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DPM - Q2 2013 DCP Midstream Partners, LP Earnings Conference Call

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PRESENTATION

Operator

Welcome to the DCP Midstream Partners second-quarter 2013 earnings conference call. My name is Lorraine and I will be your operator for today's call. At this time all participants are in a listen-only mode. Later we will conduct a question-and-answer session. Please note that this conference is being recorded.

I will now turn the call over to Ms. Andrea Attel. Ms. Attel, you may begin.

Andrea Attel - *DCP Midstream Partners, LP - Director IR*

Thank you, Lorraine. Good morning, everyone, and welcome to the DCP Midstream Partners second-quarter 2013 earnings call. As always, we want to thank you for your interest in DPM.

This call is being webcast, and the slides used for today's call are available on our website at DCPpartners.com.

Before I turn it over to Bill, I want to remind you that in the course of our discussion today and in the subsequent Q&A session, we may be making forward-looking statements. Please review the second slide of the presentation regarding forward-looking statements, noting that our business is subject to a variety of risks and uncertainties that may affect actual results. For a complete listing of these and other risk factors that may impact our business results, please review the Partnership's most recently filed 10-K and 10-Q.

Also, during our discussions we will be using various non-GAAP measures which are reconciled to the nearest GAAP measure in schedules to the Appendix section of the earnings slides.

Yesterday, we also announced the launch of our public equity offering. We will not be commenting on the offering and will not answer any questions regarding the offering.

With that, I will turn the call over to DPM's President, Bill Waldheim.

Bill Waldheim - *DCP Midstream Partners, LP - President*

Thanks, Andrea. Good morning, everyone, and thanks for joining us today for a discussion of our second-quarter results. I am also here with Rose Robeson, our CFO.

As you saw in our press release last night, we have a great quarter to talk to you about, including strong second-quarter earnings, two exciting dropdowns, the LaSalle Plant and the Front Range Pipeline, both located in the growing DJ Basin, and a progress update on our pipeline of organic growth projects. All together, our results underscore how we are achieving our earnings guidance while at the same time executing our dropdown strategy to grow the Partnership as we transition to a fully integrated midstream service provider.

We will talk about our latest dropdowns in a minute. But before we do, I would like to highlight a few financial items that stand out.

First, DPM achieved solid DCF of $68 million, up an impressive 200% from the second quarter of last year. We also delivered our 11th consecutive distribution increase, which now stands at $2.84 annually and is in line with our targeted growth of 6% to 8% in 2013. These quarterly increases come as a result of the Partnership's fee-based earnings and attractive hedge book position.

And finally, we are pleased with the performance of our recently acquired Eagle Ford asset, which continued to ramp up and perform according to plan. With that, I would like to tell you more about our dropdowns.

Earlier this week we completed the dropdown from our General Partner of the LaSalle Plant and a one-third interest in the Front Range Pipeline. The total transaction value of these two dropdowns is about $415 million, which includes approximately $120 million of estimated costs to complete the construction.

Both assets are located in the DJ Basin and part of the fast-growing Niobrara shale play here in Colorado. With these dropdowns we are adding a pair of quality assets to the DPM portfolio while entering a new and growing geographic area that has tremendous upside potential.

These assets integrate the DJ Basin value chain with gathering and processing assets that are connected to our NGL pipeline takeaway. DPM now owns assets that have connectivity from the DJ Basin to the premier Mont Belvieu market. And both assets are low risk and predominantly fee-based.

All said, we are further diversifying DPM's overall portfolio of assets, which should reduce earnings risk and increase our fee-based earnings in the coming years.

On slide 5, let's talk about LaSalle. The LaSalle Plant is a deep-cut cryogenic plant situated in the growing Niobrara shale play that is part of the rapidly expanding liquids-rich DJ Basin. This is a basin that continues to reinvent itself through technological innovation.

The LaSalle Plant will be part of an 8-plant system owned by the DCP enterprise, with approximately 600 million per day of total processing capacity. The plant has 110 million day of capacity and is expected to be in service in the second half of 2013, with further expansion to 160 million a day expected in the first half of 2014.

