28-Feb-2012

DCP Midstream Partners LP *(DPM)*

Q4 2011 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to the DCP Midstream Partners LP Fourth Quarter 2011 Earnings Conference Call and Webcast. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions.

[Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to Jonni Anwar, Director, Investor Relations. Mr. Anwar, the floor is yours sir.

Jonni Anwar
Director-Investor Relations, DCP Midstream Partners LP

Thank you, Mike. Good morning and welcome to the DCP Midstream Partners fourth quarter and year-end 2011 earnings release conference call. As always, we want to thank you for your interest in the partnership. Today, you will hear from Mark Borer, President and CEO and Angela Minas, Vice President and CFO.

Before turning it over to Mark, I will mention a couple of items. First, all of the slides we will be talking from today are available at our website at www.dcppartners.com in PDF format. You may access them by clicking on the investor page.

Next, I would like to remind you that our discussions today may contain forward-looking statements. Actual results may differ due to certain risk factors that affect our business. Please review the second slide in the deck that describes our use of forward-looking statements and lists some of the risk factors that may affect actual results. For a complete listing of the risk factors that may impact our business results, please review our Form 10-K for the year-ended December 31, 2011 as filed with the SEC on March 1, 2011 and updated through subsequent SEC filings. In addition, during our discussion we'll be using various non-GAAP measures including distributable

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cash flow, adjusted EBITDA and adjusted segment EBITDA. These measures are reconciled to the nearest GAAP measures in schedules provided on our website. We ask that you review that information as well.

And finally, a note about the presentation of our earnings. In January 2011, the partnership completed the acquisition of a 33.3% interest in DCP Southeast Texas Holdings GP or Southeast Texas from DCP Midstream LLC.

The results of operations presented today include the historical consolidated results of Southeast Texas for all periods presented. For comparison purposes we have also included our 2010 historical results as reported in 2010 prior to the transaction.

And now, I will turn it over to Mark Borer. Mark?

Mark A. Borer
President, Chief Executive Officer & Director, DCP Midstream Partners LP

Thanks, Jonni. Good morning everyone and thanks for joining us today for a discussion of our fourth quarter and year-end results. As you saw in our press release last evening, we delivered financial results at the midpoint of our 2011 DCF guidance.

In addition to meeting our financial goals, we have continued to diligently execute and gain momentum on our growth strategy. As you also saw in our earnings release last evening, we announced another dropdown from our general partner. 2011 was another good year for DCP Midstream partners and our investors, continuing to build on a successful track record.

On slide three you will see our agenda. I will begin by recapping our successful year and will then provide an operational update including an overview of the dropdown transaction. Angela will follow with the financial overview of the quarter and annual performance.

As we indicated in our last earnings call, we will also provide our 2012 forecast as well as insights into our three-year growth outlook, including our outlook for capital spending and distribution growth.

It's an exciting time as we move from the positioning and planning stages into full execution mode in our critical role of helping to grow the overall DCP enterprise and create value for our unitholders.

With that introduction, let's start on slide four with some highlights for the quarter and year. We generated distributable cash flow of $37.4 million for the quarter and $150.4 million for the year in line with our 2011 forecast, resulting in a distribution coverage ratio of 1.1 times for the year.

We raised our distribution again this quarter representing a 1.6% sequential quarter increase and a 5.3% increase over the rate declared in the fourth quarter of 2010 also in line with our forecast.

In 2011 one of our stated goals was to return to a model of consistent quarterly distribution growth, which we did. We raised the quarterly distribution by three quarters of $0.01 per unit for four consecutive quarters. We have now increased that to $0.01 this quarter.

We have continued to execute on our growth objective. To that end, we just announced that DCP Midstream will be contributing its remaining two-thirds interest in the Southeast Texas joint venture into the partnership. This

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transaction continues our co-investment strategy with our general partner and is a nice addition to the growth opportunities we have executed this past year.

Our performance in delivering on our commitments over time has enabled us to deliver our unitholders top quartile total shareholder return versus Midstream MLPs over our six-year history. Since our IPO in December 2005 we have provided a total return of 247% to our unitholders, which compares quite favorably to both the Alerian index at 140% and the S&P 500 index at 13%. In 2011, we continued to outperform with total unitholder return of 35% exceeding the Alerian at 14% as well as the S&P at 2%.

