DCP Midstream Partners Presentation at 2012 NAPTP Master Limited Partnership Investor Conference
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Host

Okay, good afternoon. We want to pick up the next presentation. Next up we have DCP Midstream Partners, ticker DPM. With us from DCP is Mark Borer, CEO. And also in the room we have Rose Robeson, CFO and from Investor Relations, Jonni Anwar. I'm going to hand it off to Mark.

Mark Borer

Good afternoon. I want to thank the association for their sponsorship. These types of conferences are very important to the capital formation in the space. I will be making some forward-looking statements today, within the meaning of security law. So please read the slide in our SEC disclosures.

I will start today with the partnership's key investment highlights. Our affiliation with DCP Midstream, Spectra Energy, and Phillips 66 provides us with a number of competitive advantages. In addition to the Spectra and Phillips 66 ownership interests, we also have numerous strategic and commercial relationships with them. In conjunction with our general partner, we are the primary vehicle for their long term strategic investment and participation in the Midstream space. You'll see today we have a diverse business model and geographic footprint, with significant fee-based businesses. We have a multi-year hedging program that supports our growth strategy and provides a very stable platform for distribution growth.

We are well underway on executing our growth strategy with an emphasis on co-investments with our general partner. The opportunity to co-invest with our general partner is transformational to our company. Our enterprise value today is approximately $3 billion, and with the visible pipeline of growth from co-investment with our general partner of approximately $3 billion over the next three years, we expect to double the size of the company. Our performance in delivering our commitments has enabled us to deliver our unit holders top quartile shareholder return over our six year plus history in MLP space.

Lastly, we have investment grade ratings from all three rating agencies, and they have demonstrated excess to both the debt and equity capital markets. Given all these factors, we believe DCP Midstream Partners represents a compelling investment opportunity. I'd like to spend a couple of minutes on our ownership structure and sponsorship. Starting at the top, Spectra Energy and Phillips 66 are the 50/50 owners of DCP Midstream LLC, one of the largest gathering and processing companies in the United States. Effective May 1, ConocoPhillips completed the spinoff of their downstream business, Phillips 66, who now owns the 50% interest in DCP Midstream.

In terms of size, in conjunction with Spectra's investor call this year, DCP Midstream provided a forecast of $1.8 billion for its 2012 EBITDA. Below Midstream is DCP Partners, the public entity that I represent. As we discussed our growth plans today, I will at times refer to DCP Midstream and DCP Partners as the DCP enterprise.

Midstream owns our GP, and about 25% of the partnership. Midstream is a private company that has implemented a co-investment strategy with the partnership to fund growth for the DCP enterprise, providing transformational growth for DPM or the partnership. It's important to note that the partnership as a public entity provides the necessary access to the public equity markets. As such, the partnership is a key component for funding the overall growth of the DCP enterprise.

The enterprise is the largest producer of natural gas liquids in the United States. Producing over 400,000 barrels a day of NGL, which is approximately 20% of the NGL production in the U.S. from gas processing plants. We're also among the largest natural gas gatherers and processors in the U.S. with through-put at over 7 trillion BTUs per day. Together, Midstream and partners represent a broad based asset platform spanning across multiple producing regions, with 60 something processing plants, 12 Fractionators, and over 60,000 miles of pipeline.

We're involved in all aspects of the gathering, processing, treating, storing, and marketing of natural gas, as well as the production, fractionation, transportation, marketing, and storage of NGL. We believe this is a business where size and scale matters. It enhances our ability to offer customers superior overall value and services. Our assets are well positioned in most of the major Shale and liquids rich place, which is providing us with a rapidly set of investment opportunities.

The DCP enterprise has an excellent existing asset position. The drilling activity in the liquids rich areas has led to a $4 billion plus slate of projects, in execution for the enterprise. On this map you can see a couple of the major Y-grade expansion pipelines, Sand Hills and Southern Hills. They are to be placed into service in mid 2013. Sand Hills Pipelines will provide transportation service from the Permian and Eagle Ford to Mount Bellevue. The Southern Hills Pipeline will provide transportation from the Mid Continent to the Gulf Coast markets.

