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DPM - DCP Midstream Partners, LP at 2013 Wells Fargo Pipeline, MLP and Energy Symposium

EVENT DATE/TIME: DECEMBER 10, 2013 / 3:35PM GMT

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PRESENTATION

Ross Payne - *Wells Fargo Securities - Analyst*

Okay, our next presenter is DCP Midstream Partners. They continue to emerge as one of the next large players in the NGL space given its general partner DCP Midstream, LLC owned by Spectra and Phillips 66, is the largest producer of NGLs in the country.

DPM's access to both the equity and bond market should help it become a primary growth engine for the DCP family. We're fortunate to have with us today Wouter van Kempen, CEO; Bill Waldheim, President; Sean O'Brien, CFO of DCP Midstream, LLC; and Andrea Attel of Investor Relations. Wouter?

Wouter van Kempen - *DCP Midstream Partners, LP - CEO*

Great. Thank you. Thank you, Ross. Good morning everyone. I am Wouter van Kempen. I'm the CEO of DCP Midstream Partners and the Chairman and CEO of DCP Midstream. I am joined by Bill Waldheim today, President of DCP Midstream Partners; Sean O'Brien, the CFO of DCP Midstream; and Andrea Attel, our IR Director.

First of all, let me thanks Wells Fargo and Ross thank you specifically for putting together this event and giving us the platform to talk to you about the transformation the DCP enterprise has undergone in the past three years, the transformation that translates to long-term sustainable value for our investors.

Before I jump in, please take a look at the Safe Harbor statement here on slide two. We will be all squared away on any forward-looking statements Bill or I may make.

I'll start with a little housekeeping around naming conventions and our ownership structure. When I talk about the DCP enterprise, I'm referring to the combination of DCP Midstream, the private joint venture owned by Phillips 66 and Spectra Energy and the publicly traded MLP DCP Midstream Partners, which I will call DPM.

As I assume most of you know DCP Midstream owns the general partner of DPM. Both DCP Midstream and DPM are big companies with solid investment grade ratings. Together as an enterprise, we execute on one strategy and this is a powerful combination that has parlayed into long-term growth around our key metrics on both of our entities.

So let's start with the overall asset growth. Since 2010, about 50% growth for DCP Midstream and an exponential 155% growth for DPM.

Moving on to volume growth, since 2010 we've had double-digit growth for the DCP Enterprise and exponential growth again for DPM and cash distributions to DPM unitholders increased 17% since 2010 and we've had 12 quarterly increases. That's our focus, long-term sustainable growth for all of our shareholders and that's the benefit of the DCP Enterprise. We're able to drive optimization by using the strength of both the companies together for a G&P powerhouse that extends its value chain into downstream logistics, founded upon our enviable footprint of assets and systems flexibility.

So on the next slide here you see our enviable footprint and our vision for 2015 that we put together about two years ago.

Today, two years into that transformation, we are successfully executing on our strategy with a majority of the projects on this map either announced, under construction or completed. Simply stated, we have transformed the DCP Enterprise from a top tier gathering and processing company where we lead in the major processing basins to a top ranked fully integrated midstream leader having built out our downstream logistics business, connecting all of our assets and all of our customers to the major market hubs.

The DCP enterprise holds an illustrious one, one and three position in the industry. We are the number one natural gas processor in the United States, we are the number one natural gas liquids producer in the United States, and we're the third largest operator of NGL assets -- of NGL pipelines. Earlier this year, we put into service Sand Hills and Southern Hills, NGL pipelines that were needed to de-bottleneck downstream logistics into Mont Belvieu. DPM's Texas Express Pipeline is also online and Front Range Pipeline is not far away. Our [wrap] of NGL logistics infrastructure is underpinning our forecasted 17 natural gas processing plants around the major producing basins. This year we've reached new heights for our processing volumes and our NGL barrel production. I'm very, very comfortable that our run rate NGL production will be well over 500,000 barrels in 2014, well ahead of the vision we've put together in 2012. So we're capturing the full value of the energy chain and as an enterprise we top the list.

As is pretty interesting if you look at DCP Midstream Partners as a stand-alone company with its transformation to an integrated midstream company, DCP Midstream Partners would be in the top 5 gas processors and a top 10 NGL producer as a stand-alone company. So, overall the DCP Enterprise is a gas processing juggernaut. We have brought multiple plants on line in 2013 in the Eagle Ford, in the DJ Basin and in the Permian. Additionally, we have a number of plants under construction that will come on line throughout 2014 and we're very actively working on new processing capacity for 2015 in both the Permian Basin and in the DJ Basin.