Let's turn to slide five for additional business plan accomplishments. We continued executing on our multifaceted growth strategy with an emphasis on co-investment with our general partner. Co-investment opportunities announced since the fourth quarter of 2010 are approximately $700 million and have included the third-party acquisition of the fee-based DJ Basin fractionators, completion of the Wattenberg fee-based NGL pipeline expansion project, commencement of construction of the fee-based 200 million cubic feet per day natural gas processing plant in the Eagle Ford shale, and the dropdowns of the remaining interests in the East Texas and Southeast Texas joint ventures from our general partner, DCP Midstream.

In addition to co-investment, we continue to capture growth opportunities in our footprint. We announced an attractive organic pipeline expansion for the Discovery system in the Deepwater Gulf of Mexico, which will provide fee-based margins under long-term contracts. We successfully executed our acquisition integration efforts for the two DJ Basin acquisitions, as well as the Marysville NGL storage facility, the Chesapeake wholesale propane terminal, and the Black Lake NGL pipeline acquisitions we completed in the second half of 2010.

We continued our strong capital markets execution in 2011, maintaining attractive liquidity and cost-of-capital metrics. Angela will provide additional color in a few moments on 2011 accomplishments.

In summary, we are pleased to have delivered on our 2011 business plan commitments.

Turning to slide six, I will provide a brief operational update starting first with our Natural Gas Services segment. We continue to view our diverse geographic footprint as a strong positive, as it provides us with access to multiple resource plays, contract types and customers, with our ongoing Eagle Ford expansion continuing to further enhance that diversity.

Our fourth quarter gas service results were tempered modestly by the timing of a planned turnaround in East Texas, and a planned extended third party outage at our Wyoming system, both of which were completed early in the quarter.

On a year-over-year basis, 2011 versus 2010, gas processing and NGL production volumes were virtually flat on our volumetric based margin system. We have continued to see a shift by producers into the liquids-rich areas as a result of sustainable favorable crude oil and NGL prices. This is evidenced by increased drilling and permit activity, where we are in active discussions with producers regarding new well connects, dedications, and new contracts. We are optimistic that this will lead to new growth opportunities at a number of our existing assets.

Our Eagle plant construction is on plan, with foundation construction and the setting of equipment progressing well. We expect to be completed with the plant during the fourth quarter of 2012. We continue to expand our scale and scope in this segment with the January closing of the East Texas transaction, and the immediately accretive Southeast Texas transaction we announced last evening.

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With that, let's turn to slide seven for some more color on the Southeast Texas transaction. Yesterday we signed an agreement with DCP Midstream for its contribution to the partnership of the remaining two-thirds interest in the Southeast Texas joint venture for $240 million.

As part of the dropdown, Midstream will take approximately 20% of the total consideration in DPM common units, which is another demonstration of its continued interest in the success of the partnership.

As a refresher, the Southeast Texas joint venture is a fully integrated Midstream business, which includes 675 miles of natural gas pipelines, three natural gas processing plants, totaling 400 million cubic feet per day of processing capacity, natural gas storage assets with 9 billion cubic feet of high deliverability salt dome storage capacity, favorable access to interstate and intrastate industrial gas markets, and NGL market deliveries to Exxon Mobil and to Mont Belvieu via our Black Lake NGL pipeline. This asset has a mix of fee and commodity based margins, with commodity exposure expected to be substantially hedged consistent with our overall hedging philosophy.

In conjunction with the transaction, Midstream will provide us with a direct NGL product hedge for a three-year period. This transaction, which provides immediately accretive cash flows is expected to close by the second quarter. It's another prime example of how we are co-investing and effectively partnering with our general partner. In line with our strategy of utilizing the MLP as a growth vehicle for the DCP enterprise, DCP Midstream will redeploy the proceeds into ongoing capital projects.

Turning to slide eight; last month we, in conjunction with Williams Partners as operator, announced the planned expansion of our Discovery natural gas gathering pipeline system in the Deepwater Gulf of Mexico. The Keathley Canyon Connector will be a new 200-mile large diameter pipeline with gathering capacity of 400 million cubic feet per day. The project is supported by long-term fee-based natural gas gathering and processing service agreements with the Lucius and Hadrian South owners.

With these experienced deepwater producers as anchor customers, the connector will provide us with significant growth opportunities for fee-based gathering volumes of the Discovery system. We expect the project to be in service in mid-2014. Capital expenditures for our 40% interest are estimated to be approximately $240 million. We are pleased with this attractive organic expansion project.

