Spectra Energy Partners, LP
Form 424B2
December 01, 2010

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the attached prospectus are not an offer to sell nor do they seek to offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed Pursuant to Rule 424(B)(2)
Registration No. 333-158097

SUBJECT TO COMPLETION, DATED DECEMBER 1, 2010

PROSPECTUS SUPPLEMENT
(To Prospectus dated May 18, 2009)

6,250,000 Common Units
Representing Limited Partner Interests

We are selling 6,250,000 common units representing limited partner interests in Spectra Energy Partners, LP. Our common units are traded on the New York Stock Exchange under the symbol SEP. The last reported sales price of our common units on the New York Stock Exchange on November 30, 2010 was $33.93 per common unit.

Investing in our common units involves risks. Please read Risk Factors beginning on page S-13 of this prospectus supplement.

As a result of certain FERC rate-making policies, we require an owner of our common units to be an Eligible Holder. Eligible Holders are individuals or entities subject to United States federal income taxation on our income or entities not subject to such taxation so long as all of the entity s owners are subject to such taxation.

	Per Common Unit	Total
Public Offering Price	$	$
Underwriting Discount	$	$
Proceeds to Spectra Energy Partners, LP (before expenses)	$	$

We have granted the underwriters a 30-day option to purchase up to an additional 937,500 common units from us on the same terms and conditions as set forth above if the underwriters sell more than 6,250,000 common units in this offering.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying base prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the common units on or about , 2010.

Joint Book-Running Managers

Citi

BofA Merrill Lynch

Barclays Capital

J.P. Morgan

Morgan Stanley

Wells Fargo Securities

Co-Managers

Credit Suisse

Deutsche Bank Securities

UBS Investment Bank

RBC Capital Markets

, 2010

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Spectra Energy Partners, LP Assets

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of common units. The second part is the accompanying base prospectus, which gives more general information, some of which may not apply to this offering of common units. Generally, when we refer only to the prospectus, we are referring to both parts combined. If the information about the common unit offering varies between this prospectus supplement and the accompanying base prospectus, you should rely on the information in this prospectus supplement.

Any statement made in this prospectus or in a document incorporated or deemed to be incorporated by reference into this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus or in any other subsequently filed document that is also incorporated by reference into this prospectus modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus. Please read Information Incorporated by Reference on page S-25 of this prospectus supplement.

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You should rely only on the information contained in or incorporated by reference into this prospectus supplement, the accompanying base prospectus and any free writing prospectus prepared by or on behalf of us relating to this offering of common units. Neither we nor the underwriters have authorized anyone to provide you with additional or different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. We are offering to sell the common units, and seeking offers to buy the common units, only in jurisdictions where offers and sales are permitted. You should not assume that the information contained in this prospectus supplement, the accompanying base prospectus or any free writing prospectus is accurate as of any date other than the dates shown in these documents or that any information we have incorporated by reference herein is accurate as of any date other than the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since such dates.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying base prospectus. It does not contain all of the information that you should consider before making an investment decision. You should read this entire prospectus supplement, the accompanying base prospectus and the documents incorporated herein by reference for a more complete understanding of this offering of common units. Please read Risk Factors beginning on page S-13 of this prospectus supplement and in our Annual Report on Form 10-K for the year ended December 31, 2009 and our subsequently filed Quarterly Reports on Form 10-Q for information regarding risks you should consider before investing in our common units. Unless the context otherwise indicates, the information included in this prospectus supplement assumes that the underwriters do not exercise their option to purchase additional common units.

Throughout this prospectus supplement, when we use the terms we, us, our or the partnership, we are referring either to Spectra Energy Partners, LP in its individual capacity or to Spectra Energy Partners, LP and its operating subsidiaries collectively, as the context requires. References in this prospectus supplement to our general partner refer to Spectra Energy Partners (DE) GP, LP and/or Spectra Energy Partners GP, LLC, the general partner of Spectra Energy Partners (DE) GP, LP, as appropriate.