Together the DCP Enterprise is $15 billion plus company and we have the supports of two $35 billion plus companies for our extensive capital programs, and we have a fantastic drop-down strategy with DPM to fund our overall enterprise growth.

So let's switch over to DCP Midstream Partners specifically now. Being a sponsored MLP, DPM is the primary source of equity for the DCP Enterprise and DPM is the funding vehicle for a long-term investment strategy and growth in the midstream space. We have a clear line of sight to ongoing growth projects and we've already completed more than $2 billion in drop-downs in the last two years and about another $1 billion or so of organic growth. This has led to more than doubling the size of DPM [where] earnings are largely fee-based or hedged, greatly reducing commodity exposure and earnings volatility.

So I'm very excited for where we have grown and how we've grown DPM and how -- and we have a very proven strategy for our continued growth.

Now, I'll hand it over to Bill Waldheim to talk specifically about DPM's track records of success across our diversified portfolio.

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

Thanks Wouter and thanks everyone for being here today. As Wouter mentioned, my name is Bill Waldheim and I'm President of DCP Midstream Partners or DPM as I will refer.

At DPM we have undergone a transformation in scale and scope that I am very excited to talk about with many quality growth projects in the execution phase of development. That's why we continue to believe DPM is a compelling investment opportunity.

On this slide, you can see DPM has a diversified portfolio of assets in multiple geographic areas. With our new O'Connor Plant and Texas Express Pipelines coming on line in October, DPM now has 20 plants, nine fractionators and approximately 13,000 miles of pipeline. We also have 3 Bcf of gas processing capacity. The red and green assets on this map are DPM owned. This includes the premier assets in the premier Eagle Ford and DJ Basins. We also have assets in East Texas, North Louisiana, Wyoming and Michigan plus our discovery joint venture in the deepwater Gulf of Mexico and a wholesale propane business in the Northeast. The assets that still remain at DCP Midstream, the private company, are shown in blue and are MLP friendly in many respects.

In fact, each one of DCP Midstream's remaining geographic areas are the size of many publicly traded gathering and processing MLPs. They're predominantly G&P assets in the Permian, Mid-Continent and DJ Basin in Colorado and also the Southern and Sand Hills NGL pipelines.

The capital needs of the DCP Enterprise are significant with both entities continuing to grow. And as Wouter already mentioned, DPM is funding the growth of the enterprise. Because of this growth, we have doubled the size of DPM over the past couple of years and look to double in size again over the next several.

As we turn to our capital and distribution outlook on slide six, you can see our historical capital spend over the past couple of years, our 2014 capital forecast and the in-service dates for our various organic growth projects. This is the second year in a row that we have exceeded $1 billion in targeted drop-downs and expect to achieve over $4 billion of growth between 2012 and 2014. As we look back, you can clearly see that we are delivering on our plan as promised.

We achieved our distribution growth target of 6% to 8% in 2013 and continue to target sustainable distribution growth looking forward. In 2014, we show another $1 billion of targeted drop-down opportunities. Keep in mind DPM continues to be the funding vehicle for the capital needs of the DCP Enterprise. So looking forward, the $1 billion of targeted drop-downs in 2014 may be conservative.

Subject to the approvals of both the DCP Midstream and DPM Boards, this would include the expected drop-down of DCP Midstream's one-third interest in the Southern Hills and Sand Hills pipelines, which when you add it all up supports DPM's sustainable distribution growth.

Starting on slide 7, I'll provide a brief operational update on DPM's three business segments. Our natural gas services segment continues to experience substantial growth with the continuing build-out of the Eagle Ford system, the O'Connor plant drop-down and the ongoing construction of our Goliad Plant and Keathley Canyon pipeline. All of these projects will continue to contribute to our ongoing growth in the gas services segment.

As you can see our adjusted EBITDA has more than doubled since 2008 and is now at $218 million for the first nine months of 2013. This translates into a compounded annual growth rate of 20% since 2008. Our O'Connor plant in the growing DJ Basin recently went into service with volumes ramping up faster than expected where we are now averaging close to 100 million a day of throughput. As we bring on new compression, we believe O'Connor will be full by year-end and we are well on our way to having O'Connor plant capacity reach 160 million a day in Q1 of 2014 with a 50 million a day expansion almost complete. The Eagle Ford assets are performing well as well, performing very well with our $200 million a day Eagle plant currently running virtually full. So we are pleased with the volume ramp which has occurred as planned. These assets will continue to be a major source of growth in 2014 and beyond.

Our Goliad Plant is also progressing on time and on budget scheduled to meet the expected in-service date in early Q1 of 2014. All indications are we will need this capacity when ready.