Moving to slide nine for our NGL Logistics segment. This segment generates predominantly fee-based margins and is complementary to our gathering and processing business, providing broader exposure to the NGL value chain. We had another quarter of strong volume performance and continue to be very pleased with the significant growth in scale and scope of this business over a relatively short period of time. Our assets are well positioned in strong growing markets. The Marysville NGL facility is well positioned with a storage services to the increasingly active Sarnia refining and petrochemical corridor.

We are in active discussions with various Sarnia market participants regarding storage expansion opportunities associated with NGL takeaway solutions for the Marcellus and other emerging shale plays in the area.

The recently expanded Wattenberg pipeline, which connects the DJ Basin to the Conway hub, is experiencing higher near-term throughput than originally planned due to rapidly increasing volumes in the DJ Basin. Also, in the DJ Basin, we are achieving the growth we targeted from the recently acquired fractionators.

Additionally, our Seabreeze and Wilbreeze pipelines are experiencing growth through increased volumes coming from the Eagle Ford shale. This segment has been and will continue to be a key focus area for us, as we continue to grow the partnership.

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Now moving to slide 10 for our Wholesale Propane segment. We are pleased with our expansion last season into the mid-Atlantic with our acquisition of the Chesapeake, Virginia, terminal. Given that contracting for the heating season was done in advance of the time the asset was acquired, this represents our first season to realize the full benefits of our ownership.

This winter has been one of the warmest on record in our market area. Although, given our wholesale business model and contracts, this has only had a modest tempering effect on results.

Despite the warmer weather and recent challenges in the retail propane sector, our year-to-date heating season results are on plan to exceed our record results from the 2011 – 2010/2011 heating season.

As the past several years have shown, our wholesale business model with its fee like margins and diversity of supply has been a consistent performer and provided attractive growth. Additionally, we continue to seek opportunities to grow the segment through acquisitions and an active evaluation of organic build opportunities.

With that, I will turn it over to Angela to review the financial results.

Angela A. Minas

Chief Financial Officer & Vice President, DCP Midstream Partners LP

Thanks, Mark, and thank you for joining us today. Beginning on slide 11, actual DCF results were in line with the 2011 DCF forecast that we rolled out on our earnings call this time last year. Although our business is substantially fee-based or commodity hedged, we do provide our forecast in the context of the commodity pricing environment.

The 2011 average crude oil price of $95 ($/Bbl) and NGL's approved relationship of approximately 61% for the year placed us in the original forecast range of approximately $145 million to $155 million as highlighted in the chart. Our actual DCF for the year was $150 million, which would put us approximately at the midpoint of the range. We also delivered on the distribution forecast we provided this time last year, with actual distribution growth for the year of 5.3% versus our 5% forecast.

Now, turning to slide 12 for further detail. As a reminder, consolidated financial results are adjusted to remove the impact of non-cash, mark-to-market activity of our commodity hedges, which are outlined in the appendix as well as the non-controlling interest in our joint ventures. In addition to the consolidated results, which are required to be recast as if we always owned our JV interest in Southeast Texas, we also show the results as reported in 2010, which reflect the trends and results achieved over time.

As such, I will be discussing the results as reported in 2010 as the basis for comparison. Adjusted EBITDA for the quarter increased by 28% compared to the prior year. For the full year, adjusted EBITDA increased to $179.4 million from $134.1 million for the prior year after adjusting to the $9.1 million non-cash gain associated with the acquisition of an additional interest in Black Lake in 2010, which represents an increase of 34%.

Distributable cash flow increased to $37.4 million for the quarter compared to $27.9 million for the prior year, representing an increase of 34%. Distributable cash flow for 2011 increased by 39% from $108.5 million to $150.4 million, resulting in a 1.08 times distribution coverage ratio based upon distributions declared. When adjusting for the timing of actual cash distributions paid, the cash coverage ratio for the year would be 1.14 times. As you can see, all key metrics indicate favorable trends in year-to-date results.

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Starting on slide 13 with Natural Gas Services. Adjusted EBITDA for the year increased to $144.4 million from $137.5 million for the prior year, continuing our historical growth trend. Adjusted EBITDA was $38.2 million for the quarter compared to $37.3 million for the prior year. Results for the quarter reflect the acquisition of our JV interest in Southeast Texas which was offset by the planned turnaround activity and environmental remediation at East Texas, the extended third party outage at our Wyoming asset and the timing of expenditures.

As you may recall from our last earnings call, we indicated that we anticipated that the East Texas and Wyoming system activity would impact our fourth quarter earnings by about $1 million to $2 million.

As a reminder, given that the East Texas joint venture is consolidated for accounting purposes, figures for gross margin and operating expense are shown on a 100% basis with minority interest netted to get to adjusted EBITDA for our current 50% ownership.