Spectra Energy Partners, LP

Spectra Energy Partners, LP, through our subsidiaries and equity affiliates, is engaged in the transportation and gathering of natural gas including more than 3,100 miles of transmission and gathering pipeline located in the southeastern quadrant of the United States. We also own, through our subsidiaries and equity affiliates, underground facilities for the storage of natural gas with aggregate working gas storage capacity of approximately 49 billion cubic feet (Bcf) that are located in southeast Texas, south central Louisiana and southwest Virginia. We are a Delaware master limited partnership formed on March 19, 2007.

We transport and store natural gas for a broad mix of customers, including local gas distribution companies (LDCs), municipal utilities, interstate and intrastate pipelines, direct industrial users, electric power generators, marketers and producers. In addition to serving directly connected southeastern markets, our pipeline and storage systems have access to customers in the mid-Atlantic, northeastern and midwestern regions of the United States through numerous interconnections with major pipelines. Our rates are regulated under the Federal Energy Regulatory Commission (FERC) rate-making policies and under various state regulations.

Our operations and activities are managed by our general partner, Spectra Energy Partners (DE) GP, LP, which in turn is managed by its general partner, Spectra Energy Partners GP, LLC. Spectra Energy Partners GP, LLC is wholly owned by a subsidiary of Spectra Energy Corp (Spectra Energy). Spectra Energy is a separate entity publicly traded on the New York Stock Exchange under the symbol SE.

Our primary assets include the following:

East Tennessee Natural Gas System. We own and operate 100% of the 1,510-mile FERC-regulated East Tennessee Natural Gas System (East Tennessee), which extends from central Tennessee eastward into southwest Virginia and northern North Carolina and southward into northern Georgia.

Saltville. In 2008, we completed the Saltville Gas Storage Company L.L.C. (Saltville) acquisition from Spectra Energy at a purchase price of $107.0 million, which included the issuance of 4.2 million common units and 0.1 million general partner units, and a cash payment of $4.7 million to Spectra Energy. The acquired facilities include 5.4 Bcf of total storage capacity and interconnect with the East Tennessee Natural Gas System in southwest Virginia. Saltville offers high deliverability salt cavern and reservoir natural gas storage capabilities and is strategically located near markets in Tennessee, Virginia and North Carolina.

NOARK Pipeline System. In 2009, we acquired the NOARK Pipeline System from Atlas Pipeline Partners, L.P., which is comprised of a 565-mile FERC-regulated interstate natural gas transportation system (Ozark Gas Transmission) that extends from southeast Oklahoma through Arkansas into southeast Missouri, as well as a 365-mile fee-based, state regulated natural gas gathering system (Ozark Gas Gathering) located in eastern Oklahoma and western Arkansas. We refer to the entities that own these assets, collectively, as Ozark.

Gulfstream Natural Gas System. We own a 49% interest in a 745-mile FERC-regulated interstate natural gas transportation system which extends from Pascagoula, Mississippi and Mobile, Alabama across the Gulf of Mexico and into Florida. Please read Gulfstream Acquisition.

Market Hub. We own a 50% interest in Market Hub, which owns and operates two high-deliverability salt cavern natural gas storage facilities the Egan facility and the Moss Bluff facility capable of storing an aggregate of 45 Bcf of natural gas. Market Hub s storage facilities offer access to traditional Gulf of Mexico natural gas supplies and onshore Texas and Louisiana supplies, and each facility interconnects with Spectra Energy s Texas Eastern Transmission interstate natural gas transportation system (Texas Eastern).

Our principal executive offices are located at 5400 Westheimer Court, Houston, Texas 77056, and our telephone number is 713-627-5400.

Business Strategies

Our primary business objective is to grow unitholder value over time by executing the following strategies:

Optimize Existing Assets and Achieve Additional Operating Efficiencies. We intend to enhance the profitability of our existing assets by undertaking additional initiatives to enhance utilization, improve operating efficiencies and develop rate and contract structures that create value for our customers.

Deliver on Organic Growth Opportunities. We continually evaluate organic expansion opportunities in existing and new markets that could allow us to increase value and cash distributions to our investors.

