



DIVISION OF  
CORPORATION FINANCE

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549-4561

October 25, 2010

Douglas S. Doremus

\*\*\* FISMA & OMB Memorandum M-07-16 \*\*\*

Re: Spectra Energy Corp  
Incoming letter dated September 30, 2010

Dear Mr. Doremus:

This is in response to your letter dated September 30, 2010 concerning the shareholder proposal you submitted to Spectra Energy. On October 7, 2010, we issued our response expressing our informal view that Spectra Energy could exclude the proposal from its proxy materials for its upcoming annual meeting.

We received your letter after we issued our response. After reviewing the information contained in your letter, we find no basis to reconsider our position.

Sincerely,

Gregory S. Belliston  
Special Counsel

cc: Reginald D. Hedgebeth  
General Counsel  
Spectra Energy Corp  
P.O. Box 1642  
Houston, TX 77251-1642

\*\*\* FISMA & OMB Memorandum M-07-16 \*\*\*

**September 30, 2010**

\*\*\* FISMA & OMB Memorandum M-07-16 \*\*\*

**Office of Chief Counsel  
Division of Corporate Finance  
Securities and Exchange Commission  
100 F. Street, N.E.  
Washington, D.C. 20549**

**Re: Spectra Energy Corp—Shareholder Proposal of Mr. Douglas S.  
Doremus**

**Ladies and Gentlemen**

I am writing to notify the staff of the Division of Corporation Finance (the "Staff") to challenge the intention of Spectra Energy Corporation to exclude the shareholder proposal authored by myself. (September 10, 2020 letter to the SEC, a copy is attached.)

It is the very duty of shareholders to demand that the company operate in a manner consistent with shareholder intentions. However, at present, those intentions cannot be brought to the attention of company management and other shareholders in any manner other than a shareholder proposal.

The very essence of "every" shareholder proposal is to impact the nature of the company business. I submit to you that "every" shareholder proposal will factually in some way influence the "ordinary business operations of the company." Thus the argument presented by Spectra Energy Corporation in citing Exchange Act Rule 14a-8(i)(7) cannot be allowed to stand.

Spectra Energy cites "SEC Rel. No. 34-40018 (May 21, 1998) in their response and specifically "the retention of suppliers." The shareholder proposal in question does nothing to challenge "the retention of suppliers." What it does do is establish a direction for the addition of "new suppliers." In addition, the new supplier selection, screening, and accrediting process is always ongoing within all

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companies that purchase significant amounts of goods and services. Hence the "micromanage" argument presented by Spectra Energy is void.

One might also question Exchange Act Rule 14a-8(i)(7) itself. Perhaps a better standard would be whether the shareholder proposal will onerously impact the company. In the case of the shareholder proposal in question here, that clearly also would not be the case.

Sincerely,

A handwritten signature in cursive script that reads "Douglas S. Doremus".

Douglas S. Doremus

Cc: Mr. Reginald D., Hedgebeth, Spectra Energy Corp.

**Spectra Energy Corp**  
5400 Westheimer Court  
Houston, TX 77056

Mailing Address:  
P. O. Box 1642  
Houston, TX 77251-1642

713.627.5400 main



(713) 627-5522 Office  
713 627-5536 Facsimile

Reginald D. Hedgebeth  
General Counsel

September 10, 2010

*VIA EMAIL AND UPS*

Office of Chief Counsel  
Division of Corporation Finance  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549

Re: Spectra Energy Corp – Shareholder Proposal of Mr. Douglas G. Doremus

Ladies and Gentlemen:

We are writing to notify the staff of the Division of Corporation Finance (the "Staff") of our intention to exclude a shareholder proposal from the materials for the 2011 Annual Meeting of Stockholders (the "2011 Proxy Materials") of Spectra Energy Corp (the "Company"). Mr. Douglas G. Doremus (the "Proponent") submitted the proposal (the "Proposal"), which is attached as Exhibit A.