We are also seeing an increased drilling activity around our Douglas asset in Wyoming. This activity may provide organic growth opportunities for additional gathering and plant infrastructure in and around this asset. So 2014 looks to be a very busy year in Wyoming as well.

Our assets in East Texas are also performing nicely with the Crossroads Plant acquisition and other organic growth in this area. Although we don't talk as much about East Texas, it has been a good growth story in 2013 and we expect volume increases and improved capacity utilization to continue in 2014.

And finally the Keathley Canyon deepwater pipeline project at our Discovery joint venture has now begun laying the shallow water portion of the pipeline. This is a great fee-based asset with upside potential as producers continue to add reserves in and around this pipeline. Williams, the operator, is targeting and in-service date of Q4 of 2014.

Moving to our NGL Logistics segment, we have a great slate of exciting organic growth projects that are progressing as expected. As mentioned, the Texas Express Pipeline operated by Enterprise and owned 10% by DPM was placed into service in October and the take or pay agreements associated with this pipeline are now active. This 580-mile pipeline has an initial capacity of 280,000 barrels per day readily expandable to approximately 400,000 barrels per day. NGL volumes from the DJ Basin will be transported to Texas Express mainline via the Front Range pipeline which was dropped into DPM in August of this year. A great fee-based asset with ship or pay commitments from DCP Midstream and Anadarko. So now DPM owns ownership in both Texas Express and Front Range Pipelines.

So when we talk about Front Range Pipeline there are additional DJ plants not anticipated when this project was originally approved. Therefore, we believe there is significant upside opportunity associated with increased drilling and production activity in this area that would benefit Front Range Pipeline. And finally our Marysville ethane expansion project is now complete and is set to start up this month. Other projects to de-bottleneck transportation into and out of Marysville are underway and should be ready for the 2014 injection season. We believe Marysville is positioned to be the premier NGL storage facility serving the needs of the Marcellus and Utica producers as well as end-use refining chemical and wholesale propane customers.

So as you can see, we spent a lot of time, energy and capital in this business segment and the results are an impressive compounded annual growth rate of 75% since 2008. And looking forward, we expect to see continued growth. Why, well Texas Express Pipeline is now in service, Front Range pipeline will be in service in early 2014 and the expected drop-downs in 2014 of the one-third interest in the Sand Hills and Southern Hills pipelines.

And finally, in our wholesale propane segment, we are experiencing a great start to the winter heating season with recent propane demand being very robust. This should be good for both contract and spot sales of propane as we enter the winter demand months. The picture on this slide is of our Chesapeake terminal in Virginia where phase one of our export project to de-bottleneck product distribution into and out of that facility is progressing nicely and is expected to be in service in the first quarter. This is the first of the two-phase project where phase two will allow us to export either propane or butane from this facility. We are pleased with our progress to date.

On the next slide, I'll recap our sensitivities and distribution growth. First the left pie chart shows our margin breakdown by contract type where you can see we have 50% fee-based earnings. For the commodity sensitive earnings, we are over 90% hedged. So the pie chart on the right shows the overall fee and hedge percent at about 95% with 90% of our hedges being direct commodity price hedges that extend through Q1 of 2016.

We believe our direct commodity price hedges that extend out several years are a differentiator in DPM's ability to predict sustainable growth. With this as our hedge position, DPM sensitivities are now neutral to changes in natural gas and crude oil prices and our sensitivity to the NGL to crude relationship is about $1 million impact for 1% change. So we have very limited exposure to commodity prices through 2015 and commodity price impacts to distributable cash flow have been significantly reduced.

And in terms of full-year forecast, we expect to be at or above the high end of our DCF forecast range of $260 million to $280 million. And lastly, we achieved 6% distribution growth on a cash paid basis in 2013 and have announced 12 consecutive quarterly distribution increases with our per share distribution now at $2.88 annualized. We think this is important as we are delivering on our promises.

The next slide outlines our financial position at the end of the third quarter. We continue to maintain a strong capital structure and competitive cost of capital. Our average cost of debt was 3.6%. We had approximately $790 million of unutilized revolver capacity at the end of the third quarter. Our debt-to-EBITDA leverage ratio at the end of the quarter was 3.6 times and our long-term debt maturity schedule, which is also shown you can see, we don't have maturity until 2015. So during 2013, we raised approximately $1 billion of equity and $0.5 billion of debt. So we continue to demonstrate great access to the capital markets. We also recently launched a commercial paper program for DPM that has lowered our short-term borrowing costs.

So all together, we remain committed to our investment grade ratings and continue to successfully fund the growth capital needs of the DCP Enterprise. And with that, I'll turn it back to Wouter for some final comments.