The plant is underpinned with a 15-year processing agreement from DCP Midstream, with fee and minimum throughput components. As a reminder, the $242 million investment in LaSalle includes the expansion capital for the additional 50 million a day.

On slide 6, the Front Range Pipeline is a joint venture pipeline operated by Enterprise and owned equally by Enterprise, Anadarko, and now DPM. This pipeline will provide much needed takeaway capacity for the growing production of NGLs in the DJ Basin.

It is a 435-mile, 16-inch NGL pipeline with 150,000 barrels a day of capacity, which can be expanded to 230,000 barrels per day. Also, we believe there is significant upside opportunity to this project, with the announcement of additional DJ Basin plants not accounted for when this pipeline was approved by the JV owners.

The pipeline originates in Weld County, Colorado, and heads Southeast to Skellytown, Texas, with connections to Texas Express and Mid-America Pipelines. Front Range will also provide producers in the DJ Basin with reliable takeaway capacity and, for the first time, access to the premium price Gulf Coast market, which is the largest NGL market in the United States.

The operator expects Front Range Pipeline to be mechanically completed in the fourth quarter of 2013. This pipeline is a great long-term asset that is predominantly fee-based and is anchored by ship-or-pay commitments from DCP Midstream and Anadarko.

So as you view these two dropdowns in their entirety, you will see a low-risk fee-based transaction that will be accretive in 2014 and provide sustainable distribution growth.

With that, let's turn to slide 7 and I will update you on how we are executing on our growth capital forecast and dropdown activity from our General Partner. This slide shows our historical capital spend over the past couple of years.

We have now exceeded our $1 billion of dropdowns in 2013, contributing to our cumulative growth of $3.2 billion since Q1 of 2011. This is also the second year in a row that we have exceeded $1 billion of targeted dropdown. You can clearly see that the growth in dropdowns have continued as planned.

As we turn to our capital and distribution outlook on slide 8, we are on track with our targeted growth and distribution forecast. So with the just-announced dropdowns and the Eagle Ford transaction in the first quarter, we are on track to hit our $1.5 billion of growth in 2013. I will talk more about the progress of our organic projects in just a minute.

In 2014, we are targeting another $1 billion of dropdown opportunities. Subject to approvals of both the DCP Midstream and DPM Boards, this would include the expected dropdowns of DCP Midstream's one-third interest in the Southern Hills and Sand Hills Pipelines. The EBITDA from our dropdowns and organic growth will support our distribution growth target of 6% to 8% in 2013.

Now, turning to slide 9, I will provide a brief operational update on our three business segments. Our Natural Gas Services segment continues to experience substantial growth with the completion of the Eagle Ford and LaSalle dropdowns. These assets will continue to be a major source of growth in the coming years.

Last quarter we placed our 200 million a day Eagle Plant into service, which is now at about 80% utilization. If you recall, we were at 70% utilization last quarter, so the ramp-up continues.

Our Goliad Plant is also progressing on time and on budget, scheduled to meet the expected in-service date of Q1 of 2014. The Keathley Canyon Pipeline Project at our Discovery joint venture is progressing with an in-service target date of mid 2014. Additional reserves continue to be added to this project, with deepwater producers announcing success in and around this area.

In our NGL Logistics segment, our exciting organic growth projects are progressing as expected. Both Texas Express and our Marysville ethane storage expansion projects are nearing completion.

Texas Express is ready for startup in the third quarter and Marysville in October. Further, as demand for storage in the Northeast region continues to grow, engineering and commercial work is underway for additional Marysville storage expansion.

Looking forward, we expect our NGL Logistics segment to continue to have significant growth in the next couple of years with the dropdown of the Front Range Pipeline and the targeted dropdowns of the one-third interest in both Southern and Sand Hills pipelines.

In our Wholesale Propane segment, we recently completed our contracting for the upcoming heating season, and we are pleased with the outlook for 2014. We also recently approved Phase 1 of our project to debottleneck product distribution into and out of our Chesapeake facility.

This is the first of a two-phase project to export propane and butane from this facility. Work continues from a commercial and engineering perspective to be able to export from Chesapeake in 2014, and we are encouraged by our work to date.

With that, let me turn it over to Rose to review our financial results.

