FINAL TRANSCRIPT

Thomson StreetEvents℠

DPM - DCP MIDSTREAM PARTNERS LP Conference Call

Event Date/Time: Dec. 08. 2008 / 8:30AM ET

CORPORATE PARTICIPANTS

Karen Taylor
DCP MIDSTREAM PARTNERS LP - Director, IR

Mark Borer
DCP MIDSTREAM PARTNERS LP - President & CEO

Angela Minas
DCP MIDSTREAM PARTNERS LP - CFO

Tom O'Connor
DCP MIDSTREAM PARTNERS LP - Chairman

CONFERENCE CALL PARTICIPANTS

Gabe Moreen
Merrill Lynch - Analyst

Michael Blum
Wachovia - Analyst

William Adams
Pemco - Analyst

Yves Siegal
Aroya Capital - Analyst

PRESENTATION

Operator

Hello, and welcome to the DCP Midstream Partners Investor Analyst call. This conference -- conference call. All participants will be in a listening only mode. There will be an opportunity for you to ask questions at the end of today's presentation. (OPERATOR INSTRUCTIONS) Please note this conference is being recorded. Now I'd like to turn the conference over to Karen Taylor. Ma'am, please begin.

Karen Taylor - *DCP MIDSTREAM PARTNERS LP - Director, IR*

Thank you. Good morning, everyone, and thank you for joining us. Participating on the call this morning are Mark Borer, President and CEO of the Partnership, Angela Minas, Vice President and CFO of the Partnership: and Tom O'Connor, Chairman, President, and CEO of DCP Midstream, the owner of our General Partner.

Before we begin, I would like to remind you that we will be making forward-looking statements during our discussions this morning and actual results may differ from our projections. Please review the second slide in the presentation that describes some of the risk factors that may impact our actual results. The more complete listing of risk factors is outlined in our SEC filings. In addition, during our discussion we will use various non-GAAP measures including forecasted EBITDA, forecasted adjusted EBITDA and forecasted distributable cash flow. These measures are reconciled to the nearest GAAP measure in schedules at the end of the presentation starting with slide 15. We ask that you read those slides as well. After our prepared remarks, we will take your questions. We will have a hard stop on this call at 9:20 Eastern time just before the market opens and with that I'll turn it over to Mark.

Mark Borer - *DCP MIDSTREAM PARTNERS LP - President & CEO*

Good morning. Appreciate you joining us at this early hour on a Monday. From an investor viewpoint we feel it's important to have this call today to provide additional color on our business and outlook, as we are operating in a dramatically different environment than we were a few months ago or even a few weeks ago. We are here this morning to provide you with our view of DPM's outlook for 2009 and 2010 and to assure you that our business plan is reasonable and achievable, our current distribution is prudent and appropriate and we intend to maintain it, we anticipate near term challenges until our Operations at Discovery and Douglas come back online and new projects ramp up, but we are confident we can overcome these challenges even in a low commodity price environment. Furthermore our sponsors providing support via drop down transaction to grow our asset base and provide financial strength to bridge our near term challenges.

Let's move on to slide four and review our outlook for the Partnership. In this volatile market environment we've been very focused on the fundamentals. Mainly, the restoration of Operations, executing on our organic growth program, and maintaining liquidity. All of these contribute to a forecast that supports maintaining our current distribution. Restoration of Operations at Discovery, our offshore asset and our Douglas System in Wyoming is proceeding as planned. The hurricane damage to Discovery has resulted in the shut-in of offshore volumes since early September. We expect repairs to Discovery's 30 inch line to be completed in late December. Approximately 85% of curtailed offshore volumes and associated margins will be returned to production once the 30 inch is in service, with the remainder planned to be restored about 30 days after that. Discovery's distributions are paid one quarter in arrears, but note that when we discuss our forecast, we have assumed no distribution from this asset for the first quarter of 2009. We are on track with the pipeline integrity work and system enhancements to our Douglas System. We plan on restoring 80% of the volumes and associated margins by year-end and all volumes by early March. This project remains on budget.