Pooled results for 2010 do not provide a relevant comparison, as those results include a different storage business structure and cash flow profile for our JV interest in Southeast Texas.

Our NGL logistics segment once again delivered record EBITDA results for the year, continuing the steady growth trend since our IPO. EBITDA for the quarter increased to $9.9 million from $1.7 million for the prior year.

Year-to-date EBITDA increased to $36.6 million from $10 million a year ago after adjusting for the $9.1 million non-cash gain associated with the additional interest in Black Lake in 2010. Higher EBITDA reflects our acquisition of the Marysville NGL storage facility, an additional interest in our Black Lake NGL pipeline and the DJ Basin NGL fractionators, as well as the Wattenberg capital expansion and increased throughput on our pipeline.

Slide 15 indicates the results of our Wholesale Propane segment. As a reminder, this business has some seasonality, with the majority of the earnings coming during the fourth and first quarters. Timing of winter weather and other factors may also impact earnings recognition across those quarters, so calendar year comparisons can be misleading. As such, we view the fiscal year or heating season, which is April 1 to March 31 as a more relevant comparison. For the nine-month thus far this heating season, adjusted EBITDA is the highest on record for this timeframe.

Slide 16 provides an update on our co-investment activity since we've begun this emphasis of our strategy. As a refresh, we have a three-pronged approach on how we think about co-investment alternatives in the numerous forms that it can take, effectively utilizing the partnership to finance growth for both ourselves, as well as DCP Midstream.

To summarize, the first alternative is direct investment or acquisition, in which we invest capital and assets with MLP friendly characteristics where those assets are really part of a larger strategic investment for DCP. The acquisition of the DJ Basin fractionators, which we completed last March is an example of that. Another recent example is the acquisition of the Wattenberg NGL pipeline, which was announced in early 2010 and then expanded as an organic build project with completion last May. Both of those assets are 100% fee-based and part of a larger strategic investment for DCP in the DJ Basin.

A second alternative is an organic build project in which we provide capital to construct all or part of an asset just as we announced in August with the Eagle plant construction. Here we will factor in the size of the capital investment, its cash flow, contract profile as key determinants in the selection of the project.

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A third alternative is a dropdown, with the redeployment of the cash proceeds by Midstream into other capital projects. The JVs we formed with Midstream and the resultant dropdown of interest in East Texas and Southeast Texas joint ventures are examples of this. The key element of our co-investment model is the cash flow profile and the ability to structure the investment to provide MLP friendly characteristics. Co-investment opportunities have continued at a nice pace over the past three quarters and the cumulative amount of announced co-investment now stands at about $700 million.

Turning now to slide 17 for our 2011 accomplishments in terms of financial positioning. In November, we entered into a new $1 billion five-year senior unsecured investment grade credit facility with a $250 million accordion feature. The new facility, which replaces the previous $850 million facility that was scheduled to mature in June 2012, enhances our liquidity and financial flexibility to execute our growth plan.

Over the course of the year, we continue to take a prudent, timely and cost effective approach to financing our growth. Utilizing multiple sources of capital including a public equity offering, our at market equity offering program that we put in place in August, equity issued to DCP Midstream, a term loan and borrowings on our revolver.

As we look into 2012 and beyond and consider our growth outlook, a key element of that is our financial positioning. We are committed to a financing strategy that maintains a strong capital structure, a competitive cost of capital, and significant liquidity to enable us to execute our growth strategy.

From a debt standpoint, our investment grade ratings position us well to access the public debt markets at a competitive cost. We have $250 million of 3.25% senior notes due 2015 in addition to our new credit facility. At the end of the year, we had approximately $500 million in unutilized revolver capacity.

Our effective interest rate on our total debt position at year end was 4.4%. Our credit facility leverage ratio was 3.6 times, and our debt to capitalization ratio was 47%. We have a proven track record as a seasoned frequent issuer of equity, a proven access to both the equity and investment grade debt markets is a competitive strength as we think about our ability to finance growth.

In summary, we have solid capitalization, a competitive cost to capital, substantial dry powder on our revolver to support the execution of future growth opportunities, and credit metrics in line with our investment grade ratings.

Given the items discussed, we believe that the partnership is well positioned to serve as a viable and attractive funding source for very sizable growth at the DCP enterprise, both DCP Midstream and the partnership. We will outline our plan around that very sizable growth in the next section as we discuss our 2012 forecast and our three-year growth outlook. Mark?

