FINAL TRANSCRIPT

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DPM - Q3 2008 DCP MIDSTREAM PARTNERS LP Earnings Conference Call

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CORRECTION

PRESENTATION

TRANSCRIPT

CORRECTION

This transcript has been revised. The original transcript misquoted Mark Borer, President and CEO, with respect to our future distribution plans. We currently have no plans to reduce our quarterly distribution from the current level of $0.60. -- DCP Midstream Partners management: 11/13/08.

Operator

Hello, and welcome to the third quarter 2008 DCP Midstream Partners earnings call. All participants will be in a listen-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 would like to turn the conference over to Ms. Karen Taylor. Ma'am, please begin.

Karen Taylor - *DCP Midstream Partners LP - IR*

Good morning, and welcome to the DCP Midstream Partners third quarter 2008 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 Chief Executive Officer, and Angela Minas, Vice President and Chief Financial Officer.

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

Next I would like to remind you that our discussion 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, 2007, as filed with the SEC on March 10, 2008, and updated through subsequent SEC filings.

In addition, during our discussion will use various non-GAAP measures including distributable cash flow, adjusted EBITDA, and adjusted gross margin. These measures are reconciled to the nearest GAAP measure in the schedules at the end of the presentation starting with slide number 26. We ask that you read those slides as well.

Finally, a note about the presentation of our earnings. On July 1, 2007, we completed the acquisition of equity interest in East Texas and Discovery from DCP Midstream. Since this transaction was between entities under common control, the historical results prior to the Partnership's acquisition including distributable cash flow are included in the Partnership's results for the nine months ended September 30, 2007.

Note, however, there were no associated debt balances, no interest expense, and no hedge settlements in our results prior to our acquisition of these assets on July 1, 2007. Results for these equity interests for periods prior to our ownership are allocated to predecessor operations to derive net income or loss attributable to limited partners.

And now I will turn it over to Mark Borer.

Mark Borer - *DCP Midstream Partners LP - President & CEO*

Thanks, Karen. Good morning, everyone, and thanks for joining us. We are pleased to introduce Angela Minas this morning. Angela joined us in early September as our Vice President and Chief Financial Officer, and we are pleased to have her on board.

We will start this morning on slide four to review our third quarter and year-to-date highlights. This quarter has certainly been a dynamic one with multiple challenges from unprecedented times in the financial markets and related MLP market volatility, continued commodity price volatility, and hurricanes impacting our operations in the broader natural gas liquids market. Despite the environment, we continue to remain focused on fundamentals and delivering value to our unitholders.

In doing so we generated a 6% increase in year-to-date adjusted EBITDA and 9% increase in year-to-date distributable cash flow. We maintained our distribution of $0.60 per unit representing a 9% increase over the third quarter of 2007. We closed the $145 million Michigan acquisition on October 1 to continue to diversify our footprint and increase fee-based revenues.

We continued execution of organic growth projects in the Piceance Basin in East Texas and we remain focused on managing liquidity during this period of uncertain financial and commodity markets. Angela and I will go through each of these in more detail.

Let's start on slide five and talk about our distribution. We held our distribution flat this quarter at $0.60 per unit. We felt that this was the prudent thing to do given the events of the quarter, both within the Partnership and globally with the credit crisis. Like others in this space, we are being thoughtful about balancing distribution growth with a conservative view of access to capital for growth.

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No one knows how long the macroeconomic challenges will last, so we believe a very disciplined approach is appropriate. For those who follow this closely, you are aware we have had some weather-related impacts as well as the pipeline integrity issue we are addressing on one of our systems. As we go forward, you will see that the impact of the hurricanes and discovery repairs are temporary and the work at Douglas will improve with long-term cash flows of that asset.

We will also be seeing fee-based earnings from our Michigan acquisition, initial flows from the Tahiti play into Discovery, and the start up of our organic growth projects in the Piceance Basin in East Texas.

Let's move on to slide six to give you an update on our growth projects starting with our coal brand expansion in the Piceance Basin. This is an attractive project for the Partnership and provides essentially 100% fee-based revenues. We commenced construction in late October of the first phase in looping the current gathering system.

This 24-inch diameter pipeline as well as the compression facilities are on track for completion mid-next year. The spending net to our 70% ownership for this first phase is approximately $66 million, the majority of which will be spent in 2009. Producer drilling activity around our system remains strong with volumes expected to near current system capacity of 129 cubic feet a day by year end.

Regarding the Haynesville Shale pipeline opportunity, we have continued to assess and pursued development on a measured basis. We believe we have a feasible right-of-way and engineering plan. We have had continued dialogue with the producer community looking at various project configurations and structures to appropriately balance risk/reward for a project of this nature, including the associated commercial terms, financing, and credit considerations.