We are executing on our organic capital program to expand our gathering systems in East Texas and the Piceance basin of Western Colorado. These projects continue to proceed as planned and on budget and are expected to be online mid year. Both will have an immediate impact to cash flows as they have in part dedicated gas currently flowing to third parties that will be immediately rerouted to us. Producers in the Piceance Basin also have numerous wells drilled that are waiting on pipe, so the volume profile remains attractive. We're very mindful in this capital constrained environment to preserve liquidity to support our Operations. Our spending to complete our capital projects is approximately $80 million including the Fourth Quarter of 2008 through 2009 and will be funded through our existing credit facility.

As Angela will review, the plan we discuss today outlines sufficient available capacity under our credit facility to support our Operations and to fund temporary shortfalls if any in coverage of our distributions. We're going to walk through our plan over the next several slides that supports our committment in maintaining our distribution.

Let's move on to slide five for our distributable cash flow forecast. I would like to mention that our intention with this forecast is to provide an annual view that is updated only in the event of material changes within the year. For illustrative purposes our forecast is premised on $60 per barrel crude oil, $6 per MMBTU natural gas, and a 60% relationship of natural gas liquids to crude oil. We will go over sensitivities for varying commodity prices and NGL to crude relationships.That is our starting point. Also, none of the forecast figures we will discuss this morning include any impact of the East Texas drop down transaction which we will discuss later during this call.

What you can see from this chart is that we have some current challenges but we expect to have coverage of approximately one-times for 2008 and '09 in the aggregate with 2010 improving significantly. In 2008, the impact to us from operational disruptions is approximately $20 million with a majority of this due to the hurricanes and work on our Douglas System in Wyoming. As I mentioned earlier, discovery in Douglas volumes will be returned to full earnings power in the first quarter of 2009. Our plans to maintain our current distribution despite any temporary shortfalls resulting from Discovery and Douglas.

Once our organic projects come on line in mid 2009, our revenues will increase and coverage will improve significantly thereafter. You can see using our base pricing assumptions our coverage in 2010 ranges from 1.1 to almost 1.4 times. And now I'll turn it over to Angela to go through the forecast assumptions and commodity price sensitivities, which will show that even with a sharp downturn in commodity prices, our hedging program is significantly mitigating our downside. This forecast does not assume any improvement in price from our base assumptions through 2010 or the drop down.

Angela Minas - *DCP MIDSTREAM PARTNERS LP - CFO*

Thanks, Mark. I will begin with our forecast and assumptions for 2009 on slide six. We estimate 2009 DCF of approximately 70 million to 80 million resulting in a coverage ratio between 0.87 and 1 time. Growth net of incremental financing costs would provide approximately 15 million of incremental DCF from 2008 to 2009. This assumes a full year of the Michigan acquisition closed on October 1, 2008, and half year impact from the organic growth projects. Expansion capital is estimated to be $65 million. Maintenance capital which is funded through cash from Operations is estimated to be between 5 million and $10 million. Additionally, there would be an impact associated with the maintenance capital through the previously announced pipeline integrity and system upgrades to our Douglas System. These expenditures, along with operational disruptions at Discovery, would total an approximate 10 million to $12 million in 2009. Excluding these items, 2009 DCF would otherwise be approximately 80 million to 92 million.

Moving forward to 2010 on slide seven, we estimate a year on year DCF improvement of over 20 million to approximately 90 million to 110 million resulting in a coverage ratio between 1.12 and 1.37 times. Growth, net of incremental financing costs, would provide approximately 10 million to 20 million of incremental DCF from 2009 to 2010 as a result of the full year impact from our organic growth projects. Maintenance capital is estimated to remain in the 5 million to $10 million range. As this forecast illustrates a full year impact of the operational restoration and organic growth projects indicate sustainable cash flows and coverage from our existing assets. Even at crude prices as low as $40 per barrel, and NGL accrued relationship at 50%, these figures result in a distribution coverage ratio in excess of one-time. This cash flow sustainability is largely supported by our contract mix and our hedging positions which are indicated on slide eight.