Mark A. Borer

President, Chief Executive Officer & Director, DCP Midstream Partners LP

Thanks, Angela. Turning to slide 19, as we reflect back on 2011 and look out over the next few years, the past year represents a milestone and an important inflection point for the DCP enterprise and consequently the partnership. It was about this time last year at Spectra's Analyst Meeting that Tom O'Connor, Chairman for both Midstream and partners shared DCP Midstream's plans for accelerating growth and expressed that he expected the partnership to be a significant source of funding for the growth capital needs of the enterprise.

During the course of the year, Midstream continued to see a considerable ramp-up in investment opportunities. Fueled by its ability to fully leverage its strong, existing asset footprint in basins with growing liquids rich

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production. Additionally, as the largest NGL producer in the lower 48, Midstream embarked on a strategy of leveraging that strength to reposition the company from being a gathering and processing centric to a full NGL value chain Midstream service provider.

This repositioning created additional NGL infrastructure opportunities such as the Southern Hills and Sand Hills NGL pipelines, which represent over $2 billion of investment in projects with attractive fee-based earnings. Those pipeline investments have also created a platform for additional growth going forward as the NGL logistics needs of the industry continue to grow.

During our earnings call last August, we introduced to you our high-level three-year transformational growth outlook depicted on slide 19. We discussed how we were thinking about growth opportunities both at the partnership and more broadly within the DCP enterprise. Given sources of growth opportunities at both the partnership and Midstream, our growth strategy continues to be multifaceted. With a significant level of growth opportunities currently in Midstream's footprint we would expect relatively more emphasis of co-investment over the next few years.

From a transformational standpoint, we believe the enterprise growth opportunities will support the evolution of the partnership into a large scale MLP processing substantial fee-based assets, a diversified asset portfolio, and significant NGL infrastructure assets.

Turning to the next slide, I will provide more insights into our three-year growth outlook beginning with co-investments. $4 billion of projects and execution plus over $2 billion of potential opportunities, Midstream's annual growth capital is going to be multiples higher than it has been. Our corporate structure give us tremendous flexibility to fund our growth, while continuing to pay attractive distributions to DPM unitholders as well as enabling Midstream to continue distribution to its owners, Spectra and ConocoPhillips, or soon to be Phillips 66. While growth funding can be somewhat lumpy, our current thinking is that Midstream will fund $600 million to $800 million a year of total capital, with partners funding the remainder due to various forms of co-investment.

Putting some numbers in timeframes behind this; with the East Texas dropdown we closed on January 1, and the Southeast Texas dropdown announced last night, this puts our co-investment today at over $700 million.

For 2012, we are targeting $600 million of co-investment opportunities with Midstream including the immediately accretive Southeast Texas dropdown we announced last evening.

In the 2013 and 2014 timeframe, we would expect over $1 billion annually in co-investment capital. Subject to approvals of both the Midstream and partners' boards, we would expect the Southern Hills and Sand Hills NGL pipelines to ultimately reside within the partnership.

As a brief update, Southern Hills, which is the 150,000 barrel a day project from the Midcontinent to Mont Belvieu is moving along very nicely and is expected to be in service by mid 2013.

The primary route was recently extended to the northwest to allow direct connections to several DCP and third party processing facilities, bringing the project cost to approximately $1 billion. The additional pipe has been ordered, permits and right-of-way are moving forward and the conversion of the former Seaway pipeline to NGL service is underway.

Sand Hills, which will provide NGL transportation services from the Permian and Eagle Ford to the Gulf Coast markets is also on-time and on-budget. Permitting and right-of-way are advancing, and construction is underway. The first phase for Eagle Ford service is expected to be completed later this year, and Permian volumes are

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expected to flow mid-2013. As you can see, the pace and scale of co-investment opportunities is expected to further accelerate with specific opportunities identified and targeted for the partnership.

On slide 21, we layer-in known budgeted organic expansion capital projects in our footprint, including discoveries Keathley Canyon project discussed earlier. Also included for 2012 are various expansions and upgrades at our natural gas services and NGL logistics businesses.

We believe that drilling around the liquids rich and emerging shale plays will continue to provide infrastructure development and expansion opportunities. We continue to evaluate organic expansion and bolt-on opportunities in and around our footprint, which we expect to be in the $100 million range annually.

Opportunities in our footprint complement our co-investment activities and enhance our growth outlook. We are very pleased and excited to be executing on a visible pipeline of approximately $3 billion of attractive growth opportunities through 2014.