Although this project is dependent upon drilling and development plans in the area, we have developed this project to a level that we believe can be executed once the right economics and risk/reward equation is achievable.

Let's move on to slide seven and talk about our $145 million acquisition of gas gathering, treating, and transportation assets in Michigan that we closed October 1. We purchased the largest treating complex and associated gas gathering pipeline systems within the Antrim Shale of Northern Michigan as well as three residue pipelines. These assets generate all fee-based revenue making it a nice addition to our earnings portfolio.

We are pleased to report that the transition and asset integration is progressing on schedule. Trading volumes are in line with our expectations and the producers have indicated drilling programs in 2009 similar to 2008. All 15 employees at the treating facility were hired and operations continue to run smoothly.

Let's shift to how the current market environment impacts our strategy as we move in to 2009. If you would, please turn to slide eight. In these tight credit markets and volatile equity markets, our units have not an immune to forced selling by institutional and hedge funds, traders focused on short-term volatility rather than business fundamentals, and momentum selling, all of these lifting yields in the MLP space to historical highs. This leads us to a back-to-basics or a hunkering down mode where we are focused on the fundamentals.

First and foremost, we are focused on optimizing our business; keeping our eyes out for opportunities to get more out of our existing assets. We are also working diligently to restore operations at Douglas and Discovery to ensure these assets return to normal. Finally, important to our continued growth are the organic projects in the Piceance Basin in East Texas, which attractively expand our base business.

Let's spend a few minutes talking about the business and the events of the quarter starting with our Natural Gas Services segment on slide nine. The big news for the quarter were the Hurricanes Gustav and Hurricane Ike that hit the Texas Gulf Coast in quick succession in late August and mid-September. With the exception of our Discovery system, we had no significant storm-related damage to our assets. However, we did experience multi-day power outages in some of our assets and extended downtime in reaction to Gulf Coast fractionators that suffered damage and had to be shut down temporarily.

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To explain, many of our facilities deliver natural gas liquids to the Gulf Coast fractionators so we had to shut down our facilities or curtail our volumes until the fractionators were accepting product again. Our operations team did an excellent job of keeping gas flowing where they could and bringing facilities back online as expeditiously as possible, so we have so we applaud them and their efforts.

As previously announced, Discovery's offshore gathering system sustained storm damage and is not accepting gas from offshore producers while repairs are being made. The Partnership owns a 40% interest in the Discovery system operated by Williams, which includes an offshore natural gas gathering system and two onshore plants. Inspections of the system revealed that an 18-inch lateral was severed from its connection to the 30-inch mainline in about 250 feet of water.

Williams expects the 30-inch mainline to be repaired and returned to service by early December. The repair schedule for the 18-inch lateral has not yet been finalized. Neither of the onshore facilities sustained damage. They are fully operational and processing volumes at about 40% of capacity from onshore sources.

Let's move on to our Douglas Pipeline in Wyoming. As previously announced, the Partnership completed pipeline integrity testing in the second quarter. As part of this work, the Partnership has decided to further enhance the asset to assure future integrity, improve system reliability, and reduce associated operating costs. The Partnership anticipates that this work will be completed in the first quarter of 2009 at a total coast of approximately $13 million, the majority of which is maintenance capital.

The Partnership intends to recover the cost of this work over time. The work will be completed in phases so that volumes return to the system throughout the fourth quarter and on into the first quarter of 2009 with approximately 80% of the gas flowing by the end of this year. We have maintained sufficient capacity under our credit facility to fund the anticipated cash requirement for the Discovery repairs and the work on the Douglas system. Angela will review our liquidity position in her remarks in a few moments.

As we mentioned in last quarter's call, the NGL recoveries at our East Texas plant were negatively impacted after an electrical storm in May. In August we scheduled a turnaround at the impacted plant to address this problem, as well as to perform routine maintenance. The turnaround lasted about 12 days causing us to curtail some volumes during this period. As a result of this work, I am pleased to say, that our NGL recoveries at the East Texas have improved.

So to recap this segment, our organic growth projects are on track. We will have new fee-based revenues from our Michigan acquisition in the next quarter's results. With the exception of Discovery, the weather events are essentially behind us and we should complete our work at Douglas in early 2009.

Moving on to our Wholesale Propane Logistics business on slide 10. While propane prices have come off their highs, we continue to see decreased volumes from conservation. While we would expect overall demand to improve moderately as prices drop, overall economic conditions may continue to impact volumes. We are very comfortable our business model will effectively weather this cycle.

Angela will go through the numbers to help your understanding of the period-over-period changes including a non-cash adjustment to our inventory. As a reminder, this business is seasonal so it contributes most of its cash flow in the fourth and first quarters of the year coinciding with the coldest weather.