Opportunistically Pursue Acquisitions. We may expand our existing natural gas transportation and storage businesses by pursuing acquisitions that add value and fit our fee-based business model. We continually evaluate acquisitions in areas where our assets currently operate that provide the opportunity for operational efficiencies or higher capacity utilization of existing assets, as well as acquisitions in complementary fee-based operations or new geographic areas of operation in order to grow the scale of our business. Our recently completed Gulfstream Acquisition is an example of such an opportunity. Please read Recent Developments Gulfstream Acquisition.

While we have set forth our business strategies above, our business involves numerous risks and uncertainties which may prevent us from executing these strategies. These risks include difficulties in completing existing expansion or organic growth projects or identifying economically attractive new expansion and organic growth opportunities, adverse impacts of regulations affecting our assets, difficulties in securing additional contracts for capacity on our systems, the loss of certain key customers, and the potential inability to identify or consummate accretive acquisitions. For a more complete description of the risks associated with an investment in us, please read Risk Factors.

Ongoing acquisition activities

Consistent with our business strategy, we and our affiliates are continuously engaged in discussions with potential sellers regarding the possible purchase of assets and operations that we believe are strategic and complementary to our existing operations. Targeted assets and operations might include those related to interstate transportation, fee-based gathering, storage and re-delivery of natural gas. Our acquisition efforts often involve assets which, if acquired, would have a material effect on our financial condition and results of operations. Past experience has demonstrated that any discussions and/or negotiations regarding potential acquisitions could advance or terminate in a short period of time. Accordingly, we can give no assurance that

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our current or future acquisition efforts will be successful. Although we expect acquisitions we make to be accretive in the long term, we can provide no assurance that our expectations will ultimately be realized.

Recent Developments

Gulfstream Acquisition

On November 30, 2010, we acquired an additional 24.5% interest in Gulfstream Natural Gas System, L.L.C. (Gulfstream) from a subsidiary of Spectra Energy for approximately $330 million in aggregate consideration, comprised of 1,938,435 newly-issued common units and 39,560 newly-issued general partner units valued at $33.37 per unit, which represents 97% of the volume-weighted average price of our common units calculated for the 20-business day period ended on November 23, 2010, representing an aggregate value of approximately $66 million, the assumption of approximately $7.4 million in debt owed to a subsidiary of Spectra Energy and $256.6 million in cash, which was funded through borrowings under our amended credit facility. Please see Credit Facility Amendment. Following the acquisition, we own a 49% interest in Gulfstream.

Because Spectra Energy currently directly or indirectly owns 100% of our general partner, our general partner s board of directors delegated to its conflicts committee, composed entirely of independent directors, the authority to evaluate and negotiate the transaction on behalf of the public unitholders. The conflicts committee, which retained independent legal and financial advisors, unanimously approved the transaction.

The Gulfstream pipeline currently includes:

- approximately 295 miles of onshore pipeline in Florida;
- 15 miles of onshore pipeline in Alabama and Mississippi; and
- 435 miles of offshore pipeline in the Gulf of Mexico.

Facilities also include gas treatment facilities and a compressor station in Coden, Alabama. Gulfstream supports the south and central Florida markets through its connection to eight receipt points and 23 delivery points and has market delivery capability of 1.26 Bcf/d of natural gas. Following the completion of the Gulfstream Acquisition, Spectra Energy, The Williams Companies, Inc. and Williams Pipeline Partners, L.P. own the remaining 1.0%, 25.5% and 24.5% interests in Gulfstream, respectively, and jointly operate the system.

Gulfstream provides firm and interruptible transportation services, interruptible park and loan services, and operational balancing agreements to resolve any differences between scheduled and actual receipts and deliveries. All of Gulfstream s firm transportation contracts include negotiated rates through the life of the contract. These negotiated rates are currently less than the maximum applicable recourse rate allowed by the FERC.

As of September 30, 2010, Gulfstream s firm transportation and storage contracts had a weighted average remaining life of 18 years. In 2009, 97% of Gulfstream s revenues were derived from capacity reservation charges under firm contracts, 2% of revenues were derived from variable usage fees under firm contracts and 1% of revenues were derived from interruptible transportation contracts.