Angela will now discuss how that all translates into our 2012 guidance and targeted distribution growth rates.

Angela A. Minas

Chief Financial Officer & Vice President, DCP Midstream Partners LP

Thanks, Mark. Turning to slide 22, our 2012 DCF and distribution guidance includes our estimate of the contribution from the pending Southeast Texas dropdown. Our 2012 DCF forecast is provided in the context of various commodity price scenarios. Natural gas price, which results in only limited commodity price sensitivity to our margin is assumed to be $3 in each case. If you take into account the commodity prices over the last year and average analyst expectations for 2012, the table would indicate DCF between $180 million and $190 million, which represents a 20% to 25% increase over 2011.

By comparison, our current annual distribution level is $147 million. The forecast assumes organic expansion capital of $250 million to $300 million and maintenance capital of $15 million to $20 million. Consistent with past practice, our DCF forecast excludes the impact of potential future acquisitions or co-investment opportunities or any unannounced organic expansion projects.

Growth opportunities executed in 2011 contribute substantially to the increase in DCF from 2011 to 2012. The East Texas dropdown is immediately accretive, beginning January 1, and the Southeast Texas dropdown is immediately accretive once it is closed by the second quarter. We expect the Eagle plant to come online by the fourth quarter, thereby largely being a 2013 contributor to DCF. We are targeting distribution growth of 6% to 8% in 2012, which we believe can be achieved through our existing asset base in, conjunction with identified and targeted co-investment capital in 2012.

Moving on to our three-year growth metrics, on slide 23. Our visible pipeline of growth opportunities, that Mark discussed, provides an outlook for increased future distribution growth.

Embedded in our 2012 forecast at the 6% is the $0.01 increase we made last quarter and the assumption that we would continue to increase the distribution an additional $0.01 every quarter at a minimum, with some upside from there.

As you get into 2013 and 2014, our projections are for distribution growth of 6% to 10% annually. Again, that is assuming base business cash flows plus approved projects and identified and targeted co-investment opportunities.

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Additionally, execution on the visible growth opportunities in our pipeline will enable us to rapidly achieve size and scale and the advantages that come with that. Our current outlook of identified and targeted investments would more than triple our asset-base and cash flows by 2015.

Our gross investments are also expected to be transformative in nature, as you can see on slide 24. The emphasis on NGL infrastructure investments increases both our fee-based margins and our asset diversity. With our gathering and processing investments, we will target a healthy mix of fee-based assets, although the percentage of fee-based may fluctuate periodically depending on the nature and timing of specific investments.

Of our commodity based margin, we intend to continue to hedge a significant portion of our equity position in natural gas liquids, condensate and natural gas in the current year, and maintain a multi-year hedging program.

Our sizable fee-based revenues, multi-year hedging program, and asset diversity, underpin our investment grade ratings and steady distributions that are key for MLP investors, and important to our overall strategy.

I will now turn it back to Mark for some summary remarks.

Mark A. Borer

President, Chief Executive Officer & Director, DCP Midstream Partners LP

If you'll turn to slide 25, I'd like to close this morning with a few brief summary points. First, we're pleased to have successfully delivered on the key elements of our 2011 business plan. The growth opportunities that we have captured over the past year, plus other potential opportunities in the pipeline, will contribute to distributable cash flow in 2012 and beyond.

Our investment grade ratings, cost of capital, and proven access to capital markets, positions us well to support the execution of the DCP Midstream strategy to utilize the partnership as a key growth vehicle. The large-scale visible growth opportunities currently in our pipeline puts us well on our way to becoming a large scale diversified Midstream MLP. Our target continues to be top quartile total shareholder return, which is underpinned by our visible growth opportunities and strong distribution growth outlook.

We believe our structure is unique and provides benefits to all of the key stakeholders of both Midstream and the partnership. The partnership's access to capital markets supports Midstream's execution on escalating growth opportunities while balancing distributions to Spectra and ConocoPhillips.

As a significant owner of the partnership, Midstream will realize increasing cash distributions from the partnership. The partnership, in turn, will realize accelerating growth, and is able to participate in very significant projects which otherwise might be difficult for the partnership to execute on its own.

We are excited about the future and look forward to delivering on this attractive value proposition.

That's the conclusion of our prepared remarks. As I turn it back over to Mike, the operator, for your questions, I just want to express my appreciation for your interest in the partnership and joining the call today.

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QUESTION AND ANSWER SECTION

Operator: Thank you, sir. We will now begin the question-and-answer session. [Operator Instructions]

The first question we have comes from Barrett Blaschke of Kayne Anderson. Please go ahead.