Finally, our NGL logistics segment on slide 11, where volumes were up for both the quarter and year-to-date over prior year primarily due to our Wilbreeze pipeline which we constructed in late 2006 to connect with the DCP Midstream-owned plants. These are truly unprecedented times, but rest assured we will be prudent in our decision-making. We and our sponsors see the Partnership as a long-term participant in the MLP space and we will continue to position the Partnership for success.

With that, I will turn it over to Angela to discuss the operating results and the strength of our balance sheet.

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Angela Minas - *DCP Midstream Partners LP - VP & CFO*

Thank you, Mark. Good morning and thank you for joining us today. On slide 13 we begin with the consolidated financial results. As a comparison, 2007 results include the Momentum acquisition results after August 29 and the Lindsay acquisition results after May 9. Results from East Texas and Discovery are pooled into the results for the first six months of 2007 although debt and cost of financing were not included.

As we go through the numbers, note that we will be discussing results adjusted to remove the impact of non-cash mark-to-market activity of our commodity hedges. Accounting treatment requires that we true up the value of all of our future financial derivative contracts using quarter end prices and record the net change over the period as a non-cash gain or loss.

Included in derivative activity and total revenues for the third quarter was a non-cash gain of $154.3 million offset by current period hedged settlements of $12.3 million, as compared to a non-cash loss for the same period of the prior year of $4.9 million and hedge settlements of $1.2 million.

Adjusted EBITDA year-to-date increased 6%, primarily due to acquisitions and improved margins in our Natural Gas Services segment partially offset by negative impacts to third-quarter results. The $13.4 million decline in adjusted EBITDA for the quarter was primarily due to an estimated $5 million to $6 million impact of the hurricanes, non-cash inventory adjustments of approximately $3 million, and operational issues in our Natural Gas Services segment.

Gross margins trended more towards fee-based from 2007 to 2008. Changes in operating and maintenance expenses reflect the addition of our Lindsay and Momentum acquisitions. G&A for the year has remained in line with 2007.

Moving to slide 14 for a review of segment results. Year-to-date adjusted EBITDA for Natural Gas Services increased by 12% or $9.1 million primarily due to the acquisitions of our Lindsay, Collbran, and Douglas systems, the continued growth in Collbran over the year, and increased volumes and margins at Discovery and East Texas for the first six months of the year. The decrease of $11.2 million for the quarter was primarily the results of the hurricane and an approximate $3 million impact from lower NGL recoveries and downtimes from planned maintenance at our East Texas facility. The work performed will benefit us by increasing our NGL recovery capabilities.

With respect to our Douglas system, we estimate the cash flow impact in the third quarter of 2008 resulting from the curtailed volumes and increased cost associated with the pipeline work to be about $2 million to $3 million.

On slide 15, we indicate the results of our Wholesale Propane Logistics segment. At September 30 we recorded an approximately $3 million non-cash lower of cost to market inventory adjustment, lowering our adjusted EBITDA. In early 2007, our results included a recovery of approximately $1.3 million of non-cash inventory adjustments taken in late 2006. After excluding at these adjustments our year-to-date adjusted EBITDA was $6.4 million as compared to $8.9 million for the same period in the prior year.

While non-cash in nature the inventory write-downs are recovered upon the sale of the inventory. Given the seasonality as well as the non-cash inventory accounting adjustments often experienced during the course of the year, we evaluate this business on an annual basis. We have been pleased with the performance of this investment thus far.

As you may recall, in October of 2006 when we announced the drop-down of this asset from our sponsor we indicated that we expected to add $8.5 million in adjusted EBITDA for 2007. While 2008 demand has declined about 10% from 2007 levels as a result of conservation, this business is on track to continue to exceed our initial expectations.

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For the NGL logistics segment on slide 16, year-to-date adjusted segment EBITDA was up $1.4 million or 34% compared to the same period in 2007 reflecting increased volumes across all our pipelines. Adjusted segment EBITDA for the third quarter declined somewhat due to the impact of the hurricanes.

Moving to slide 17, distributable cash flow year-to-date increased 9.4% to $67.4 million, which provided 1.13 times the amount required to cover our total distribution. The shortfall in distributable cash flow in the third quarter was more than compensated for by the excess DCF relative to distributions in the previous two quarters.

As you may recall, our cash flows have some seasonality with our Wholesale Propane margin being higher during the first and fourth quarters as a result of the heating season. As a result, we look at cash flow and coverage on an annual basis. Consistent with our accounting practices DCF for the third quarter includes the non-cash inventory adjustment of approximately $3 million, which negatively impacted adjusted EBITDA.

