

DCP Midstream Partners, LP  
Form 10-Q  
November 09, 2007  
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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended: September 30, 2007

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-32678

**DCP MIDSTREAM PARTNERS, LP**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction  
of incorporation or organization)

**03-0567133**  
(I.R.S. Employer  
Identification No.)

**370 17th Street, Suite 2775**  
**Denver, Colorado**  
(Address of principal executive offices)

**80202**  
(Zip Code)

**Registrant's telephone number, including area code: (303) 633-2900**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of November 2, 2007, there were outstanding 16,840,326 common limited partner units and 7,142,857 subordinated units.



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**DCP MIDSTREAM PARTNERS, LP**

**FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2007**

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**GLOSSARY OF TERMS**

The following is a list of certain industry terms used throughout this report:

Bbls	barrels
Bbls/d	barrels per day
Frac spread	price differences, measured in energy units, between equivalent amounts of natural gas and NGLs
Fractionation	the process by which natural gas liquids are separated into individual components
MMBtu	million British thermal units, a measurement of energy
MMBtu/d	million British thermal units per day, a measurement of energy
MMcf/d	million cubic feet per day
NGLs	natural gas liquids
Throughput	the volume of product transported or passing through a pipeline or other facility

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**CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS**

Our reports, filings and other public announcements may from time to time contain statements that do not directly or exclusively relate to historical facts. Such statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. You can typically identify forward-looking statements by the use of forward-looking words, such as may, could, project, believe, anticipate, expect, estimate, potential, plan, forecast and other similar words.

All statements that are not statements of historical facts, including statements regarding our future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements.

These forward-looking statements reflect our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside our control. Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks. Known risks and uncertainties include, but are not limited to, the risks set forth in Item 1A. Risk Factors in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2006, as well as the following risks and uncertainties:

the level and success of natural gas drilling around our assets, and our ability to connect supplies to our gathering and processing systems in light of competition;

our ability to grow through acquisitions, contributions from affiliates, or organic growth projects, and the successful integration and future performance of such assets;

our ability to access the debt and equity markets, which will depend on general market conditions, interest rates and our ability to effectively hedge such rates with derivative financial instruments to limit a portion of the adverse effects of potential changes in interest rates, and the credit ratings for our debt obligations;

the extent of changes in commodity prices, our ability to effectively mitigate a portion of the adverse impact of potential changes in prices through derivative financial instruments, and the potential impact of price on natural gas drilling, demand for our services, and the volume of NGLs and condensate extracted;

our ability to purchase propane from our principal suppliers for our wholesale propane logistics business;

our ability to construct facilities in a timely fashion, which is partially dependent on obtaining required building, environmental and other permits issued by federal, state and municipal governments, or agencies thereof, the availability of specialized contractors and laborers, and the price of and demand for supplies;

the creditworthiness of counterparties to our transactions;

weather and other natural phenomena, including their potential impact on demand for the commodities we sell and our and third-party-owned infrastructure;

changes in laws and regulations, particularly with regard to taxes, safety and protection of the environment or the increased regulation of our industry;

industry changes, including the impact of consolidations, alternative energy sources, technological advances and changes in competition;

the amount of collateral required to be posted from time to time in our transactions; and

general economic, market and business conditions.

In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

**DCP MIDSTREAM PARTNERS, LP**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

	September 30, 2007	December 31, 2006
	(\$ in millions)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 59.6	\$ 46.2
Short-term investments		0.6
Accounts receivable:		
Trade, net of allowance for doubtful accounts of \$0.5 million and \$0.3 million, respectively	46.6	43.4
Affiliates	50.2	34.8
Inventories	28.0	30.1
Unrealized gains on non-trading derivative and hedging instruments	4.9	4.2
Other	0.8	0.3
Total current assets	190.1	159.6
Restricted investments	100.2	102.0
Property, plant and equipment, net	487.9	194.7
Goodwill	86.4	29.3
Intangible assets, net	25.7	2.8
Equity method investments	171.2	170.2
Unrealized gains on non-trading derivative and hedging instruments	4.9	6.5
Other long-term assets	1.4	0.8
Total assets	\$ 1,067.8	\$ 665.9
<b>LIABILITIES AND PARTNERS EQUITY</b>		
Current liabilities:		
Accounts payable:		
Trade	\$ 81.4	\$ 66.9
Affiliates	46.1	50.4
Unrealized losses on non-trading derivative and hedging instruments	15.2	0.7
Accrued interest payable	1.3	1.1
Other	12.1	7.4
Total current liabilities	156.1	126.5
Long-term debt	630.0	268.0
Unrealized losses on non-trading derivative and hedging instruments	20.5	2.7
Other long-term liabilities	6.6	1.0
Total liabilities	813.2	398.2