Barrett Blaschke
Analyst, Kayne Anderson Capital Advisors LP Q

Yeah, good morning. First, could you repeat the amount for the organic spend for 2012, please, for growth?

Angela A. Minas
Chief Financial Officer & Vice President, DCP Midstream Partners LP A

Yes. 2012 would be $250 million to $300 million. So the majority of that would be the Eagle plant and Keathley Canyon. With some, some other spend related to expansion upgrades on our base assets.

Barrett Blaschke
Analyst, Kayne Anderson Capital Advisors LP Q

Okay. And then could we get into a little more detail on some of the components of the acquisition, the dropdown acquisition. Specifically on Spindletop, how much of that is contracted today of the 9 Bcf, and kind of when do those contracts roll off?

Mark A. Borer
President, Chief Executive Officer & Director, DCP Midstream Partners LP A

Good morning, Barrett. This is Mark.

Barrett Blaschke
Analyst, Kayne Anderson Capital Advisors LP Q

Morning, Mark.

Mark A. Borer
President, Chief Executive Officer & Director, DCP Midstream Partners LP A

The bulk of the contracts there are really handled inside of our optimization model that we have for the business. We've historically had a mix of leases as well as optimization, and at this point in time we're pretty heavily weighted to the optimization side of the equation.

Barrett Blaschke
Analyst, Kayne Anderson Capital Advisors LP Q

Okay. So there is a pretty sizable marketing business in there?

Mark A. Borer
President, Chief Executive Officer & Director, DCP Midstream Partners LP A

Yes.

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Barrett Blaschke
Analyst, Kayne Anderson Capital Advisors LP
Q

Okay. And could you also kind of walk us through sort of an expectation for EBITDA from this dropdown?

Angela A. Minas
Chief Financial Officer & Vice President, DCP Midstream Partners LP
A

Given the materiality in terms of the size, we will be publishing historical financials in conjunction with our 10-K tomorrow. So you'll see on a historical basis, we'd be looking at roughly a nine times multiple on that.

Barrett Blaschke
Analyst, Kayne Anderson Capital Advisors LP
Q

Okay. Thank you. And then, is the additional expectation for 2012 dropdowns, I just want to be clear, that's with or without the dropdown that was announced? So it could be $600 million....

Angela A. Minas
Chief Financial Officer & Vice President, DCP Midstream Partners LP
A

The $600 million....

Barrett Blaschke
Analyst, Kayne Anderson Capital Advisors LP
Q

Plus this $240 million?

Angela A. Minas
Chief Financial Officer & Vice President, DCP Midstream Partners LP
A

The $600 million includes the $240 million, so the balance would be $360 million.

Barrett Blaschke
Analyst, Kayne Anderson Capital Advisors LP
Q

Okay.

Mark A. Borer
President, Chief Executive Officer & Director, DCP Midstream Partners LP
A

And in addition to that, Barrett, we have the approved projects in the footprint,that we talked about earlier.

Barrett Blaschke
Analyst, Kayne Anderson Capital Advisors LP
Q

Okay. Got it. All right. Thank you. That's all I had.

Operator: [Operator Instructions] The next question we have comes from Michael Blum of Wells Fargo.

Michael Jacob Blum
Analyst, Wells Fargo Advisors LLC
Q

Hi. Good morning, everybody.

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Mark A. Borer
President, Chief Executive Officer & Director, DCP Midstream Partners LP
A

Good morning, Michael.

Michael Jacob Blum
Analyst, Wells Fargo Advisors LLC
Q

Just a couple of questions, I guess. One, I probably didn't have enough coffee this morning, but on slide 21, I'm just trying to reconcile, you said organic capital in 2012 would be $250 million to $300 million. But then the green piece of the bar on that chart is $150 million. So I'm just trying to figure out the $600 million and the $150 million, and reconciling that with the dropdown in the organic number you threw out? Sorry for the confusion.

Angela A. Minas
Chief Financial Officer & Vice President, DCP Midstream Partners LP
A

Sure. The yellow bar, the $600 million, which is the co-investment, would include the Eagle plant capital expenditures. The approved projects in our footprint would be those things that we do not consider to be co-investment with our general partner. So Keathley Canyon would represent the bulk of what's in green there. And as I indicated, some additional expansion on some of our base assets, which is more nominal, is the green component.

Michael Jacob Blum
Analyst, Wells Fargo Advisors LLC
Q

Okay. Got it. Okay.