Let's move on to discuss our contract mix and commodity risk management activity starting on slide 18. We have estimated that 45% of our 2008 year-to-date margin is fee-based and 55% is commodity-based. The chart on the right lists the predominant contract type driving the margin at each of our assets. We have primarily a mix of percentage of proceeds, a percentage of liquids, and fee-based contracts with our producing customers in the Natural Gas Services segment.

Contracts at Minden, Lindsay, Douglas, Discovery, and East Texas have a large component of percent of proceeds or percent of liquids contract due to the processing component of the gas streams at each of the systems. Discovery also generates a portion of its earnings through keep-whole contracts, but we have rejection capabilities for contract terms allowing us to avoid uneconomic keep-whole processing. Our keep-whole margins as a percent of total margins are higher than typical due to the very high frac spreads earlier in the year.

The Pelico, Ada, and Collbran system are predominately supported by fee-based contracts. Our diverse contract mix is a result of contracting patterns that are largely a result of the competitive landscape in each particular geographic area. In our Wholesale Propane Logistics segment, we tie our purchase and sales to the same index locking in a margin so we classify those in the fee category.

Our NGL Logistics segment is all fee-based. As we move forward, we expect the fee component to increase due to contributions from our new Michigan acquisition and the completion of our Collbran expansion. We believe that a balanced portfolio with a mix of fee and commodity-based contracts is preferred as commodity-based contracts tend to have higher margin. However, this must be combined with a good commodity risk management program as indicated on slide 19.

Of the commodity sensitive fees our hedged positions for 2008 cover approximately 75% of our exposure, leaving approximately 15% of our business exposed to commodity price fluctuation. We utilize fixed price swaps to hedge our long equity position in natural gas liquids, condensate, and natural gas. For our natural gas liquids, we used crude oil as a proxy to hedge propane in heavier portions of the barrel.

With the significant run-up in the crude oil prices earlier this year, NGL prices did not keep pace at their historical relationship. As a result, we effectively saw the upside we would have otherwise realized on our unhedged piece as a result of the higher commodity prices essentially offset by the changing correlations and the decreased volumes resulting from operational issues.

Given our current contract mix, the commodity derivatives we have in place in the current NGL-to-crude relationship we estimate our 2008 annualized commodity price sensitivities to be as follows, $1 per MMBtu change in natural gas prices impacts our cash flow by approximately $1.1 million. A $.10 per gallon change in natural gas liquid prices impacts our cash flow by approximately $2.6 million and a $5 per barrel change in crude prices impacts our cash flow by approximately $200,000.

Now let's move to slide 20 to discuss our financing overview. Given the current environment, we maintain a substantial focus on our liquidity and future needs under various scenarios. Our credit facility of $850 million is comprised of a revolver and term

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loan. The specific amount of each of the term loan and revolver have changed as our borrowings have changed, but the two are linked such that the total commitment remains at $850 million.

As of 9/30/08 we had drawn $435 million of that $850 million, resulting in a leverage ratio in the low threes. On October 1 we drew another $151 million to finance the Michigan acquisition. As a result of the increased debt and the pro forma acquisition EBITDA adjustment to our leverage ratio calculation, we moved to approximately 4 times on our leverage ratio.

The term loan, which is excluded from our leverage ratio calculations, can effectively be thought of as pre-financing of funding needs. It is fully collateralized by marketable securities, which can be used to fund organic growth projects or third-party acquisitions. We utilized part of the $221 million held in restricted investments collateralizing the term loan at [930] to finance the Michigan acquisition.

The remaining $70 million can be used to substantially finance our previously announced capital program through 2009 of approximately $80 million. Our leverage ratio calculation would also include an adjustment for pro forma EBITDA from organic growth. In calculating our available revolver capacity under our credit facility, we have assumed the removal of up to $25 million associated with Lehman Brothers' commitment. So in summary, we have a net commitment available for liquidity excluding cash on hand of approximately $240 million.

Now moving to slide 21. Our credit facility is comprised of a diverse group of 16 financial institutions with no one having an individual commitment in excess of 9% of the facility. We have favorable terms on our credit facility that extend through June of 2012. The interest rate on our revolver is currently LIBOR plus 42.5 basis points. We have executed interest rate swaps on $425 million of our revolver resulting in an effective rate of 5.2%.

In terms of managing contingent working capital requirements and liquidity during the higher commodity price environment earlier in the year, we took proactive steps to deal with the potential margining requirements of our existing commodity hedges. We have $75 million in letters of credit outside of our bank facility that have been posted with counterparties thereby reducing cash margining requirements.

In addition, our sponsored DCP Midstream has issued parental guarantees to two counterparties which significantly reduced or eliminated the cash margining requirements with these counterparties. We have no cash margining requirement to be posted at current commodity prices.