Rose Robeson - *DCP Midstream Partners, LP - SVP, CFO*

Thanks, Bill, and thanks, everyone, for joining us today. As we stated in our earnings release last night, we are required to recast our 2012 quarter for our 80% interest in Eagle Ford. This is required even though DPM did not own these assets during that period.

So as the basis for comparison, I will discuss the quarter-over-quarter variances for the assets actually owned by the Partnership during the second quarter of 2012, better reflecting the trends and results we achieved. These results are shown in the shaded box on this slide.

Excluding results attributable to DCP Midstream's ownership in the Eagle Ford dropdown assets, EPS adjusted EBITDA was up approximately $44 million, more than double the second quarter of last year. I will review the details by segment in the next few slides.

We generated DCF of $68 million in the second quarter of 2013. Our cash distribution coverage for the quarter was approximately 1 times, and 1.1 times for the trailing 12 months. As a reminder, our first and fourth quarters are stronger quarters due to seasonality in our Wholesale Propane business.

For the full-year 2013, we expect coverage to be below our long-term target of 1.1 to 1.2 times, reflecting the financing lead time of our organic growth projects. But we do expect to be back within range once these organic projects come online.

If you turn to the next slide, I will review the results of our Natural Gas Services segment. Again, excluding results attributable to DCP Midstream's ownership interest in the Eagle Ford system, DPM's adjusted EBITDA increased $19 million or about 35% compared to the prior year.

We have enjoyed a full quarter of earnings from our 80% interest in the Eagle Ford joint venture as well as the startup of our Eagle Plant. This growth more than offset some hedge settlement timing in our gas storage business. Our attractively positioned hedging program continues to provide stability in our Natural Gas Services segment.

Turning to our NGL Logistics segment, we doubled our second-quarter adjusted EBITDA from last year to $22 million. This increase is primarily due to the dropdown of the Mont Belvieu fractionators and higher margins at our Marysville storage facility, providing attractive fee-based growth in this segment.

Slide 13 shows the results of our Wholesale Propane segment. Our adjusted EBITDA was about breakeven at $1 million, which increased from a loss of $19 million in 2012.

This loss was primarily due to a non-cash lower of cost or market adjustment of $14 million in the second quarter of 2012. Excluding the non-cash LCM adjustment we were up about $6 million, primarily due to higher per-unit margin and a return to more normal weather. As I mentioned earlier, this business does have seasonality, with the majority of earnings coming during the first and fourth quarters.

So on the next slide let me recap our sensitivities and distribution growth targets. As we stated last quarter, about 95% of our margin is now fee-based or hedged. After our Eagle Ford dropdown last quarter, our 2013 sensitivities show we are neutral to changes in natural gas and crude prices, and our sensitivity to the NGL-to-crude relationship is about a $1 million impact for a 1% change. So we have very limited exposure to commodity prices in 2013.

We are very comfortable with our 2013 DCF forecast of $260 million to $280 million. As you may recall, this forecast excluded the dropdowns that we have just announced, which will have a modest impact to our DCF in 2013.

Lastly, our second-quarter DCF of $68 million is in line with our full-year forecast and we are on track to achieve our 6% to 8% distribution growth target in 2013.

Slide 15 outlines our financial position at the end of the quarter. We continued to maintain a strong capital structure and a competitive cost of capital.

During the quarter we issued about $70 million of equity under our ATM program and filed a new shelf registration statement for up to an additional $300 million under this program. Our average cost of debt was 3.7%, and we had approximately $850 million in unutilized revolver capacity at the end of the quarter.

Finally, with the ATM issuance this quarter, our debt-to-EBITDA leverage ratio at the end of the quarter is 3.7 times. All together we remain committed to our investment-grade ratings and continue to be well positioned to serve as a significant source of funding for the growth capital of the DCP Midstream enterprise.

With that, Bill, I will turn it back to you for some summary remarks.

Bill Waldheim - *DCP Midstream Partners, LP - President*

Thanks, Rose. I would like to close this morning by leaving you with the following. We are very excited about the LaSalle and Front Range dropdowns. These are great assets in a premier growth area of the DJ Basin.