And then just back to the acquisition you announced last night. Can you just remind us what's the breakout overall for that asset between fee and commodity, and what the contract mix looks like?

Mark A. Borer
President, Chief Executive Officer & Director, DCP Midstream Partners LP
A

Michael, we have a mix of gathering and – the gathering and processing there is primarily percent of liquids' contracts. And then the marketing-related business has transportation and industrial markets as well as the storage optimization.

And Angela, do you have that split on the fee side of it? Is it, I think it's about 70% commodity, which will be substantially hedged, I mentioned the three-year hedge for the commodity. And then approximately 30% fee-based for the transportation industrial markets as well as the storage optimization.

Michael Jacob Blum
Analyst, Wells Fargo Advisors LLC
Q

Okay. Great. Thank you very much.

Operator: The next question we have comes from Avi Feinberg of Morningstar. Please go ahead.

Avi Feinberg
Analyst, Morningstar Research
Q

Hey, good morning, guys.

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Mark A. Borer
President, Chief Executive Officer & Director, DCP Midstream Partners LP

A

Good morning.

Avi Feinberg
Analyst, Morningstar Research

Q

Just had a quick question on how you think about some of the co-investment opportunities in 2013 and getting into '14. Just with obviously the much larger dollar amounts there. Do you think about the capital maturity of those types of assets any differently? And how long a lag time the partnership might be able to handle in terms of cash flow produced from those assets? Or is it still similar to kind of how you'd look at that historically?

Mark A. Borer
President, Chief Executive Officer & Director, DCP Midstream Partners LP

A

I would say, this is Mark, I would say that the way we look at this type of investment is continuing to balance the, any organic projects with immediately accretive projects given our distribution growth targets. Specifically as we look at 2013 and 2014, as I have mentioned in my prepared remarks, we would be specifically targeting the Sand Hills and Southern Hills pipelines as – the Sand Hills pipeline is coming on in the second half of 2012, at least as to the Eagle Ford, and then we expect to be in full service by sometime 2013.

And then on Southern Hills, we would expect that to be in service mid-2013. So we would think that the bulk of this investment would be immediately accretive type investment related to these two large NGL pipeline projects.

Avi Feinberg
Analyst, Morningstar Research

Q

Okay. Thanks. That's all I had. Appreciate that.

Mark A. Borer
President, Chief Executive Officer & Director, DCP Midstream Partners LP

A

Thank you.

Operator: The next question we have comes from Cathleen King of Bank of America Merrill Lynch.

Cathleen King
Analyst, Bank of America Merrill Lynch

Q

Thank you. Good morning. My question is regards to this Spindletop assets at the joint venture with the dropdown this morning. And just to clarify, you talked about the optimization activities there, but is DCP Midstream LLC still contracting with you on a fee basis so that your storage margins will be totally fee there and basically locked in for the next few years?

Mark A. Borer
President, Chief Executive Officer & Director, DCP Midstream Partners LP

A

We, on this transaction we decided to really value the storage at a short-term market view with an improving view over time. So we will have the storage really part of an overall optimization model and we will not have the fixed fee contract structure that we had on the initial transaction.

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Cathleen King
Analyst, Bank of America Merrill Lynch
Q

Okay. Okay. Understood. And then any growth opportunities you're contemplating at the Southeast Texas assets at this point?

Mark A. Borer
President, Chief Executive Officer & Director, DCP Midstream Partners LP
A

We continue to see some nice gather – or nice drilling activity there and gathering some expansions as we look at our footprint there. We also are completing and it's been substantially funded already, but we'll also be completing the expansion of the storage in sometime in late '12 or early '13.

Cathleen King
Analyst, Bank of America Merrill Lynch
Q

Okay. Thank you.

Mark A. Borer
President, Chief Executive Officer & Director, DCP Midstream Partners LP
A

Thank you.

Operator: [Operator Instructions] Well, at this time, it appears that we have no further questions. We will go ahead and conclude our question-and-answer session. I would now like to turn the conference back over to management for any closing remarks.

Mark A. Borer
President, Chief Executive Officer & Director, DCP Midstream Partners LP

I'd just like to thank you all again for your interest in the partnership. And if you have follow-up questions over the coming days, please feel free to contact Jonni or Angela and we can definitely make ourselves available to visit. Thanks and have a good day.

Operator: Thank you, sir. And thank you to the rest of management for your time. The conference has now concluded. We thank you all for attending today's presentation. At this time you may disconnect your lines. Thank you and have a good day.

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