Although we've run this illustrative forecast at $60 crude, $6 gas and a 60% NGL to crude relationship as you are well aware commodity markets have been highly volatile over the past year and therefore planning and executing on that dynamic basis are important. Our contract mix and commodity sensitivity shown in this slide have been updated to reflect our 2009 forecast. Our percentage of fee based margins increased from 45% in '08 to 56% in '09 driven by the Michigan acquisition as well as contract associated with our Piceance basin expansion.

Of our commodity sensitive margins we've hedged approximately 70% of our equity position in natural gas liquids, condensate and natural gas. This leaves only approximately 14% of our business exposed to commodity price fluctuations. Our 2009 position is part of our multi-year hedging program that currently extends through 2013.

Given our current contract mix and the hedges we have in place, we have updated our annualized sensitivities for 2009 as shown on this slide. We have combined the NGL and crude sensitivity into one factor. As we've experienced over the last year, the other market dynamic that's impacting our commodity price sensitivity is the NGL to crude relationship. Here we've developed and are introducing an additional sensitivity factor to capture movements up or down in the relationship.

The graphs on slide nine, which are based on our budget models illustrate the changing sensitivity to DCF under a wide range of crude and NGL to crude relationships. It should be noted that sensitivity to change in the NGL to crude relationship decreases at lower crude prices. That relationship in combination with our significant fee based businesses, our highly hedged position and minimum fees in certain contracts provide downside protection to our cash flows. Even under a very draconian environment of crude prices over a sustained period of time, the graph illustrates a floor of approximately 65 million of DCF in '09 increasing to 80 million to 85 million in 2010 given the full year impact of operational restoration and organic growth projects.

Slide ten then provides tabular ranges corresponding to the graph on the previous page. In 2010, the full year impact of restored Operations and organic growth project cash flows would result in significantly improved coverage ratios under most commodity price scenarios. As also illustrated even at a $70 crude price and a return to a more historic relationship of NGL to crude provide material upside to DCF.

Let's move on to slide 11 for a financing overview. Given the current turmoil in both the financial and commodity markets, we are more diligent and proactive than ever with respect to our focus on liquidity and potential future needs under numerous possible scenarios. We have an $850 million credit facility with attractive rates and terms that extends through June 2012. The facility is comprised of 17 financial institutions, our cost of debt is highly competitive, with the rate on our revolver currently at LIBOR plus 42.5 basis points. We continue to actively manage our borrowing cost and interest rate exposure. In total, we have interest rate swaps on 575 million of our revolver resulting in an effective borrowing rate of 4.6%. We are comfortably within our debt covenants and our intent is to continue to maintain financial flexibility and a strong liquidity position. As of 9/30, our leverage ratio was 3.3 times compared to the maximum allowable of 5.5. Interest coverage ratio was 4.7 times compared to a minimum allowable of 2.5. Following the Michigan acquisition, we are estimating a leverage ratio of approximately 4 times.

On slide 12, you'll see that as of 9/30, we have drawn $435 million on our $850 million credit facility and on October 1, we drew another $150 million to finance the Michigan acquisition. In calculating our available capacity under the facility we've assumed removal of up to $25 million associated with Lehman Brothers committment resulting in a net capacity available of approximately $240 million. We are estimating total remaining organic capital for the Piceance basin and East Texas projects to be approximately 80 million for Q4 of 2008 and 2009. And then calculating our total liquidity excluding cash, we've estimated a range at the end of '09 to be approximately 135 million to $160 million. The range factors in any other capital needs that may occur over the period such as nominal, organic capital and borrowings that may be required to meet distribution payments at current levels. As Mark indicated our plan is to maintain the current distribution level and borrow for any temporary cash shortfalls in 2009 until our Operations at Discovery and Douglas are fully restored and our organic projects come on line. I will now turn it back over to Mark.