We are also happy to report the Eagle Ford system is performing well, contributing to our strong second-quarter results. Our unitholders have enjoyed 11 consecutive quarterly distribution increases, in line with our 6% to 8% growth target. And as always, we have the support and sponsorship of our General Partner, DCP Midstream, and its owners, Phillips 66 and spectra Energy.

So with that, I want to thank you for your interest in DPM, and I will turn it back to Lorraine for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Becca Followill, US Capital Advisors.

Becca Followill - *US Capital Advisors - Analyst*

Good morning, guys. Can you guys talk a little bit more about the DJ Basin opportunities for potential future dropdowns, the 8-plant system, a little more about drilling activity, producers in the area? So that we can maybe get a gauge of the opportunities beyond just that current dropdown.

Bill Waldheim - *DCP Midstream Partners, LP - President*

Sure, I would love to. Becca, as we know, the DJ Basin is a very exciting area for DCP. It has been a big growth area for the Company.

The primary producers behind the DCP assets are companies like Noble Energy, PDC Corporation, Bill Barrett and others. It is generally a good contract structure with lots of lease-type arrangements. So again it is a real solid growth area for DCP.

The LaSalle Plant in general was structured more as a fee asset. It has got a 15-year processing agreement with DCP Midstream, and it has got both fee and throughput components. The fee is -- it's got minimum throughput commitments.

So again it is a low-risk fee asset and it has connectivity vis-a-vis the Front Range Pipeline now to the Gulf Coast markets. Front Range itself as well has [fee-and-D] -- or ship-or-pay arrangements associated with it.

And again we think there is good upside to Front Range as there has been numerous plants that have been announced that weren't really even part of the project when it was originally approved. So we think there is good upside to the Front Range asset.

And all total, we are excited that -- now we have got assets in this area. We have already had fractionators in this asset, so now we will have a plant and pipelines.

I really can't comment on what the future dropdowns might come from, DCP Midstream; but we are certainly pleased to have now solidified our position in the DJ with the plant and pipeline, NGL pipeline, out of the area.

Becca Followill - *US Capital Advisors - Analyst*

But are the 7 other plants are those older plants? Are they cryo plants? Any of those new plants?

Bill Waldheim - *DCP Midstream Partners, LP - President*

Yes, the other plants in the area are a little bit older in nature. We did recently start a newborn plant. But we do view the LaSalle facility as being one of the most modern, efficient cryogenic facilities.

Again the way it has been structured is the incentive is to bring volumes to the LaSalle facility and keep it full. I think we have -- we would like to think the ramp-up on the LaSalle Plant will be literally over the first and second quarters and it will be full. There is already gas waiting behind the facility or the plant to start.

Becca Followill - *US Capital Advisors - Analyst*

Do you see any opportunities for other organic growth projects in terms of new processing plants?

Bill Waldheim - *DCP Midstream Partners, LP - President*

Well, again, I would only comment that -- what has been shown on other producers' investor slides. I know that DCP Midstream is contemplating other facilities in the area. It continues to be a very prolific growth area, as you can see when you read the producers' investor slides.

So again I think we are excited that we have entered the basin with the LaSalle Plant and I think DCP continues to view the whole DJ Basin as a very good growth opportunity for the Company in its entirety.

Becca Followill - *US Capital Advisors - Analyst*

Thank you, guys.

Operator

Michael Blum, Wells Fargo.

Michael Blum - *Wells Fargo Securities - Analyst*

Hi, good morning. A couple of questions for me. I guess the first is, can you talk about what the thought process was in terms of, I guess, accelerating the dropdowns or doing dropdowns ahead of what your target was?

And then I apologize if I missed it; I don't know if you could talk to what type of multiple we should think about for these assets. Thanks.

Bill Waldheim - *DCP Midstream Partners, LP - President*

Thanks, Michael. I will let Rose talk about the multiples of the drop. But just to start with, I am not sure we're actually ahead of schedule. I think we signaled that we have about $1 billion of dropdown activity in 2013, and we are pleased that we now have exceeded that target.

In fact we have messaged that between the drops and organic growth projects we will have close to $1.5 billion of capital opportunity. So I think we're actually on target with that.