A couple of recently announced projects will add additional flexibility to the DCP enterprise interconnected system. The new front-range pipeline, being jointly developed by DCP Midstream, Enterprise, and Anadarko will connect producers in the D-J Basin to reliable takeaway capacity and market access to the Gulf Coast. In addition, the partnership recently acquired a 10% interest in the Texas Express Pipeline, joining Enterprise, Enbridge, and Anadarko in a joint venture. All these pipeline projects are primarily supported by buy-ins, owned or controlled by the owners.

In addition to these fee-based pipeline assets, Midstream has announced plans to invest in more than 700 million cubic feet a day of new processing capacity, and over 1500 miles of new gathering infrastructure between now and 2015. As illustrated on the previous slide, Midstream continues to see significant investment opportunities, fueled by its ability to fully leverage a strong existing asset footprint in basis with growing liquids risk production.

Given the sources of growth opportunities are both the partnership and Midstream. Our growth strategy continues to be multifaceted, including co-investment, third party acquisitions and organic growth. However, with the significant level of growth opportunities currently in Midstream's footprint, we would expect significantly more emphasis on co-investment over the next few years. The partnership's commitment to date in our identified co-investments opportunities totals over $3 billion, which in turn will provide attractive distribution growth for our unit holders. From a transformational standpoint, we believe these growth opportunities will support the evolution of the partnership into a large scale MLP, possessing substantial fee-based assets, a diversified asset portfolio and significant NGL infrastructure.

With this portfolio of $4 billion in 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 gives us tremendous flexibility to fund growth, while continuing to pay attractive distributions to DPM unit holders. As well as enabling DCP Midstream to continue distributions to its owners, Spectra and Philip 66.

While growth can be somewhat lumpy, our current thinking is that Midstream will find $6 to $800 million a year of total capital, with partners finding the remainder through the various forms of co-investment. Putting some numbers and timeframes behind this, with the East Texas dropdown we closed in January and the South East Texas dropdown close in March, this puts our co-investments to date at nearly $800 million. For 2012, we're targeting $600 million of co-investment opportunities with DCP Midstream, including the immediately creative South East Texas dropdown. In 2013 and 14 timeframe, we would expect over $1 billion annually in co-investment capital spending for the partnership.

As previously stated, subject to approvals of both the Midstream and partner's boards, we would expect the Southern Hills and Sand Hills NGO pipelines ultimately reside within the partnership.

As a brief update, Southern Hills, which is a 150,000 barrel day project from the mid-continent to Mount Bellevue, 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 connection to several DCP and third party processing facilities, bringing the total project cost to approximately $1 billion.

Sand Hills, which will provide NGO transportation services from the Permian and Eagle Ford to the Gulf coast markets, is on time and on budget permitting right of way, are advancing and the construction is under way. The first phase for Eagle Ford service is expected to be completed later this year and the Permian segment is expected to flow by 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.

Our growth investments are expected to be transformational in nature, as you can see on this slide. The emphasis on NGO infrastructure investment increases both our fee based margins, and our asset diversity. Along with our gathering and processing investments we will target a healthy mix of fee based assets. Of our commodity based margins we intend to continue to hedge a significant portion of our equity position in natural gas liquids, condensates, and natural gas as part of a multi-year hedging program. Our sizable fee based revenues, multi-year hedging program, and asset diversity underpin our investment grade ratings from all three rating agencies and steady distributions that are a key for MLP investors.

As we consider our growth outlook, a key element is our financial positioning. We're committed to a financing strategy that maintains a strong capital structure, a competitive cost to capital, and significant liquidity to enable us to execute our growth plans. From a debt stand viewpoint our investment grade ratings position us well to access the public debt markets, at a competitive cost. We're pleased to be one of only 15 MLPs that carry that distinction. We're also pleased to have recently obtained an investment grade rating from Moody's, which was in addition to already existing investment grade ratings from SMP and Fitch.

