

DCP Midstream Partners, LP
Form 10-Q
May 10, 2010
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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 March 31, 2010

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)

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Delaware
(State or other jurisdiction of
incorporation or organization)
370 17th Street, Suite 2775
Denver, Colorado
(Address of principal executive offices)
80202
(Zip Code)
03-0567133
(I.R.S. Employer
Identification No.)
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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

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 May 6, 2010, there were outstanding 34,608,183 common units representing limited partner interests.

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FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2010

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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
Btu	British thermal unit, a measurement of energy
Frac spread	price differences, measured in energy units, between equivalent amounts of natural gas and natural gas liquids
Fractionation	the process by which natural gas liquids are separated into individual components
MMBtu	one million British thermal units, a measurement of energy
MMcf/d	one 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, 2009, as well as the following risks and uncertainties:

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

general economic, market and business conditions;

the level and success of natural gas drilling around our assets, the level and quality of gas production volumes 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, inflation rates, interest rates and our ability to effectively limit a portion of the adverse effects of potential changes in interest rates by entering into derivative financial instruments, our ability to comply with the covenants to our credit agreement, and our ability to maintain our credit rating;

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 construction, 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 the operation of company owned and third-party-owned infrastructure;

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

our ability to obtain insurance on commercially reasonable terms, if at all, as well as the adequacy of the insurance to cover our losses;

industry changes, including the impact of consolidations, increased delivery of liquefied natural gas to the United States, alternative energy sources, technological advances and changes in competition; and

the amount of collateral we may be required to post from time to time in our transactions.

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)**

	March 31, 2010	December 31, 2009
	(Millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2.6	\$ 2.1
Accounts receivable:		
Trade, net of allowance for doubtful accounts of \$0.6 million and \$0.5 million, respectively	59.6	78.7
Affiliates	60.9	73.8
Inventories	43.1	34.2
Unrealized gains on derivative instruments	6.9	7.3
Other	0.8	1.6
Total current assets	173.9	197.7
Restricted investments		10.0
Property, plant and equipment, net	1,017.0	1,000.1
Goodwill	92.1	92.1
Intangible assets, net	59.7	60.5
Investments in unconsolidated affiliates	113.5	114.6
Unrealized gains on derivative instruments	3.6	2.0
Other long-term assets	4.4	4.5
Total assets	\$ 1,464.2	\$ 1,481.5
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable:		
Trade	\$ 67.8	\$ 85.5
Affiliates	52.1	43.1
Unrealized losses on derivative instruments	41.5	41.5
Accrued interest payable	0.7	0.7
Other	19.0	20.3
Total current liabilities	181.1	191.1
Long-term debt	615.0	613.0
Unrealized losses on derivative instruments	53.0	58.0
Other long-term liabilities	14.3	14.0
Total liabilities	863.4	876.1
Commitments and contingent liabilities		
Equity:		
Common unitholders (34,608,183 units issued and outstanding)	417.6	415.5
General partner unitholders	(5.8)	(5.9)

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Accumulated other comprehensive loss	(33.5)	(31.9)
Total partners' equity	378.3	377.7
Noncontrolling interests	222.5	227.7
Total equity	600.8	605.4
Total liabilities and equity	\$ 1,464.2	\$ 1,481.5

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31, 2010 2009 (Millions, except per unit amounts)	
Operating revenues:		
Sales of natural gas, propane, NGLs and condensate	\$ 235.4	\$ 157.2
Sales of natural gas, propane, NGLs and condensate to affiliates	135.0	99.9
Transportation, processing and other	21.6	16.7
Transportation, processing and other to affiliates	5.7	3.6
Gains from commodity derivative activity, net	6.0	7.7
Losses from commodity derivative activity, net affiliates		(0.7)
Total operating revenues	403.7	284.4
Operating costs and expenses:		
Purchases of natural gas, propane and NGLs	191.5	137.8
Purchases of natural gas, propane and NGLs from affiliates	141.3	79.1
Operating and maintenance expense	19.0	16.2
Depreciation and amortization expense	17.8	14.6
General and administrative expense	3.7	3.2
General and administrative expense affiliates	4.9	5.4
Total operating costs and expenses	378.2	256.3
Operating income	25.5	28.1
Interest income		0.2
Interest expense	(7.2)	(7.3)
Earnings (losses) from unconsolidated affiliates	7.9	(1.1)
Income before income taxes	26.2	19.9
Income tax expense	(0.3)	(0.1)
Net income	25.9	19.8
Net (income) loss attributable to noncontrolling interests	(0.1)	1.3
Net income attributable to partners	25.8	21.1
Net loss attributable to predecessor operations		1.0
General partner unitholders interest in net income	(3.8)	(3.2)
Net income allocable to limited partners	\$ 22.0	\$ 18.9
Net income per limited partner unit basic and diluted	\$ 0.64	\$ 0.67
Weighted-average limited partner units outstanding basic and diluted	34.6	28.2

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31, 2010 2009 (Millions)	
Net income	\$ 25.9	\$ 19.8
Other comprehensive loss:		
Reclassification of cash flow hedge losses into earnings	6.0	4.5
Net unrealized losses on cash flow hedges	(7.6)	(4.5)
Total other comprehensive loss	(1.6)	
Total comprehensive income	24.3	19.8
Total comprehensive (income) loss attributable to noncontrolling interests	(0.1)	1.3
Total comprehensive income attributable to partners	\$ 24.2	\$ 21.1

See accompanying notes to condensed consolidated financial statements.

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DCP MIDSTREAM PARTNERS, LP
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended	
	March 31,	
	2010	2009
	(Millions)	
OPERATING ACTIVITIES:		
Net income	\$ 25.9	\$ 19.8
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	17.8	14.6