Given Gulfstream s portfolio of long-term, fee-based contracts and solid position in the Florida markets, we believe our additional 24.5% stake in Gulfstream further enhances our profile of steady, fee-based cash flows, and also aligns with our strategy to deliver value to our investors. We expect the Gulfstream acquisition to be accretive to cash available for distribution on a per unit basis.

Ozark Rate Proceeding

On November 18, 2010, the FERC announced that it is commencing an investigation (Ozark Rate Proceeding) pursuant to Section 5 of the Natural Gas Act (NGA) into the rates charged by Ozark Gas Transmission to determine whether Ozark Gas Transmission is over-recovering its costs. The FERC also directed Ozark Gas Transmission to file a full cost and revenue study within 75 days. While we cannot control

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the timing or results of the Ozark Rate Proceeding, we believe that when the FERC has the opportunity to review Ozark Gas Transmission s most recent financial and market information, it will determine no significant adjustment in Ozark Gas Transmission s rates is required. Please see Risk Factors for additional information regarding the risks associated with the Ozark Rate Proceeding.

Credit Facility Amendment

On November 29, 2010, we entered into an amendment to our credit agreement with Wachovia Bank, National Association, as Administrative Agent, and the other lenders party thereto, which, as amended, we refer to as our Amended Credit Facility. The amendment provides for up to $275,000,000 in new term loans. The term loans mature on the three-year anniversary from the date of the first draw and will be comprised entirely of Base Rate Loans or Eurodollar Loans (in each case, as defined in our Amended Credit Facility) as we may request. Term loans that are Base Rate Loans bear interest at the greatest of the federal funds rate plus 0.50%, the lender s prime rate and LIBOR plus 1%. Term loans that are Eurodollar Loans bear interest at LIBOR plus 0.2%.

The term loans will be secured by an approximately equal amount of qualifying investment grade securities we purchase with the proceeds from this offering. In the event the underwriters exercise their option to purchase up to an additional 937,500 common units from us in full, we will incur up to approximately $ million in additional term loan borrowings, and we will purchase and then pledge an equal amount of qualifying investment grade securities to further secure the additional borrowings under our Amended Credit Facility.

The proceeds of the term loan that will be drawn upon in connection with this offering will be used to repay revolving borrowings under our Amended Credit Facility. Generally, pursuant to the terms of our Amended Credit Facility, proceeds from term loans may be used to prepay outstanding loans under our Amended Credit Facility or intercompany loans from our affiliates and/or make cash distributions to Spectra Energy to the extent permitted by our Amended Credit Facility, including cash distributions in connection with transfers of assets from Spectra Energy and/or its affiliates to us.

Our Relationship with Spectra Energy

One of our principal competitive strengths is our relationship with Spectra Energy, which owns our general partner and a significant limited partner interest in us. Spectra Energy owns and operates a large and diversified portfolio of complementary natural gas-related energy assets and is one of North America s leading midstream natural gas companies. Spectra Energy serves three key links in the natural gas value chain: gathering and processing, transportation and storage and distribution. Through its interests in six U.S. pipeline systems (including Gulfstream and through its indirect interests in our East Tennessee and NOARK pipeline systems) and three Canadian pipeline systems, Spectra Energy operates in the United States and Canada approximately 19,100 miles of transmission pipeline, more than 305 billion cubic feet of storage, as well as natural gas gathering and processing, natural gas liquids operations and local distribution assets and also has a 50 percent ownership in DCP Midstream, LLC, one of the largest natural gas gatherers and processors in the United States. As of September 30, 2010, DCP Midstream, LLC owns the general partner interest and a 31% limited partner interest in DCP Midstream Partners, LP, which is a midstream master limited partnership.

Ownership of Spectra Energy Partners, LP

The chart below depicts our organization and ownership structure as of the date of this prospectus supplement after giving effect to this offering, but without giving effect to the underwriters exercise of the overallotment option.