We still look forward to 2014 with the potential dropdown of the Sand Hills and Southern Hills pipelines and are still messaging $1 billion of dropdowns in that time period. So again I think we are on track and I think we are pleased with where we are to date.

I will let Rose touch on the multiples question.

Rose Robeson - *DCP Midstream Partners, LP - SVP, CFO*

Sure. Thanks, Bill. Yes, Michael, as far as the multiple -- well, let me start by saying both of these assets are low-risk fee-based assets, just the way they are structured. And we expect the combined transaction to be accretive in 2014.

Our past dropdowns have been in the 7 to 9X EBITDA multiple range. And I think it is better to look at this dropdown on an individual asset basis due to the earnings profile of the assets.

So if we start with LaSalle, the LaSalle Plant is consistent with our 7 to 9X range in the first 12 months, and at the high end of the range due to the fee-based nature of the contract and the earnings. Then for Front Range, the volumes and earnings do ramp up over time. The economics for Front Range were premised on the existing ship-or-pay contracts, which really anchored the project.

And we do believe, as Bill mentioned earlier, that there is upside to the economics with other plants that have been announced in the area, which would get us closer to our 7 to 9X range. If you look at it just on the existing ship-or-pay contracts, we would eventually get to the 7 to 9X range, but it would be over a longer period. So I think that is the way to think about the multiples.

Michael Blum - *Wells Fargo Securities - Analyst*

Okay. Can you -- I guess what is the time frame when you think, just based on what is known today, where you would get into that 7 to 9 range?

Rose Robeson - *DCP Midstream Partners, LP - SVP, CFO*

So just on -- yes, the current ship-or-pay contracts is for 79,000 barrels per day; and then we do believe there will be initial plants coming on within a year or two. And then longer-term there are some volumes that come later, when some contracts expire.

But if you just look at the initial 79,000 barrels per day it would probably be more like in the 5- to 10-year period for the 9X.

Michael Blum - *Wells Fargo Securities - Analyst*

Okay. Got it. Then last question for me. Overall in the Natural Gas Services segment, volumes were up about 2%. I was wondering if you can just break that down a little bit and give us a little more detail, maybe by area, in terms of what is going on from a drilling activity perspective and where you are seeing perhaps bigger increases in volumes, declines, flat, etc.

Just trying to get a little more feel for across the asset base, what it looks like.

Bill Waldheim - *DCP Midstream Partners, LP - President*

Sure, Mike, I will take that. The 2% increase is across all the assets and obviously the different assets have different profiles. Certainly we have got a lot of good growth occurring in and around the Eagle Ford shale assets.

We are very pleased with the drilling activity that is part of the acreage dedications behind our facilities. So we expect to that to continue to be a good growth area.

We are also seeing in some of the legacy gas in the South Texas area that some of that drilling has picked up some. So all together, the whole Eagle Ford joint venture is performing very well.

As is East Texas -- call it the liquids-rich Haynesville area of East Texas. We are continuing to see drilling in and around that area. A little challenged in Southeast Texas around the Beaumont-Port Arthur area, but we do have drilling that is occurring there as well.

I don't want to comment that the volume profiles as they are given to you in aggregate, do -- there are turnarounds and there are things that have occurred at the assets in the second quarter that I think we could have been higher should the turnarounds have been obviously not done in the quarter. But 2% is a good number and we expect that to continue to grow.

Michael Blum - *Wells Fargo Securities - Analyst*

Thank you very much.

Operator

Elivira Scotto, RBC Capital Markets.

Elvira Scotto - *RBC Capital Markets - Analyst*

Hi, good morning. I just wanted to clarify on the previous question on the multiple on Front Range. So the 7 to 9X multiple on the 79,000, that is going to ramp over a 5- to 10-year period, or did I misunderstand that?

Rose Robeson - *DCP Midstream Partners, LP - SVP, CFO*

Yes, that would be -- we would get to that multiple 5 to 10 years out.

Elvira Scotto - *RBC Capital Markets - Analyst*

That is just on the ship-or-pay?