In conclusion, we are actively planning for and managing our financial position in these dynamic financial and commodity markets. This is the conclusion of my prepared remarks and I will turn it back over to the operator for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Michael Blum, Wachovia.

Michael Blum - *Wachovia Securities - Analyst*

Good morning, everyone. Just a couple of questions. Given where your units are trading right now, have you had any discussions with your parent or otherwise where you consider strategic alternatives for the Partnership? And within that context any thoughts to reduce the distribution level given where your yield is right now and also given the fact that at least for the next quarter or two your cash flow probably won't cover the distribution?

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Mark Borer - *DCP Midstream Partners LP - President & CEO*

Michael, this is Mark Borer. We are always in dialogue with our parent on what we do on a go-forward basis and how we position the Partnership strategically. We are not in a process where we are 'evaluating strategic alternatives' but we are very focused on the partnerships long-term success and its strategic positioning.

Relative to the dividend, we have no plans to cut our distribution. The long-term cash flows from a pretty diverse portfolio of assets remains sound. We believe that we have sufficient resources to manage through the current environment and some of these temporal things that we have had from a hurricane and weather viewpoint.

Michael Blum - *Wachovia Securities - Analyst*

Is there any potential or appetite for your sponsor to inject liquidity into the Partnership if need be or let's say if you get the Haynesville pipeline and your CapEx needs grow?

Mark Borer - *DCP Midstream Partners LP - President & CEO*

Haynesville we would, as I mentioned my comments, we need to see how things develop their. It's a project we think we have well-positioned and can effectively execute. We would not embark on that if we didn't have a sound financing plan and that might include some of the options that you mentioned. Relative to -- I'm sorry your earlier comment?

Michael Blum - *Wachovia Securities - Analyst*

Just if the parent could provide liquidity?

Mark Borer - *DCP Midstream Partners LP - President & CEO*

We don't -- we believe we have sufficient resources to manage to the current environment within our requirements to our credit facility. Obviously, our parent is vested in our -- our long-term success is important to them. But all in all, we believe we have sufficient resources to weather through this.

Michael Blum - *Wachovia Securities - Analyst*

Thanks, Mark.

Operator

John Tysseland, Citi.

John Tysseland - *Citigroup - Analyst*

Good morning. A couple questions. I guess when you look at your hedges for 2009, if you have any hedges, can you just say whether you have already hedged any of your NGL exposure 2009 with crude hedges previously, or is that still kind of something that you plan on doing?

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Mark Borer - *DCP Midstream Partners LP - President & CEO*

We have a similar hedge profile in place for 2009, John. What we had this year. And we've used -- we have gas hedges and hedges for the condensate, and then we've hedged the propane plus part of the barrel at this point.

John Tysseland - *Citigroup - Analyst*

And then I guess when you say in your commentary and in the press release where it talks about the higher sales margins were more or less offset by larger hedge settlements compared to the third quarter of '07; what exactly are you stating there?

Angela Minas - *DCP Midstream Partners LP - VP & CFO*

The hedge settlement as we stated the number, the 12.5 is simply taking the volumes on which we had financial hedge contract and multiplying those by the difference between what was the index versus the dollar amount of which those were hedged. A lot of companies just lump that in in their sales line; from our accounting perspective we keep that in the derivative mark to market line. And so then we make that adjustment as you are looking at the P&L versus the statement of distributable cash flow.

John Tysseland - *Citigroup - Analyst*

Okay, and then last question, when you look at, this is more operational I guess, when you are looking at current ethane pricing relative to crude being only about 30% today, it has continued to be pretty weak. Are you experiencing any ethane rejection on your East Texas assets at this point in time?

Mark Borer - *DCP Midstream Partners LP - President & CEO*

We have -- maybe I will just back up and take it just a little bit higher level. We have at certain of our facilities ethane rejection capabilities, John, and particularly at discovery and in North Louisiana. There are areas where we do -- we may be rejecting ethane today; relative to East Texas as outlined in some of Angela's comments, we have predominantly percent of liquids contracts. And so we are generally in full recovery in East Texas.

John Tysseland - *Citigroup - Analyst*

I guess if that is the case, is there -- how does that impact -- I guess what percentage in East Texas is ethane of the overall mix NGL barrels?

Mark Borer - *DCP Midstream Partners LP - President & CEO*

I don't have at my fingertips specifically relative to East Texas. I think as we look at partners overall, ethane and if you are in full recovery ethane is about 35% to 40% of our barrel, roughly. And as I mentioned earlier, we have assets where we can reject ethane and lead more into gas stream and if that optimizes or that will in some cases if you get very low C2 prices, that will optimize those cash flows such that we will receive more value for leaving it in the gas stream.