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Non-controlling interests	23.2	
Commitments and contingent liabilities		
Partners' equity:		
Predecessor equity		164.3
Common unitholders (16,840,326 and 10,357,143 units issued and outstanding, respectively)	346.2	223.4
Class C unitholders (0 and 200,312 units issued and outstanding, respectively)		(20.7)
Subordinated unitholders (7,142,857 convertible units issued and outstanding at both periods)	(103.5)	(101.6)
General partner interest	(4.4)	(5.0)
Accumulated other comprehensive (loss) income	(6.9)	7.3
Total partners' equity	231.4	267.7
Total liabilities and partners' equity	\$ 1,067.8	\$ 665.9

See accompanying notes to condensed consolidated financial statements.



**Table of Contents****DCP MIDSTREAM PARTNERS, LP****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

	Three Months Ended		Nine Months Ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
	(\$ in millions, except per unit amounts)			
Operating revenues:				
Sales of natural gas, propane, NGLs and condensate	\$ 112.2	\$ 110.6	\$ 414.1	\$ 402.2
Sales of natural gas, propane, NGLs and condensate to affiliates	73.6	44.7	190.2	165.7
Transportation and processing services	4.5	3.8	11.4	11.2
Transportation and processing services to affiliates	4.4	3.2	12.3	9.2
Losses from non-trading derivative activity, net	(4.7)		(19.2)	
(Losses) gains from non-trading derivative activity affiliates, net	(1.4)	0.5	(1.9)	
Total operating revenues	188.6	162.8	606.9	588.3
Operating costs and expenses:				
Purchases of natural gas, propane and NGLs	131.3	119.4	423.9	443.7
Purchases of natural gas, propane and NGLs from affiliates	32.0	20.8	115.5	76.4
Operating and maintenance expense	8.1	5.8	21.0	17.3
Depreciation and amortization expense	7.9	3.2	15.8	9.6
General and administrative expense	2.9	4.0	9.9	9.5
General and administrative expense affiliates	2.5	2.3	7.2	6.1
Total operating costs and expenses	184.7	155.5	593.3	562.6
Operating income	3.9	7.3	13.6	25.7
Interest income	1.2	1.7	3.7	4.7
Interest expense	(8.1)	(2.9)	(16.5)	(8.1)
Earnings from equity method investments	10.8	8.2	23.6	24.0
Non-controlling interest in income	(0.3)		(0.3)	
Net income	\$ 7.5	\$ 14.3	\$ 24.1	\$ 46.3
Less:				
Net income attributable to predecessor operations		(4.6)	(3.6)	(22.4)
General partner interest in net income	(0.9)	(0.2)	(1.5)	(0.5)
Net income allocable to limited partners	\$ 6.6	\$ 9.5	\$ 19.0	\$ 23.4
Net income per limited partner unit basic and diluted	\$ 0.29	\$ 0.51	\$ 0.89	\$ 1.32
Weighted-average limited partner units outstanding basic and diluted	22.3	17.5	19.3	17.5

See accompanying notes to condensed consolidated financial statements.

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**DCP MIDSTREAM PARTNERS, LP**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**(Unaudited)**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>	<b>September 30,</b>	<b>September 30,</b>	<b>September 30,</b>
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>(\$ in millions)</b>			
Net income	\$ 7.5	\$ 14.3	\$ 24.1	\$ 46.3
Other comprehensive (loss) income:				
Reclassification of cash flow hedges into earnings	(0.7)	(0.7)	(2.8)	(1.4)
Net unrealized (losses) gains on cash flow hedges	(5.7)	10.1	(11.4)	7.3