Rose Robeson - *DCP Midstream Partners, LP - SVP, CFO*

That is just on the 79,000 barrels per day. So again that has no incremental volumes associated with plants that have been announced and also just volumes that come on later when those contracts expire.

Bill Waldheim - *DCP Midstream Partners, LP - President*

There are other plants in the area that are now -- have been either announced or soon to be, that really come online in the next couple years. I think if you really look at the base case beyond the throughput commitments, we expect that volume to really help and improve the returns on that asset.

Elvira Scotto - *RBC Capital Markets - Analyst*

Okay, so that would be in a faster time period than the 5 to 10?

Bill Waldheim - *DCP Midstream Partners, LP - President*

Yes, it would be much faster, actually, because the E&P community up here is really directing a lot of capital to this area. Frankly, I know at DCP we really can't build facilities fast enough for the growth that is occurring up here.

So the plants that have been announced beyond what are premised in the ship-or-pay agreements, we believe are definitely on the way and will help the Front Range economics.

Elvira Scotto - *RBC Capital Markets - Analyst*

Okay. Thanks for that. Then I just wanted to clarify. So on slide 14 of the presentation, the DCF target, that does include LaSalle? Or does it not include LaSalle?

Rose Robeson - *DCP Midstream Partners, LP - SVP, CFO*

Well, Elvira, I will take that one. So the $260 million to $280 million, as you know, initially did not include the incremental $400 million dropdown. So that range of DCF was given in the context of commodity prices.

And just if you look at the NGL-to-crude relationship, we are down probably over 10% on the relationship, so that would put you in the midpoint of that range. So I think what we are saying is we are certainly very comfortable that we are in $260 million to $280 million with the LaSalle.

Elvira Scotto - *RBC Capital Markets - Analyst*

Okay. When does LaSalle start up, specifically?

Bill Waldheim - *DCP Midstream Partners, LP - President*

We are saying the second half of 2013 at this juncture.

Elvira Scotto - *RBC Capital Markets - Analyst*

Okay, great.

Bill Waldheim - *DCP Midstream Partners, LP - President*

The plant is under construction and it is very far along. So again it will be in the second half of this year.

Elvira Scotto - *RBC Capital Markets - Analyst*

Okay. Switching to NGL Logistics segment, can you talk a little bit about -- you mentioned higher margins at Marysville storage. Can you maybe talk a little bit about what is driving that?

Is it big contracting rates? Or maybe talk a little bit about those trends.

Bill Waldheim - *DCP Midstream Partners, LP - President*

Sure. Marysville storage has really been a good -- a well-situated facility given the growth of the Marcellus and Utica shale. And we have experienced very good contracting in the last several years with storage rates increasing, be more again in line with other storage rates in the market.

And really the demand for storage at that facility has driven rates higher. So we are getting good rate increases on storage itself. And then, obviously, we have got the upcoming expansion to handle ethane at that facility; and we expect, again, a good earnings profile from Marysville as we look forward in time.

Elvira Scotto - *RBC Capital Markets - Analyst*

Okay. Then the last question from me. Can you provide any additional information -- you talked about it a little bit. But the propane/butane export project at Chesapeake, anything in terms of potential size there?

Bill Waldheim - *DCP Midstream Partners, LP - President*

Yes. Again we're not really ready to talk size. We still are in conversations with some of the companies that would be using the facility. But we have approved, as I mentioned, the first phase which is to debottleneck the transportation logistics into and out of that facility.

That was a project that was approved several months ago, and so we are well on our way of building out the debottleneck of the rail facilities in and out. So again, things are going well.

We are testing some of the equipment, as I think I may have mentioned last time we talked, and the testing of the equipment is going well, as well. So again, at the right time we will be able to talk about ultimately what we arrive at as far as the commercial potential for the facility.

Elvira Scotto - *RBC Capital Markets - Analyst*

Great. Thank you very much, everyone.

Operator

(Operator Instructions) Matt Niblack, HITE.

Matt Niblack - *HITE Hedge Asset Management - Analyst*

Thank you. Good morning. First, just to make sure I understand the timetable on Front Range getting to the 9X range, it sounds like there are the other projects coming in line, that we could think about that as a 2015 time period.