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John Tysseland - *Citigroup - Analyst*

And then if I could ask one more question, when you look at your sensitivity to commodity prices, does that include ethane rejection out of some of your plants in those sensitivities or would ethane rejection be, I guess additive to the downside on those sensitivities?

Angela Minas - *DCP Midstream Partners LP - VP & CFO*

Those sensitivities which were on the commodity risk management page would include the unhedged ethane, as well.

John Tysseland - *Citigroup - Analyst*

Okay, so we can assume if ethane rejection were to occur then it would still hold, the sensitivities that were presented would still hold?

Angela Minas - *DCP Midstream Partners LP - VP & CFO*

That's correct.

John Tysseland - *Citigroup - Analyst*

Okay. Thank you very much.

Operator

Yves Siegel, Aroya Capital.

Yves Siegel - *Aroya Capital - Analyst*

In terms of John's last question, if you look at '09, were those sensitivities that you gave for '08, is that a good approximation to think about '09?

Mark Borer - *DCP Midstream Partners LP - President & CEO*

We are in the process of completing our '09 budget and plans at this point. And as you are well aware, we've added some fee-based assets to the mix with the Michigan acquisition and then with the Collbran expansion coming later in the year, so we will disclose those sensitivities at a future date, based on what we know today those are the best numbers that we have at this point.

Yves Siegel - *Aroya Capital - Analyst*

And from a strategic perspective and looking out the longer term, what would sort of be the optimal mix that you would like to see between fee-based and commodity exposure?

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Mark Borer - *DCP Midstream Partners LP - President & CEO*

We haven't set an absolute target there. We do want to be pretty balanced. Clearly in some of our expansion projects in the new basin, in the Collbran we are moving heavily toward fee-based. I think that we will continue to see a portfolio of contracts and opportunities that I think there is some tendency of the market and where we compete to the increasing fee-based assets over time.

Yves Siegel - *Aroya Capital - Analyst*

And as it relates to the Michigan acquisition, is there any growth CapEx surrounding those assets as you look into '09 and beyond?

Angela Minas - *DCP Midstream Partners LP - VP & CFO*

No, there is currently no growth CapEx in that plan. There is a small amount of maintenance capital for '09.

Yves Siegel - *Aroya Capital - Analyst*

Okay. And then if I could, just moving forward a little bit, are you -- well, the first question is as it relates to Douglas, where did the volumes that you weren't able to process, was that gas just shut in, or did those go to different facilities? And when Douglas is up and running would you expect to -- it sounds like you expect to recapture those volumes. Can you just go through that logistics a little bit?

Mark Borer - *DCP Midstream Partners LP - President & CEO*

Sure. We have kind of a mix of different situations that happened on Douglas. We had some gas on the north end of the system that we were able to diverge to a larger diameter through our larger diameter piece of pipe to another area facility. So we have done that with some of the volumes. There are certain volumes that are -- and this is a fair amount of volume that is associated with casing that gas. In some situations the producer may have flared their volumes and in some situations they may have shut in probably depending upon their specific situation. We expect to substantially have all of these volumes returning to the system. We haven't lost any commitments in that regard or anything like that.

We do -- we just completed kind of the first phase of work here in the last week and have brought on probably about 30%, 40% of the volumes and the balance of the volumes will return later in the year and into the first quarter.

Yves Siegel - *Aroya Capital - Analyst*

I will just ask two more and then it for others but all else being equal, Mark and Angela, has your hurdle rate for acquisitions or growth CapEx moved higher, and what is that hurdle rate when you look at projects?

Mark Borer - *DCP Midstream Partners LP - President & CEO*

It is a pretty dynamic time to obviously think about where given where capital markets are relative to hurdle rate, I'd say as an enterprise, so to speak, we are looking at an increased hurdle rate. We obviously need to take into account capital market availability and such. I think that is why, as I mentioned earlier, we are trying to be very thoughtful about balancing distribution growth with access to capital. I don't think that one just looks at the most recent 60 days when one looks at that or the most recent six months, but we are going to be thoughtful about hurdle rates and how we deploy capital.

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Yves Siegel - *Aroya Capital - Analyst*

Okay, and here is my last question, I promise. And it comes off of Michael Blum's earlier question. When you look at the distribution, and in light of what you just said about 60 days and six months, could you just put that into perspective that if the fourth quarter, if the distribution coverage ratio in the fourth quarter is light, it sounds like you will maintain the distribution. Are you looking at what you think the distribution, what cash flow is? Will likely be in '09, or could you again just surround that topic in terms of how you think about the distribution?