In accordance with Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we hereby respectfully request that the Staff confirm that no enforcement action will be recommended to the U.S. Securities and Exchange Commission (the "Commission") against the Company if the Proposal is omitted from the 2011 Proxy Materials. As required by Exchange Act Rule 14a-8(j), enclosed are six copies of this letter and its attachments, which are being submitted not less than 80 days before the Company files its definitive 2011 Proxy Materials with the Commission. A copy of this letter and its attachments are also being mailed on this date to the Proponent in accordance with that Rule, informing him of the Company's intention to omit the Proposal from the 2011 Proxy Materials. The Company intends to begin distribution of its definitive 2011 Proxy Materials on or around March 9, 2011.

The Proposal recommends that the Company "should strive to purchase a very high percentage (defined here as more than 75%) of 'Made in USA' goods and services" which would include "almost any commercial and industrial goods or services that Spectra Energy Corp. [sic] now purchases on an everyday, annual or long term basis."

We hereby respectfully request that the Staff confirm that no enforcement action will be recommended to the Commission against the Company if the Proposal is omitted from the 2011 Proxy Statement pursuant to Exchange Act Rule 14a-8(i)(7) because the Proposal relates to the ordinary business operations of the Company.

**The Proposal may be omitted based on Rule 14a-8(i)(7) because it relates to the ordinary business operations of the Company**

Under Rule 14a-8(i)(7), a shareholder proposal may be omitted from a proxy statement “[i]f the proposal deals with a matter relating to the company’s ordinary business operations.” The Commission’s guidance for the analysis of ordinary business operations focuses on two key considerations. See SEC Rel. No. 34-40018 (May 21, 1998) (the “1998 Release”). The first is whether the tasks addressed by the shareholder proposal are “so fundamental to management’s ability to run a company on a day-to-day basis that they could not, as a practical matter, be subject to direct shareholder oversight.” The examples listed in the 1998 Release of these tasks include “decisions on production quality and quantity, and the retention of suppliers.” (emphasis supplied) The second is “the degree to which the proposal seeks to ‘micro-manage’ the company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment.”

The Proposal is directly related to the Company’s ordinary business operations. The Company provides various natural gas services to customers in the northeastern and southeastern United States and parts of Canada. The supply chain required to support these operations is highly diverse, involving a multitude of different supplies, such as steel pipe, compression engines, valves, fittings, polyethylene plastic pipe, gas meters and other consumables. These supplies are sourced from a wide range of domestic and overseas companies, often under long-term contracts to ensure adequacy and reliability of supply on favorable terms. Managing the Company’s supply chain is an integral part of the Company’s day-to-day business.

The Proposal would intrude on management’s ability to control these day-to-day operations in the best interests of shareholders insofar as it would require the Company to disregard a host of complex matters that affect the supply chain, including the relative cost, quality and availability of the materials in question, as well as logistical issues and operational matters relating to the interplay of supply chain operations with the provision of the Company’s services. Moreover, if the Company were to implement the policy advocated by the Proponent, it would be compelled to terminate existing contracts it has with suppliers located outside the United States, which would – aside from significant supply disruptions – entail cost, potential litigation exposure and an adverse impact on the Company’s overall reputation with suppliers generally. It would also require the Company to determine the extent to which its U.S.-based suppliers source components or materials from overseas companies. These are all complex matters that are beyond the knowledge of shareholders. The effect of the Proposal is clearly to micromanage the Company’s supply chain and, as such, it is squarely within the guidance provided by the 1998 Release.

The Staff has consistently concurred that proposals relating to supplier relationships may be excluded based on Rule 14a-8(i)(7) because they relate to ordinary business operations. In *International Business Machines Corp.* (Dec. 29, 2006), for example, the Staff permitted the exclusion of a proposal on the basis of Rule 14a-8(i)(7) that sought to have IBM update its evaluation process for selection of suppliers, noting that the proposal related to IBM’s

business operations and, specifically, the “decisions relating to supplier relationships.” *See also Seaboard Corporation* (Mar. 3, 2003) (concurring in the exclusion of a proposal relating to a report on use of the antibiotics in its facilities and those of its suppliers). In *Dean Foods Co.* (Mar. 9, 2007, recon. denied Mar. 22, 2007), the Staff reiterated this position in concurring that Dean Foods could exclude a shareholder proposal that would impact its choice of “process, supplies and suppliers,” since it related to the company’s ordinary business.