We've termed out approximately 70% of our bank debt, and our overall debt rate of 4.4% is extremely competitive. In addition, our track record as a seasoned, frequent issuer of equity, coupled with our proven access to the investment grade debt markets is a competitive advantage. Lastly, we have over

$700 million of available capacity on our bank lines providing substantial liquidity.

Let me spend a few minutes on each of our three business segments, starting first with our largest segment, natural gas services. This business generates margins from a mix of fee and commodity based assets, with our commodity position substantially hedged. Each of our businesses in this segment has an attractive market position. In the aggregate we have over 1.6 billion cubic feet a day of processing capacity and approximately 5,000 miles of pipeline. We view our diverse geographic footprint as a strong positive, as it provides us with access to multiple resource plays, including both oil and gas plays, as well as conventional gas, and the unconventional shale plays.

We have continued to see a ramp-up in activity in the liquids rich areas, as a result of favorable NGO and crude prices. The segment has experienced substantial growth for the partnership, with our entry recently into the Eagle Ford and the drop down of the remaining 50% interest on our East Texas assets and a remaining two-thirds interest in our Southeast Texas assets, as well as our Keathley Canyon project in the deep water.

I'll now provide some more detail on two growth projects that are well underway. In 2011 we reached an agreement with Midstream for the partnership to construct a 200 million cubic per day, cryogenic natural gas processing plant in the Eagle Ford Shale to process Midstream's controlled gas volumes. The Eagle plant, which represents a $120 million investment, will enhance Midstream's existing South Texas super system, where they have 5 natural gas processing plants with about 800 million cubic feet a day of capacity. The development of the Eagle plant represents a prime example of how we are co-investing, and effectively partnering with our general partner, and is also in line with our strategy of utilizing the MLP as a growth vehicle for the enterprise.

Now turning to Discovery. Earlier this year we announced in conjunction with Williams Partners 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 connecter will provide us with significant growth opportunities for fee-based gathering volumes on the Discovery system. We expect the project to be in service by mid 2014, and that capital expenditures for our 40% interest will be approximately $240 million. We're pleased with this very attractive, organic expansion project.

Our NGL logistics segment is complementary to our gathering and processing business, providing broader exposure to the NGL value chain with assets that are well positioned in strong and growing markets. We're very pleased with the significant growth in scale and scope of this predominately fee-based business over a short period of time. And we expect this segment to have significant growth in the next few years with the anticipated addition of the Southern Hills and Sand Hills Pipelines.

Our current assets in this segment support the growing supplies in both the Eagle Ford and DJ Basins. The Wattenberg Pipeline, expanded in early 2011, transports NGLs from the DJ Basin to the Conway Hub. In addition, we also have to NGL fractionation facilities in the DJ Basin, which are supplied by Midstream plants.

The Marysville NGL storage facility is well positioned across the river from the active Sarnia refining and petrochemical corridor. We're in active discussions with various market participants regarding storage expansion opportunities associated with NGL take-away solutions for the Marcellus and other emerging shale plays in the area. This segment now comprises approximately 20% of our over-all business, and will continue to be a key focus area for us as we continue to grow the partnership.

Finally, our recent announcement of a 10% acquisition of an ownership position in Texas Express, further enhances our NGL position. On April 12th we acquired a 10% interest in this joint venture from Enterprise Product Partners, representing a total planned investment for us of $85 million. The infrastructure project will provide much needed take-away capacity from the Rockies, Permian Basin, and the Mid-Continent to the Gulf Coast, providing producers an opportunity to access the largest NGL market in the U.S. Originating near Skellytown in Carson County Texas, the 20-inch diameter NGL pipeline will extend approximately 580 miles, to the NGL fractionation and storage complex at Mont Belvieu. This investment further diversifies our asset portfolio and enhances our scale and strategic positioning in the NGL infrastructure business.

Texas Express is also integral to Midstream's assets and strategic positioning, including synergies with its recent investment in the Front Range NGL pipeline joint venture, which will connect the DJ basin to Skellytown in Texas Express. As Midstream is one of the largest gathers and processors in the DJ basin in Mid-Continent, Texas Express will help provide Midstream and its customers with reliable takeaway capacity. In conjunction with our investment, Texas Express, Midstream committed 20,000 barrels per day to the pipeline. This pipeline is expected to be completed by the second quarter of 2013.