Mark Borer - *DCP Midstream Partners LP - President & CEO*

Well, relative to the fourth quarter and such we are not providing a forward-looking view. Obviously distribution adjustments to our distribution would ultimately be a board decision. I would keep in mind as you look at the fourth quarter we've received our distribution from discovery that happens in arrears that $7.2 million has already been received. We are obviously returning assets in service but we have no plans to cut our distribution and we believe we have sufficient resources and tools to really manage through this environment. Obviously we are going to have a very cautious view of the overall economy and macroeconomic environment, accessing capital markets.

Yves Siegel - *Aroya Capital - Analyst*

Thanks, Mark. And I apologize for that, sort of do you still beat your wife type of question.

Mark Borer - *DCP Midstream Partners LP - President & CEO*

No problem. Thank you.

Operator

Kent Green, Boston American Asset Management.

Kent Green - *Boston American Asset Management - Analyst*

My question is pertaining to recovery of these natural events like the electrical storm, the outages of electricity. Do you have a risk management policy that insures on some of that stuff and disruption insurance?

Mark Borer - *DCP Midstream Partners LP - President & CEO*

We have property insurance for the property damage. We do not have business interruption insurance in the offshore relative to that specific asset.

Kent Green - *Boston American Asset Management - Analyst*

And then the Douglas system, it sounds like it is being off longer than you think; and then could you give us a little bit more details on how you are going to recover that in future tariffs or revenues?

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Mark Borer - *DCP Midstream Partners LP - President & CEO*

When we started to work on Douglas we really had kind of an immediate response to the pipeline integrity that needed certain repairs and replacement of some pipe. There is a modest amount of pipe in what we call a class 3 location. But once we were into the work and did some additional analysis we felt that it was prudent to make some additional repairs that we originally probably would have done on and off over time. But we felt that if we could get it done we would have less interruptions and more reliable operations going forward.

Some of the things we are doing is to really ensure future run time, reduce the operating costs. We've installed more capabilities around [pegging] and future what we call corrosion monitoring equipment and such. We believe that the system and our view of the system going forward supports the investment. From a recoupment viewpoint we think we can earn a return over time through lower OpEx, better run time, some contract renewals and incremental fees as well as some production dedications which will go along with a more reliable system. So that was our thought process.

Kent Green - *Boston American Asset Management - Analyst*

There has been some precedents stated where GPs have taken concessions on their distributions for financing for certain expansion projects, particularly when the splits get up to a higher level. Have you been in any discussion with several of your general partners?

Mark Borer - *DCP Midstream Partners LP - President & CEO*

We have not seen that where we are at in the split has been problematic for us pursuing projects. That is always something we consider and we would evaluate on a case-by-case basis.

Kent Green - *Boston American Asset Management - Analyst*

Finally, on the Haynesville, there is several large, well-capitalized E&P companies, or at least they have sold interest out to even other well-capitalized people on their acreage. Are you working specifically with those larger companies instead of all of the smaller companies which may have to forego their E&P budgets and wait on the Haynesville because of financing difficulties?

Mark Borer - *DCP Midstream Partners LP - President & CEO*

We have had active dialogue with a number of the larger acreage holders, and I would say we have also had dialogue with some of the smaller and midsize companies, as well. I think it is -- we are a service provider and we would like to put together the right project to meet the needs of that area. And that has been our process.

Kent Green - *Boston American Asset Management - Analyst*

Is there other large MLPs that have also expressed desires to get into the Haynesville, and will these plans or their approval process affect your decision to go ahead with your progress?

Mark Borer - *DCP Midstream Partners LP - President & CEO*

There have been -- there are other MLPs that have discussed potential Haynesville projects. We do feel that we are well situated given our footprint in North Louisiana as well as East Texas and the fact that we have some intra, we have an intrastate pipeline in North Louisiana. Obviously we need to be cognizant of what the market will support and which projects go forward.

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Kent Green - *Boston American Asset Management - Analyst*

In your future financing plans for or return plans or projects, (inaudible) are you factoring in the high cost of capital as far as a distribution maintenance of that capital at these very high levels which have occurred over the last year. In figuring out the returns that you need to go forward, or is it somewhere in the midpoint between those low points of a year or so ago at the current levels?

Mark Borer - *DCP Midstream Partners LP - President & CEO*

Without being specific on where our hurdle rates and such are, we clearly need to be cognizant of what is going on in capital markets and our access to capital for growth. And that is the way we look at it at this point. We wouldn't necessarily say that you would look at the highest yield on your equity or such but we want to make sure that any projects that we pursue that we have sufficient capital resources to meet their needs. And earn an effective rate of return.

Kent Green - *Boston American Asset Management - Analyst*

Most of the MLPs have stated around a 50% debt capital ratio. You appear to be over that considerably at the current time. Is there any idea to go back to any goal, or would you remain highly leveraged in the future?