The 1998 Release does recognize that some matters involving “sufficiently significant social policy issues” may not be excludable under Rule 14a-8(i)(7), since they would transcend a company’s ordinary business operations. The Proposal does not, however, raise any social policy issue of this type. In this regard, we note that the Staff has regularly permitted exclusion of shareholder proposals related to foreign manufacturing, “offshoring” and outsourcing of manufacturing operations when they have related to ordinary business operations. *See, e.g., Wal-Mart Stores, Inc.* (Mar. 26, 2010) (concurring in the exclusion of a proposal requesting that the company sell only goods manufactured in the United States), *The Hershey Company* (Feb. 2, 2009) (concurring in the exclusion of a proposal requesting that company manufacture all finished products in the United States and Canada), *International Business Machines Corp.* (Jan. 9, 2008) (concurring in the exclusion of a proposal requesting that the company prepare a report on potential brand damage due to outsourcing of products and services to China).

As in the case of the social issues raised in these precedents, the Proposal’s focus on the loss of American jobs does not vitiate the fact that it is directed at the Company’s day-to-day supply chain operations. Given the complexity of the Company’s operations and supplier relationships, management of its supply chain is clearly a matter “upon which shareholders, as a group, would not be in a position to make an informed judgment.”

For the foregoing reasons, the Company believes it may properly exclude the Proposal from the 2011 Proxy Materials under Exchange Act Rule 14a-8(i)(7). Accordingly, the Company respectfully requests that the Staff not recommend enforcement action to the Commission if the Company omits from its 2011 Proxy Materials the Proposal. If the Staff does not concur with the Company’s position, we would appreciate an opportunity to confer with the Staff concerning this matter prior to the issuance of a response. The Proponent is requested to copy the undersigned on any response it may choose to make to the Staff.

If you have any questions or need any further information, please call the undersigned at (713) 627-5522.

Very truly yours,



Reginald D. Hedgebeth

## Exhibit A

\*\*\* FISMA & OMB Memorandum M-07-16 \*\*\*

**July 8, 2010**

\*\*\* FISMA & OMB Memorandum M-07-16 \*\*\*

**Corporate Secretary  
Spectra Energy Corporation  
Corporate Secretary  
5400 Westheimer Court  
Houston, Texas 77056**

**Dear Secretary:**

I am a stockholder of Spectra Energy Corporation and have been for several years. I ask that the following item be included in the year 2011 Notice of Annual Meeting & Proxy Statement as a Shareholder proposal. I wish to have stockholders vote on this proposal. I believe the proposal has merit and believe the stockholders will also find that it has merit. Attached is certification that I do in fact own the required amount of company stock and I am hereby stating that I intend to continue holding the required stock until after the 2011 Annual Meeting. Please acknowledge the receipt of this request.

### **SHAREHOLDER PROPOSAL**

Spectra Energy Corp. is a very large corporation and purchaser of many goods and services and thus has some significant purchasing clout. Thus Spectra Energy Corp. should strive to purchase a very high percentage (defined here as more than 75%) of "Made in USA" goods and services. "Made in USA" means exactly that and should not be construed to mean purchased from USA companies or subsidiaries who might be importing the goods or services. This would include almost any commercial and industrial goods or services that Spectra Energy Corp. now purchases on an everyday, annual or long term basis. "Made in USA" goods and services would replace, wherever possible, foreign made goods and services. Additionally, in some cases, the simple fact that Spectra Energy Corp. would be willing to purchase "Made in USA" goods and services could allow domestic manufacturers, who do not now provide those goods and services or produce them in the USA, to begin doing so. This will spur employment in the USA and provide Spectra Energy Corp. with a favorable advertising venue it does not now have. "Made in USA" goods and services could prove to be more expensive than foreign made goods, but by spurring manufacturing and putting Americans back to work, the net company loss is expected to be very small or maybe none at all.

Sincerely,

Douglas S. Doremus