Rose Robeson - *DCP Midstream Partners, LP - SVP, CFO*

Yes, Matt, this is Rose. In terms of ramping up, I think we believe that there will be plants coming online within the next year or two. So again I think we conservatively did the economics based on existing ship-or-pay, but we think that there is certainly upside in the first 5 years to what we premised in the economics case.

Bill Waldheim - *DCP Midstream Partners, LP - President*

And just to clarify, too, the ship-or-pay contracts would begin immediately upon pipeline startup.

Matt Niblack - *HITE Hedge Asset Management - Analyst*

Right, right. Then further commentary in the timing of the dropdown, typically these are done when the asset is complete, and you are racking up some construction at the Partnership level. What is the logic there?

Bill Waldheim - *DCP Midstream Partners, LP - President*

Well again, I think as we look at the LaSalle Plant, again we are saying second half of 2013; the plant is very far along in the construction process. Again, we're not prepared to really get a specific date yet, but it certainly is a plant that is needed in the area and we are working diligently to get it in service as soon as possible.

Again, I think Front Range is also under construction and Enterprise indicates that really a fourth-quarter completion or mechanically complete is still their messaging. So again those are the current timelines that we see for the assets.

Matt Niblack - *HITE Hedge Asset Management - Analyst*

Great. Then lastly, given the robust pace of dropdowns and some of the success you have had organically in some of your other assets, are you optimistic that growth in distribution next year could get closer to the high end than the low end of the range?

Bill Waldheim - *DCP Midstream Partners, LP - President*

Well, again, I think we are excited about having achieved the dropdown guidance that we have given for this year, and I think we're still looking at the $1 billion of dropdowns next year. I think we always want to balance the distribution growth with the coverage ratio and leverage ratios, and really balance that against the organic builds and needs to fund projects.

So again I think we are comfortable with the distribution profile and guidance we have given to date. And I think the financing needs of the private company, DCP Midstream, continue. And I think we will continue to be the funding vehicle for that.

So again, fairly comfortable with where we are. And yes, at the end of the day, we want to make sure we have sustainable growth over time, more than anything.

Matt Niblack - *HITE Hedge Asset Management - Analyst*

Right, so maybe just to put the question a slightly different way, what would be the difference between the low end and the high end of the range? Is it more driven by -- you need to see a recovery in NGL prices to get closer to the high end? Or is it the amount of CapEx you are planning to invest?

Bill Waldheim - *DCP Midstream Partners, LP - President*

Well, again, I know we're very well hedged, so I don't necessarily think it would be NGL prices. But we talked about the volume profile of a number of these assets. And again we feel as long as we continue to have good growth around these assets, that certainly could drive it.

But I think we are comfortable with the range we have given, and that is kind of where we have to leave it.

Matt Niblack - *HITE Hedge Asset Management - Analyst*

Great. Well, thank you.

Operator

Chris Sighinolfi, Jefferies.

Chris Sighinolfi - *Jefferies & Company - Analyst*

Hey, Bill, Rose. How are you guys? Thanks for the time and added color this morning. Just a couple quick ones for me.

A lot of discussion around returns on Front Range and the profile of the ramp. I was curious. In last night's release it is mentioned -- mechanically complete in the fourth quarter. I know there is -- you have encountered some land permitting complications up in Adams County.

So just curious what, if anything, you can offer on the latest on that front and your best guess as to both in-service and -- I think it was highlighted $86 million in ongoing CapEx there to get that to completion. What is the risk on that front as well?

Bill Waldheim - *DCP Midstream Partners, LP - President*

Sure, Chris. I will be happy to take that question.

As Adams County is a county that the pipeline does cross and there is a permit required for that, I think the county is looking more towards the routing of that pipeline as we originally proposed it. And, I think Enterprise's operator is working with the commission to see if we can't satisfy some of their concerns. And if we can do that I think we will be in front of that commission quickly and resolve the issue.

If in fact they want us to go a little further East around Denver International Airport, that would be more of a rerouting. And although that would be a little bit of a time delay, we have looked at it and at the end of the day it probably wouldn't be material in nature and affect any of the plans for DCP and the LaSalle facility.