Angela Minas - *DCP Midstream Partners LP - VP & CFO*

I think the way you are seeing our balance sheet underestimates the equity side on the capitalization where we hedge drop-down assets. Those assets are put onto our balance sheet at what the cost was from the parent company. So our assets and therefore our balance sheet are underestimated, so that would lead you to get to a higher debt to book capitalization than what you are seeing. If you factor those things in, we would be closer to the 50-50 which you referred to.

Kent Green - *Boston American Asset Management - Analyst*

Thank you.

Operator

William Adams (inaudible).

William Adams - - *Analyst*

I just had a question. Obviously, the quarter had a lot of negative impacts from the hurricane, the downtime at Douglas. If you add all that back can you give us what the amount of commodity price levels, gas, oil, NGLs, you would need to be cash flow breakeven for the quarter?

Mark Borer - *DCP Midstream Partners LP - President & CEO*

I guess I would say that keep in mind that the hurricane we felt was around $5 million to $6 million for the quarter. And if you just take that, Bill, and the LCM adjustment of 3, those -- we had obviously the lower ongoing Douglas, but I think that you will see that the coverage improves substantially just to take in a couple of those items.

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Angela Minas - *DCP Midstream Partners LP - VP & CFO*

And as part of our planning budgeting process we are running various commodity price scenarios on the crude, NGLs, gas, as well as the relationship of NGL to crude. And through the modeling of those and taking those down to a fairly low level, we still feel comfortable that we can manage through our business and our debt covenants.

William Adams - *- Analyst*

I guess I'll go through some of the math because I know you give some of the sensitivities on an unhedged basis. That is why I thought maybe you could simplify it by giving us -- if there is a ballpark, a commodity price where you feel like you are meeting your cash flows, when you are adding back all these adjusted, one-time adjustments.

Mark Borer - *DCP Midstream Partners LP - President & CEO*

We are not going to provide future guidance as to those exact levels. We obviously will update our sensitivities.

William Adams - *- Analyst*

That's why I was just referring to the third quarter. I realize that the futures (inaudible).

Mark Borer - *DCP Midstream Partners LP - President & CEO*

It is kind of hard to do it for the third quarter, Bill. I'm not trying to avoid your question, but it is somewhat hard to do because of some of the operational disruptions we had, which really kind of changed the volume profile for the quarter. Maybe we can visit on that off-line and get you a little bit more information to help you out.

William Adams - *- Analyst*

Okay, great. Thanks so much.

Operator

Michael Blum, Wachovia.

Michael Blum - *Wachovia Securities - Analyst*

Two quick follow-ups. One, are you seeing just as an overall the E&P guys ratcheting back their CapEx budgets and starting to shut wells in? Are you seeing any of that volume reduction behind your systems?

Mark Borer - *DCP Midstream Partners LP - President & CEO*

Michael, we haven't seen any significant changes in volumes behind our system. I think things have still been pretty robust. As we've got a pretty diverse geographic footprint; we have some very long life basins as you think about Antrim and East Texas in the midcontinent that obviously producers have been very active drilling in a number of cycles in the past. I look at the offshore, those are very long lead time projects, and a number of them are kind of split between being more gas oriented or oil oriented. But in the aggregate we would expect to see some things happen on the margin, but things have remained pretty

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robust and we still see pretty good activity and permit activity overall. We obviously it is something we are going to stay close to our customers, particularly our customers that drive this activity and be able to gear our plans appropriately if there are adjustments that come our way.

Michael Blum - *Wachovia Securities - Analyst*

The second question was just, is it possible on the page you provided in the slides with the commodity sensitivities, is it possible to provide the impact on a gross margin or EBITDA rather than net income? I don't know if you have that.

Mark Borer - *DCP Midstream Partners LP - President & CEO*

I think those same numbers would drop to gross margin and such that there is no other deductions. I think we probably did a GAAP sort of presentation of those sensitivities.

Michael Blum - *Wachovia Securities - Analyst*

Okay, so you are saying that is a good proxy for gross margin for EBITDA?

Angela Minas - *DCP Midstream Partners LP - VP & CFO*

Yes, that's correct.

Michael Blum - *Wachovia Securities - Analyst*

Thank you.

Operator

At this time I show no other questions. I would like to turn the conference back over to Ms. Taylor for any closing remarks.

Karen Taylor - *DCP Midstream Partners LP - IR*

Thanks to everyone for your interest in the partnership. If you have any further questions, please don't hesitate to call me. And as a reminder, you can access the replay of the webcast as well as a transcript via our website at www.DCPpartners.com. Thanks, and have a great day.

Operator

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

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