Mark Borer - *DCP MIDSTREAM PARTNERS LP - President & CEO*

Thanks, Angela. Moving on to slide 13, we are pleased to announce this morning our intention to execute a drop down from Midstream of an additional 25% interest in East Texas. You may be aware we deferred this transaction earlier in 2008. We are now ready to move forward with an East Texas transaction, albeit a smaller transaction. General Partner will take 100% equity as consideration, eliminating any need to access outside capital markets or increase our borrowings. The transaction will be accretive to our unit holders and will strengthen our financial position during this period of operational disruptions. We plan on closing this transaction in April and will provide additional details on the drop down during our Q4 '08 earnings call in late February. Our sponsor clearly believes in the long term value of DPM and this transaction of the continued evidence of support of the Partnership.

Let's move on to slide 14. Before I turn it over to Tom I want to recap what we've discussed. We've provided to you a plan this morning that supports maintaining our distribution. We recognize we have a couple of challenging quarters ahead of us but we are focused on all of the right things to ensure our success. We are on track to restore Operations at Discovery and Douglas. Our hedging program significantly mitigates our downside commodity price exposure. We are executing a modest organic growth capital program. We are maintaining liquidity in a capital constrained environment and finally, we have a very supportive General Partner. In light of our current valuation and the information we've provided you this morning, we believe DCP Midstream Partners is a compelling investment opportunity. I'd like to thank you for your time this morning and your interest in the Partnership. With that I'll turn it over to Tom O'Connor.

Tom O'Connor - *DCP MIDSTREAM PARTNERS LP - Chairman*

Thank you Mark, and thank you all for joining us today. Mark asked me to join the call today to provide you some perspectives from DCP Midstream, the owner of the GP. Let me start by stating the obvious. This has been a tough couple of months for the Partnerships Operations, but when you peel back the issues around Discovery and Douglas, you really are dealing with unusual events. Significant yes, but in the end, temporary impacts cash flow and the vast majority of the Operations will be restored by year-end. Most important, the underlying earnings power of the assets remain strong.

From a broader perspective, Midstream's strategic view of Partners has not changed. Partners has been and remains an important element of Midstream's growth strategy. As Midstream has done since the IPO, we will continue to support Partners and position this Company to be successful. There is no change in the thinking here.

One aspect that I believe differentiates Partners particularly in times like this is the strength of its sponsors. The GP is one of the largest if not the largest Midstream Company in the space. The 2008 budgeted EBITDA of about $1.9 billion. The GP as you know is a joint venture between ConocoPhillips and Spectra Energy who are leaders in their respective businesses. There has been a solid track record or support from the sponsors beginning with the initial IPO drop down and continuing with follow-on drop down transactions. The GP and the Partnership also collaborated on the joint acquisition of the Momentum assets last year. And most recently Midstream stepped up with it balance sheet to reduce collateral needs for the Partnership when commodity prices spiked earlier in the year. However, we understand that in challenging times, people like to hear and more importantly, see continued support so that is the second part of my message today.

As Mark has also mentioned, Midstream and Partners are moving forward with the drop down of an additional 25% interest in the East Texas asset. This transaction will be completed at a low multiple because of our desire to provide accretion to the LP unit holders, and the reality of where the units are trading. The GP will take back 100% DPM units as full consideration.

The General Partner believes that following through on East Texas is the right thing to do to provide additional flexibility to the Partnership in this challenging time. Taking back the equity speaks to our belief and the longer term value in this Company and that the current dislocation will correct over time with continued solid performance.