We will be dual connected at that facility and be able to flow NGLs a different direction until Front Range is ready. So again I think it is a concern but it is not a big concern that we are worried about at this point.

Rose Robeson - *DCP Midstream Partners, LP - SVP, CFO*

The other thing I would add to that is that if there is incremental capital, the tariff does adjust for the incremental capital.

Chris Sighinolfi - *Jefferies & Company - Analyst*

It does? Okay, great. I mean for modeling purposes sometime sort of 1Q isn't inappropriate to start thinking about that, given this issue?

Bill Waldheim - *DCP Midstream Partners, LP - President*

Well again, I think if they can work with the commission and get the routing situated quickly, I absolutely believe nothing will change as far as the timing of the project. If it were to be a bigger issue and more of a reroute, we are thinking really a delay in the three- to four-month range at the most.

Chris Sighinolfi - *Jefferies & Company - Analyst*

Okay, okay. Thanks for that, Bill. I guess two other quick ones. Obviously, noting as you have in your prepared remarks, Bill, about exceeding the dropdown guidance the last couple years; and thinking about on slide 8 you maintained the $1 billion estimate form 2014; but thinking about the rest of Eagle Ford that is out there, obviously the DCP liquid lines, Sand Hills or something else. There is certainly opportunity, it seems, to exceed that number in '14.

So just curious the mindset around maintaining the $1 billion given the track record and the opportunity set.

Bill Waldheim - *DCP Midstream Partners, LP - President*

Well, I think you just touched on in itself. It is, what are the opportunities?

I know DCP Midstream continues to have a number of opportunities in and around its footprint. So the Partnership is the funding vehicle for their activity, and we see that activity continuing to be needed in many of the areas that they operate.

So again, the $1 billion guidance that we have given is solid, and we will see what the needs of the Private Company are as we get further into this year and as we look to early next.

Chris Sighinolfi - *Jefferies & Company - Analyst*

Okay. One final cleanup one for me. The profile of maintenance CapEx, Rose, this year -- pretty back-end loaded. Is there something driving that specifically for this year? How should we think about that profile maybe as we start to consider 2014?

Rose Robeson - *DCP Midstream Partners, LP - SVP, CFO*

Yes, so our maintenance capital run rate is right around $30 million to $35 million for 2013. We did have a small amount of timing in the second quarter, certainly less than $5 million of timing on maintenance capital. But I think you should think of it in terms of $30 million to $35 million range.

Chris Sighinolfi - *Jefferies & Company - Analyst*

Okay, and as we think about 2014, more evenly spaced than '13?

Rose Robeson - *DCP Midstream Partners, LP - SVP, CFO*

Yes, generally I think it is relatively evenly spaced.

Chris Sighinolfi - *Jefferies & Company - Analyst*

Okay. Thanks a lot, guys.

Operator

Ross Payne, Wells Fargo.

Ross Payne - *Wells Fargo Securities - Analyst*

Good morning, guys. Many of the GPs such as Spectra and ONEOK are moving towards more pure-play structures with limited assets. Do you feel that DCP Midstream, LLC, could move significant assets down to DPM on the gathering and processing front?

And if they were to do so, given your high hedging -- your strategy of hedging most of that, how large could you get without disrupting the market? Thanks.

Bill Waldheim - *DCP Midstream Partners, LP - President*

Ross, this is Bill. We are committed to growing the DCP Midstream enterprise and really creating value for the DCP Midstream Partners' investors. We are working closely with the owners, Phillips 66 and Spectra Energy, and regularly evaluate opportunities to enhance value at DCP Midstream.

So as a matter of practice, we really can't comment on what might happen as we look forward. But I know there is certainly a valuation that can occur around those different opportunities.

Ross Payne - *Wells Fargo Securities - Analyst*

All right. Thank you.

Operator

(Operator Instructions) At this time I am showing no further questions.

Bill Waldheim - *DCP Midstream Partners, LP - President*

Okay. Well, thanks again for your interest in DPM. And if you have any follow-up questions in the coming days we would be happy to answer them. Have a good day.

Operator

Thank you. Thank you, ladies and gentlemen. This concludes today's conference. Thank you for participating. You may now disconnect.