Wouter van Kempen - *DCP Midstream Partners, LP - CEO*

Great. Thanks, Bill. Bill just covered an impressive slate of growth projects and solid operating performance at DPM. So I'll end it where I begun. DPM is a very compelling investment opportunity founded on the strength of the DCP Enterprise as a whole and the foundational support of Phillips 66 and Spectra Energy. This is one enterprise with one strategy made up of two companies, designed to optimize and leverage each one's strength that will achieve long-term sustainable growth for our unitholders.

And look at what we've already achieved, over $3 billion of drop-downs and organic growth in the last two years. Looking forward, we have a visible pipeline of organic and drop-down growth opportunities with over $1 billion forecasted in 2014 all funded from our enviable enterprise footprint across the country's liquid-rich basins. Basically we are where the drill bit is. And this results in a long lead to finance growth and a clear line of sight to new projects within the enterprise. We are top-ranked as an enterprise and as DPM in its own right. And with that we have the ability to capture value across the energy chain as a fully integrated midstream service provider and we've more than doubled the size of DPM.

And when it comes to our financial strength, we have strong investment grade ratings through excess debt and capital markets and DPM's diversified business model is 95% fee-based or hedged, and that means reduced earnings volatility. All of this tells why DPM makes for a great investment with sustainable distribution growth to our unitholders. When you add up all the strengths, you can see why the DCP Enterprise holds this one, one and three position in the midstream industry and why DPM will continue to execute and to deliver. We're having a great year and the years leading up to now has transformed both DPM and the DC enterprise to leaders in our industry.

So with that, I'd like to thank you for your interest and we'd be happy to take any questions.

QUESTIONS AND ANSWERS

Ross Payne - *Wells Fargo Securities - Analyst*

Wouter, I guess I will jump in here real quick. One of the questions that I think bondholders have had is with the success of Spectra dropping almost all their assets down to SEP, is that something that's likely to happen between DCP Midstream, LLC and DPM? And secondarily, if that were to happen or if a lot of assets were to move down, would you still maintain your current fee-based and fee-based plus hedge portfolio of about 95%?

Wouter van Kempen - *DCP Midstream Partners, LP - CEO*

Thanks, Ross. So let me answer them like I think a good JV has still the test of time. And this JV has been around for well over a decade. It's been very successful, I think, the Phillips 66 and Spectra Energy. With the cash distributions that we've made over the past years are owners at DCP Midstream, they've made their investment back many, many, many times over. And on top of that we continue to grow the enterprise.

So if you look at that first slide that we have, we've grown since 2010 the asset base of midstream by 50% to $12 billion. We've grown the asset base of partnership by 155% to over $4 billion. So looking back, very successful. When you start looking forward, we continue to have very significant growth. We're financing that through DPM or we finance it through Midstream and we really have this power of the two entities. We've got the private company, we've got the publicly traded MLP, and we can basically pick, choose, structure where each of the assets that we continue to build where they make most sense.

And lastly what I would look at is, if you look at the underlying asset base we're growing LLC midstream significantly while we're growing the partnership as well. So both entities are growing. In the end that is a good thing for both the equity holder as well as for the fixed income investor. And the other thing I think you should take a look at LP and GP, distributions continue to go up and that creates a very nice stream of fee-based cash flow going up to midstream.

So I think in summary, if I look at it, I think the road that we've been on we've been very successful. I think there's a lot of opportunities to continue to structure and be very significantly very helpful for both the equity holders, Spectra Energy, Phillips 66, the unitholders at DPM and the fixed income investors both at DCP Midstream and at DCP Midstream Partners.

Ross Payne - *Wells Fargo Securities - Analyst*

I'd be curious to know if your cost to capital went from the 3.6% that you indicated on page 11 to let's say 4.6%. We all know, rates are going up. How does this affect your business? I mean SYNNEX would say the MLP industry has been fueled by low cost capital. I don't personally believe that, but there is an argument to be made. So higher rates, not good, right?

Wouter van Kempen - *DCP Midstream Partners, LP - CEO*

Bill, do you want to take this?

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

Sure. Although rates are trending a little higher at this point, as an MLP we certainly feel that as long as you've got a good growth component to your operation and enterprise, which we do that that will tend to offset some of the dampening effect that higher interest rates would actually might incur.

Recently we did come out with a debt offering last year a 10-year bond at 3.78%. It's a great time to capitalize the business. So as we continue to grow the enterprise, as we continue to look for potential drop-downs, we will be funding the business with debt and equity, and we think it is a good time to be doing that even though rates may move up slightly higher.

Ross Payne - *Wells Fargo Securities - Analyst*

I think that's about all the time we have.

Wouter van Kempen - *DCP Midstream Partners, LP - CEO*

Okay, thank you very much.