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THE OFFERING

Common units offered by us	6,250,000 common units 7,187,500 common units if the underwriters exercise in full their option to purchase an additional 937,500 common units.
Common units outstanding before this offering	82,291,647 common units.
Common units outstanding after this offering	88,541,647 common units, or 89,479,147 common units if the underwriters exercise in full their option to purchase an additional 937,500 common units.
Use of proceeds	The net proceeds from this offering will be approximately $ million, including our general partner s proportionate capital contribution, or approximately $ million if the underwriters exercise their option to purchase additional common units in full, in each case, after deducting the underwriting discount and estimated offering expenses payable by us. We intend to use approximately $7.4 million of the net proceeds from this offering to repay an approximately $7.4 million loan owed to a subsidiary of Spectra Energy that we assumed in the Gulfstream Acquisition. We will use the remaining $ million in net proceeds, as well as the net proceeds from any exercise of the underwriters overallotment option (other than, in each case, proceeds from our general partner s proportionate capital contribution), to purchase qualifying investment grade securities, which will be assigned as collateral to secure the new term loan of an approximately equal principal amount. The proceeds of the term loan will be used to repay revolving borrowings, which were incurred to fund a portion of the consideration of the Gulfstream Acquisition. We intend to use the approximately $ million in proceeds from our general partner s proportionate capital contribution, as well as the proceeds from our general partner s proportionate capital contribution in connection with any exercise of the underwriters overallotment option, for general partnership purposes. Please see Use of Proceeds.
Cash distributions	Our partnership agreement requires us to distribute all of our cash on hand at the end of each quarter, less reserves established by our general partner. We refer to this cash as available cash, and we define its meaning in our partnership agreement. Our partnership agreement requires that we make distributions of available cash from operating surplus for any quarter after the subordination period in the following manner:

first, 98% to all unitholders, pro rata, and 2% to the general partner, until we distribute for each outstanding unit an amount equal to the minimum quarterly distribution for that quarter; and

thereafter, in the manner described in General Partner Interest and Incentive Distribution Rights below.

If cash distributions to our unitholders exceed $0.345 per common unit in any quarter, our general partner will receive, in addition to

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	distributions on its 2% general partner interest, increasing percentages, up to 50%, of the cash we distribute in excess of that amount. We refer to these distributions as incentive distributions.
	On November 12, 2010 we paid a quarterly cash distribution for the quarter ended September 30, 2010 of $0.44 per unit to unitholders of record at the close of business on November 2, 2010. This represents an increase of 2.3% over the distribution of $0.43 per unit paid on August 13, 2010 and a 10% increase over the distribution of $0.40 per unit paid for the quarter ended September 30, 2009.
Eligible Holders and redemption	We have the right, which we may assign to any of our affiliates, but not the obligation, to redeem all of the common units of any holder that is not an Eligible Holder or that has failed to certify or has falsely certified that such holder is an Eligible Holder. Eligible Holders are:
	individuals or entities subject to United States federal income taxation on the income generated by us; or
	entities not subject to United States federal taxation on the income generated by us, so long as all of the entity s owners are subject to such taxation.
	The purchase price for any such redemption by us or our assignee would be equal to the lower of the holder s purchase price and the then-current market price of the units. The redemption price will be paid in cash or by delivery of a promissory note, as determined by our general partner.
	Please read Description of the Common Units Transfer of Common Units and The Partnership Agreement Non-Taxpaying Assignees; Redemption in our registration statement on Form 8-A and incorporated by reference into this prospectus supplement.
Estimated ratio of taxable income to distributions	We estimate that if you own the common units you purchase in this offering through the record date for distributions for the period ending December 31, 2013, you will be allocated, on a cumulative basis, an amount of federal taxable income for that period that will be 20% or less of the cash distributed to you with respect to that period. For example, if you receive an annual distribution of $1.76 per unit, we estimate that your average allocable federal taxable income per year will be less than $0.36 per unit. Please read Material Tax Considerations.
Material tax consequences	For a discussion of other material federal income tax consequences that may be relevant to prospective unitholders who are individual citizens or residents of the United States, please read Material Tax Consequences in the accompanying base prospectus.
New York Stock Exchange symbol	SEP

Risk factors	You should read Risk Factors beginning on page S-13 of this prospectus supplement and found in the documents incorporated herein by reference, as well as the other cautionary statements throughout this prospectus supplement, to ensure you understand the risks associated with an investment in our common units.