In summary let me repeat that for my view of the GP, there have been challenges in the last couple of months, but management is focused on resolving them and restoring the earnings power of the assets and as you've heard today we are well under way in completing these restorations. As in the past, the GP remains very supportive of the Partnership and intends to move forward with an East Texas transaction. Overall, we remain very confident about the long term prospects for the business and believe that Mark and his team have a very reasonable and achievable plan. And with that, let me now turn it back to Mark.

Mark Borer - *DCP MIDSTREAM PARTNERS LP - President & CEO*

Thanks, Tom, and thanks to all who joined us today. We're now ready to take your questions.

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS) Our first question is from Gabe Moreen of Merrill Lynch.

Gabe Moreen - *Merrill Lynch - Analyst*

Hi. Good morning, everyone.

Mark Borer - *DCP MIDSTREAM PARTNERS LP - President & CEO*

Good morning, Gabe.

Gabe Moreen - *Merrill Lynch - Analyst*

Thanks. Appreciate the call and thanks for some of the things that were said on this call. I think they will be received well. A couple questions. In terms of I guess the drop down terms, I know Tom at the end alluded to a low multiple on it. Are you trying to get to a certain level of coverage in 2009 with this drop down given it will be occluding and given it will be a relatively low multiple?

Mark Borer - *DCP MIDSTREAM PARTNERS LP - President & CEO*

Well, we intend to complete the transaction to provide some accretion to the LP unitholders and as Tom mentioned the reality of where the units are trading today would result in a very low multiple. We want to ensure that the transaction does provide us some flexibility and head room from a financial viewpoint and clearly, the sponsor believes in the long term value of the DPM equity.

Gabe Moreen - *Merrill Lynch - Analyst*

I appreciate hearing that and then in terms of I guess the commodity sensitivity that would come with the incremental I guess 25% interest in East Texas assets, are you going to plan to hedge any of that out at the moment or will you let that flow and look to hedge something more opportunistically?

Mark Borer - *DCP MIDSTREAM PARTNERS LP - President & CEO*

We would plan to put in place some type of hedging program. We haven't exactly settled on what type of instrument but it would have some hedges that would go with it to protect the cash flows.

Gabe Moreen - *Merrill Lynch - Analyst*

Okay. A question in terms of doing the drop down all with equity, I guess you weren't close to any covenants to begin with, obviously you'll be much further from them with all in all equity transaction on the drop down. Do you feel like that higher equity level of equity, higher level of equity thickness somehow gives you the ability to maybe borrow more, let's say for a project like Haynesville, if Haynesville were to come to fruition?

Mark Borer - *DCP MIDSTREAM PARTNERS LP - President & CEO*

Relative to, I mean first of all relative to the transaction in the drop down, it clearly provides us both EBITDA and equity which provides us additional financial strength and head room. Relative to the Haynesville, we don't see a project in our 2009 landscape. Clearly producers are reassessing their plans with a significant change in commodity and capital markets. We are connecting some Haynesville wells, our existing assets but we have no existing or future commitments to spend money on that project right now.

Gabe Moreen - *Merrill Lynch - Analyst*

Okay, and last question in terms of the 2009 guidance you mentioned no distribution from Discovery in the first quarter but does the rest of the year assume insurance recoveries of Discovery at all?

Mark Borer - *DCP MIDSTREAM PARTNERS LP - President & CEO*

Angela do you want to take that?

Angela Minas - *DCP MIDSTREAM PARTNERS LP - CFO*

Yes. It does assume insurance recoveries. We had $2.5 million with respect to the deductible that will flow through the results in '08.

Gabe Moreen - *Merrill Lynch - Analyst*

Okay. Great. Thanks.

Mark Borer - *DCP MIDSTREAM PARTNERS LP - President & CEO*

Thank you, Gabe.

Operator

Our next question is from Michael Blum of Wachovia. Please go ahead.

Michael Blum - *Wachovia - Analyst*

Thanks, good morning.

Mark Borer - *DCP MIDSTREAM PARTNERS LP - President & CEO*

Good morning.

