as general counsel for Spectra Energy Partners.

**Pat Reddy** is chief financial officer, responsible for the company's financial function, which includes the controller's office, financial planning and analysis, treasury, tax, risk management and insurance. He also serves as chief financial officer of Spectra Energy Partners and as a director of DCP Midstream and Paragon Offshore PLC.

**Bill Yardley** is president of our U.S. transmission and storage business, responsible for the company's extensive network of natural gas infrastructure assets across the country. He also serves on the board of directors of Spectra Energy Partners.

## RESPECT



Platts Global Energy Awards

New Jersey-New York Expansion Project named  
2014 Premier Construction Project

Ethisphere Institute's

World's Most Ethical Companies, 2012-2014

Dow Jones Sustainability Indexes

World Index, 2010-2014; North America Index, 2008-2014

RobecoSAM

Industry Leader and Gold Class Sustainability Awards,  
2014-15

Bronze Class Sustainability Award, 2011-2013

CDP Indexes

S&P Carbon Disclosure Leadership Index, 2008-2014

S&P 500 Climate Performance Leadership Index, 2010,  
2013-2014

Global 500 Climate Disclosure Leadership Index, 2009,  
2012-2013

Global 500 Climate Performance Leadership Index, 2013

STOXX® Global ESG Leaders Index

STOXX® Global ESG Leaders Index, 2011-2014

NYSE Euronext Vigeo Indexes

NYSE Euronext Vigeo World 120 Index, 2013-2014

NYSE Euronext Vigeo U.S. 50 index, 2013-2014

Corporate Responsibility Magazine

100 Best Corporate Citizens List, 2011-2014

#1 among utilities, 2012-2014

Newsweek's

Green Rankings, 2010-2012, 2014

Anti-Defamation League

Recognized for corporate commitment to diversity,  
2007-2013

Human Rights Campaign

Corporate Equality Index, 2010-2015

Workplace Dynamics

One of top 150 U.S. workplaces, 2013

One of Houston's top 150 places to work, 2010-2014

MediaCorp Canada

Union Gas named one of Canada's Top 100 Employers,  
2011-2015

Chief Learning Officer Magazine

LearningElite organization, 2011-2013

Platts Top 250 Global Energy Company Rankings

Among Platts' Top 250 Global Energy Companies,  
2007-2014

## SPECTRA ENERGY INVESTOR INFORMATION

Spectra Energy Corp (NYSE: SE), a FORTUNE 500 company, is one of North America's premier pipeline and midstream companies. Based in Houston, Texas, the company's operations in the United States and Canada include more than 22,000 miles of natural gas, natural gas liquids, and crude oil pipelines, approximately 305 billion cubic feet (Bcf) of natural gas storage, as well as natural gas gathering and processing, and local distribution operations. The company also has a 50 percent ownership in DCP Midstream, the largest producer of natural gas liquids and one of the largest natural gas gatherers and processors in the United States. Spectra Energy has served North American customers and communities for more than a century. The company's longstanding values are recognized through its inclusion in the Dow Jones Sustainability World and North America Indexes and the CDP's S&P 500 Carbon Disclosure Leadership Indexes. For more information, visit [www.spectraenergy.com](http://www.spectraenergy.com) and [www.spectraenergypartners.com](http://www.spectraenergypartners.com).

### Shareholder Services

Broadridge Corporate Issuer Solutions, Inc. is the Transfer Agent and Registrar for Spectra Energy Corp common stock. Registered shareholders may direct questions about stock accounts, legal transfer requirements, address changes, dividend checks, replacement of lost certificates or other services by calling toll free 1-855-2 SPECTRA or 1-855-277-3287.

Please send written requests to:

Spectra Energy Corp  
c/o Broadridge Corporate Issuer Solutions, Inc.  
P O Box 1342  
Brentwood, NY 11717-0718

For electronic correspondence, visit the Broadridge website at [www.shareholder.broadridge.com/spectra](http://www.shareholder.broadridge.com/spectra)

### Stock Exchange Listing

Spectra Energy's common stock is listed on the New York Stock Exchange under the trading symbol SE.



### Stock Purchase and Dividend Reinvestment Plan

The Spectra Energy Stock Purchase and Dividend Reinvestment Plan provides a simple and convenient way to purchase common stock directly through the company, without incurring brokerage fees. The plan provides for full reinvestment, direct deposit or cash payment of dividends. Purchases may be made weekly. Bank drafts for monthly purchases and depositing certificates into the plan for safekeeping are additional options. Visit the Broadridge website at [www.shareholder.broadridge.com/spectra](http://www.shareholder.broadridge.com/spectra) for account management access.

### Financial Publications

Spectra Energy's Securities & Exchange Commission reports and related financial publications can be found on our website at [www.spectraenergy.com/investors](http://www.spectraenergy.com/investors). Printed copies are available upon request.

### Electronic Delivery

Spectra Energy encourages shareholders to enroll in electronic delivery of financial information and proxy statements. To enroll in electronic delivery, go to <http://enroll.icsdelivery.com/se>

### Duplicate Mailings

If your shares are registered in different accounts, you may receive duplicate mailings of annual reports, proxy statements and other shareholder information. Contact Broadridge for instructions on how to combine your accounts or eliminate duplicate mailings.

### Dividend Payment

Dividends on common stock are expected to be paid in March, June, September and December 2015, subject to declaration by the board of directors.

### Website

Additional investor information may be obtained on Spectra Energy's website, [www.spectraenergy.com](http://www.spectraenergy.com)

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