Our third and final segment is our wholesale propane business. We enjoy a favorable market position in this business, as one of the largest wholesale propane suppliers in the northeast and mid-Atlantic US. Our existing business is comprised of six owned rail terminals, a pipeline terminal and an owned, as well as a leased marine import terminal. A key competitive advantage of this business is spread through supply options, which not only supply our base business but allow us to also capture upside opportunities during favorable market conditions.

The nature of our contracting ties the sales price and the purchase price to the same index, thus, locking in a margin, which provides us fee-based earnings. This winter has been one of the warmest on record in our market area, although given our wholesale business model and contracts; this is only at a modest tempering of our results. 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 has provided attractive growth.

Up close where I started with our key investment highlights, our affiliation with Midstream, Phillips 666 and Inspector Energy provides us the number of competitive advantages. We are the primary vehicle for their long-term strategic investment and participation in the Midstream space. We have a diverse business model and geographic footprint, with our growing portfolio of assets with strong market positions. We're well underway on executing our growth strategy, with an emphasis on co-investment with our general partner.

The opportunity to co-invest with our GP is transformational for our company. With a visible pipeline of growth for the partnership of approximately $3 billion over the next three years, we expect to more than double the size of our company, and provide attractive distribution growth for our unit holders. We have invested in great ratings from all three rating agencies, demonstrated access to both the debt and equity markets.

Finally, we're committed to be a legacy company and leader in the Midstream space. Given these factors, we believe DCP Midstream partners or DPM represents a compelling investment opportunity. I want to thank you for your time today and I'd be glad to take any questions you might have.

Questioner

The distribution growth rate that you've put up for 6-10% per year. Is that assuming dropdowns or without dropdowns from Midstream?

Mark Borer

It would be in conjunction with our multi-faceted strategy of co-investment or dropdown, as well as organic projects and acquisitions that the partnership makes. But we've actually identified $3 billion of identified projects which will support that distribution growth. So really it doesn't rely on acquisitions, but that is part of our strategy.

Questioner

So what percent of the distribution growth is organic and what percent is dropdown?

Mark Borer

The organic projects have a more favorable, multiple overall, because they're bolting onto our existing systems. I would imagine that it would be somewhere around 70-80% of the growth would be in the co-investment drop-downs, and then right around 20% would be related to organic projects.

Questioner

So, the growth is highly dependent upon the dropdowns then?

Mark Borer

Yes, sir.

Questioner

OK. Thank you. When you hedge your commodity exposure, do you do it by NGL hedges directly? Or do you do it through crude? And if you do it through direct hedges of NGL's is there adequate liquidity in that space?

Mark Borer

On the latter part of it the liquidity is generally about 3 years. We do use direct NGL hedges, as well as crude oil and natural gas hedges. Presently, for example in 2012, about 60% of our liquids production is hedged with direct product or NGL hedges. So we have about 60% this year and I think next year is roughly 40%. We tend to converge, we do not hedge - as an example - the ethane part of the barrel within a crude proxy. We have used crude from time to time for the propane plus part of the barrel.

Questioner

But ethane the same, Butane you hedge directly?

Mark Borer

We have about 60% in 2012 with direct product hedges, that's correct.

Questioner

And there's adequate depth in the market for that?

Mark Borer

We have done some directly with the market and we've also have hedges on with our general partner.

Questioner

Oh, OK.

Questioner

On the construction front, is LLC or DPM going to be running Sandhill or Sandridge?

Mark Borer

On both of those, both Sandhills, the question relates to who is handling the construction of the Sandhills and Southern Hills pipelines. And at this point Midstream is managing the construction of both those projects. We would expect sometime in and around their commercial operation that we would begin to move those pipelines into the partnership.

Questioner

Got it.

Mark Borer

Thank you, Ross. I want to thank you for your time today. I appreciate it and thank you very much.