Michael Blum - *Wachovia - Analyst*

Just one question. In your analysis which, thank you very much for providing, can you talk about what your volume assumptions are in that analysis? Are you just assuming flat volumes across 2009 and 2010?

Mark Borer - *DCP MIDSTREAM PARTNERS LP - President & CEO*

We have, as you well know, Michael, we have a very diverse portfolio of assets. We continue to see robust drilling around that diverse asset base. We have not seen much correction and activity at this point. We clearly have some places like Discovery, the Piceance basin and East Texas which the projects have volumes behind pipes so there's existing (inaudible) there. We think that with the organic projects and the volumes behind pipe that we have a reasonable forecast.

Michael Blum - *Wachovia - Analyst*

Okay, thanks Mark.

Operator

(OPERATOR INSTRUCTIONS) We have a follow-up question from Gabe Moreen of Merrill Lynch.

Gabe Moreen - *Merrill Lynch - Analyst*

With Tom on the call I wonder if you could talk about the GP being controlled by two entities and I guess the decision-making process having Conoco and Spectra both controlling the GP, and the ease of doing something like this in terms of supporting the Partnership with this additional drop down transaction, and whether you feel that having the GP with two entities made it easier or harder to announce something like this?

Tom O'Connor - *DCP MIDSTREAM PARTNERS LP - Chairman*

That's a good question. As you know, both Conoco and Spectra are major players in their respective spaces, E&P and the pipeline space. They are both very very familiar with the Midstream business, both very very familiar with the MLP space and what's important in terms of the unit holders in an MLP. So this is a plan obviously that we have talked to the Board about and they've been very involved in it and quite honestly, they have a long history of creating value in the MLP space, so this is a plan that's supported by our Board members. The fact that we have two entities there, I think has brought strength to us over the years from the different views and see no challenges around getting this done.

Gabe Moreen - *Merrill Lynch - Analyst*

Okay, appreciate that color.

Operator

Our next question is from William Adams of Pemco. Please go ahead.

William Adams - *Pemco - Analyst*

Actually, my questions were already answered, sorry.

Operator

The next question is from Yves Siegel of Aroya Capital.

Yves Siegal - *Aroya Capital - Analyst*

Thank you, good morning. I'm just curious, given the unusual circumstances but also given the somewhat cyclical nature of commodity prices, going forward, how do you think about what is a prudent sort of coverage ratio from a longer term perspective number one? And number two, what's the thoughts around fee based margins going forward and perhaps given the strength in the GP for the GP perhaps to assume more of a commodity risk and drop downs being fee based versus -- and being able to avoid the commodity risk going forward.

Mark Borer - *DCP MIDSTREAM PARTNERS LP - President & CEO*

First of all, relative to your question on distribution coverage, that's something clearly we assess on an ongoing basis as we review our business plan and look at our overall volumes and commodity price expectations, we take a very long term view of what we believe will be a sustainable distribution and we'll continue to do that. We've expressed in the past that we would expect to manage this in a 1.1 to 1.2 range on a long term basis. Clearly there can be some time frames where you have coverage higher than that because of market conditions.

Relative to our view going forward we have a fairly balanced portfolio of fee based assets at this point. I think from a trend viewpoint the industry is tending to go more to fee based particularly with organic projects and but from that viewpoint, we would continue to expect that. Relative to potential for future drop downs and whether they be fee based or commodity based that remains to be determined. Clearly if we have commodity based assets we'll put in place an appropriate commodity risk management program to manage that commodity risk.

Yves Siegal - *Aroya Capital - Analyst*

Thank you, Mark.

Operator

At this time, I show no other questions in our queue. I would like to turn the conference back over to Karen Taylor for any closing remarks.

Karen Taylor - *DCP MIDSTREAM PARTNERS LP - Director, IR*

Thank you for joining us this morning. We appreciate your interest in the Partnership. If you have any remaining questions, please don't hesitate to give me a call.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.
