

DCP Midstream Partners, LP  
Form 10-Q  
August 06, 2013  
Table of Contents

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 June 30, 2013

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 03-0567133  
(State or other jurisdiction (I.R.S. Employer  
of incorporation or organization) Identification No.)

370 17th Street, Suite 2500 80202  
Denver, Colorado (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 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

Edgar Filing: DCP Midstream Partners, LP - Form 10-Q

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 August 2, 2013, there were outstanding 78,201,309 common units representing limited partner interests.

---

Table of Contents

DCP MIDSTREAM PARTNERS, LP  
 FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2013  
 TABLE OF CONTENTS

Item	Page
PART I. FINANCIAL INFORMATION	
1	
	<u>Financial Statements (unaudited):</u>
	<u>Condensed Consolidated Balance Sheets as of June 30, 2013 and December 31, 2012</u> 1
	<u>Condensed Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2013 and 2012</u> 2
	<u>Condensed Consolidated Statements of Comprehensive Income for the Three and Six Months Ended June 30, 2013 and 2012</u> 3
	<u>Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2013 and 2012</u> 4
	<u>Condensed Consolidated Statements of Changes in Equity for the Six Months Ended June 30, 2013</u> 5
	<u>Condensed Consolidated Statements of Changes in Equity for the Six Months Ended June 30, 2012</u> 6
	<u>Notes to the Condensed Consolidated Financial Statements</u> 7
2	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> 48
3	<u>Quantitative and Qualitative Disclosures about Market Risk</u> 71
4	<u>Controls and Procedures</u> 74
PART II. OTHER INFORMATION	
1	<u>Legal Proceedings</u> 74
1A.	<u>Risk Factors</u> 75
6	<u>Exhibits</u> 76
	<u>Signatures</u> 77
	<u>Exhibit Index</u> 78

Table of Contents

GLOSSARY OF TERMS

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

Bbl	barrel
Bbls/d	barrels per day
Btu	British thermal unit, a measurement of energy
Fractionation	the process by which natural gas liquids are separated into individual components
MMBtu	one million Btus
MMBtu/d	one million Btus per day
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

Table of Contents

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,” “should,” “intend,” “assume,” “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, 2012, or our 2012 Form 10-K, as well as the following risks and uncertainties:

- the extent of changes in commodity prices and the demand for our products and services, 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;
- volatility in the price of our common units;
- 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 contributions from affiliates, acquisitions, or organic growth projects, and the successful integration and future performance of such assets;
- our ability to access the debt and equity markets and the resulting cost of capital, which will depend on general market conditions, our financial and operating results, inflation rates, interest rates, our ability to comply with the covenants in our loan agreements and our debt securities, as well as our ability to maintain our credit ratings;
- the demand for NGL products by the petrochemical, refining or other industries;
  - our ability to purchase propane from our suppliers and make associated profitable sales transactions for our wholesale propane logistics business;
- our ability to construct facilities on budget and 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 materials;
- 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;
- security threats such as military campaigns, terrorist attacks, and cybersecurity breaches, against, or otherwise impacting, our facilities and systems;
- new, additions to and changes in laws and regulations, particularly with regard to taxes, safety and protection of the environment, including climate change legislation, regulation of over-the-counter derivatives market and entities, and hydraulic fracturing regulations, or the increased regulation of our industry, and their impact on producers and customers served by our systems;
- our ability to obtain insurance on commercially reasonable terms, if at all, as well as the adequacy of insurance to cover our losses;
  - the amount of gas we gather, compress, treat, process, transport, sell and store, or the NGLs we produce, fractionate, transport and store, may be reduced if the pipelines and storage and fractionation facilities to which we deliver the natural gas or NGLs are capacity constrained and cannot, or will not, accept the gas or NGLs;

industry changes, including the impact of consolidations, 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. The forward-looking statements in this report speak as of the filing date of this report. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

iii

---

Table of Contents

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## DCP MIDSTREAM PARTNERS, LP

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	June 30, 2013 (Millions)	December 31, 2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$9	\$2
Accounts receivable:		
Trade, net of allowance for doubtful accounts of less than \$1 million	109	107
Affiliates	167	132
Inventories	36	76
Unrealized gains on derivative instruments	97	49
Other	2	2
Total current assets	420	368
Property, plant and equipment, net	2,679	2,550
Goodwill	154	154
Intangible assets, net	133	137
Investments in unconsolidated affiliates	384	304
Unrealized gains on derivative instruments	146	70
Other long-term assets	23	20
Total assets	\$3,939	\$3,603
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable:		
Trade	\$277	\$151
Affiliates	24	72
Unrealized losses on derivative instruments	22	31
Capital spending accrual	19	44
Other	68	47
Total current liabilities	410	345
Long-term debt	1,740	1,620
Unrealized losses on derivative instruments	3	8
Other long-term liabilities	36	36
Total liabilities	2,189	2,009
Commitments and contingent liabilities		
Equity:		
Predecessor equity	—	357
Limited partners (78,201,309 and 61,346,058 common units issued and outstanding, respectively)	1,542	1,063
General partner	4	—
Accumulated other comprehensive loss	(13	) (15
Total partners' equity	1,533	1,405
Noncontrolling interests	217	189
Total equity	1,750	1,594

Total liabilities and equity	\$3,939	\$3,603
------------------------------	---------	---------

See accompanying notes to condensed consolidated financial statements.

1

---



Table of Contents

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
	(Millions, except per unit amounts)			
Operating revenues:				
Sales of natural gas, propane, NGLs and condensate			\$225	