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SUMMARY HISTORICAL FINANCIAL AND OPERATING DATA

The following table sets forth our summary historical financial and operating data as of and for the dates and periods indicated and certain financial information for Gulfstream and Market Hub is also represented. Our summary historical financial data as of December 31, 2008 and 2009 and for the years ended December 31, 2007, 2008 and 2009 are derived from our audited financial statements appearing in our Annual Report on Form 10-K for the year ended December 31, 2009 incorporated by reference into this prospectus supplement. Our summary historical financial data as of September 30, 2009 and 2010 and for the nine month periods ended September 30, 2009 and 2010 are derived from our unaudited financial statements. For periods prior to the closing of our initial public offering on July 2, 2007, the selected financial data presented was prepared from the separate records maintained by Spectra Energy Capital, LLC for the entities that were originally contributed to us and for the Saltville operations, and such financial data are based on Spectra Energy Capital, LLC s historical ownership percentages of these operations. The combined financial results of these entities are treated as the historical results of our partnership for financial statement reporting purposes. The selected financial data covering periods prior to the closing of our initial public offering may not necessarily be indicative of the actual results of operations had those contributed entities been operated separately during those periods.

	Nine Months Ended September 30,		Years Ended December 31,		
	2010	2009	2009	2008	2007
	(In millions, except per-unit amount and operating data)				
Statement of Operations Data:					
Total operating revenues	$ 146.9	$ 126.7	$ 178.9	$ 124.9	$ 121.1
Operating, maintenance, and other expenses	55.5	42.7	67.6	46.7	34.1
Depreciation and amortization	22.2	21.2	28.5	26.3	26.4
Operating income	69.2	62.8	82.8	51.9	60.6
Equity in earnings of unconsolidated affiliates	54.0	53.0	70.7	61.4	55.6
Other income and expenses, net	0.4	0.1	0.1	0.9	0.4
Interest income	0.1	0.2	0.2	3.5	5.5
Interest expense	12.2	12.6	16.7	17.8	17.1
Income tax expense (benefit)	0.8	1.0	1.2	(1.4)	(97.9)
Net income	$ 110.7	$ 102.5	$ 135.9	$ 101.3	$ 202.9
Net income per limited partner unit basic and diluted	$ 1.29	$ 1.32	$ 1.71	$ 1.40	$ 0.68
Balance Sheet Data (at period end):					
Total assets	$ 1,810.2		$ 1,812.5	$ 1,601.5	$ 1,611.3
Property, plant and equipment, net	943.5		945.3	815.2	796.3
Investment in unconsolidated affiliates	542.9		536.3	573.3	495.1
Long-term debt	380.0		390.0	390.0	400.0
Total partners capital	1,355.0		1,348.5	1,118.4	1,123.7
Other Financial Data:					

Spectra Energy Partners					
Net cash provided by operating activities	$ 144.5	$ 110.9	$ 159.7	$ 139.2	$ 84.9
Adjusted EBITDA	91.4	84.0	111.3	78.2	87.0
Cash paid for interest expense, net	9.7	6.8	16.2	14.3	10.3
Maintenance capital expenditures	10.5	8.6	16.3	11.3	11.2
Cash available for distribution(a)	139.5	134.1	158.1	120.6	119.2
Gulfstream our 24.5%					
Adjusted EBITDA	42.9	38.7	53.5	42.9	41.5
Cash available for distribution	34.3	32.6	38.2	30.7	28.3
Market Hub our 50.0%					
Adjusted EBITDA	35.4	35.5	46.5	39.0	33.9
Cash available for distribution	34.7	32.6	40.8	36.0	31.9

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	Nine Months Ended September 30, 2010	2009	Years Ended December 31, 2009	2008	2007
	(In millions, except per-unit amount and operating data)				
Operating Data:					
East Tennessee 100% basis					
Transportation capacity (Bcf/d)	1.545	1.536	1.536	1.370	1.359
Contracted firm capacity (Bcf/d)					