Allot Communications Ltd.
Form SC 13G
August 23, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13G
UNDER THE SECURITIES EXCHANGE ACT OF 1934
(Amendment No.)*

Allot Communications Ltd.
(Name of Issuer)

Ordinary Shares, par value ILS 0.10 per share
(Title of Class of Securities)

M0854Q105
(CUSIP Number)

December 31, 2016 (1)
(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

Rule 13d-1(b)

Rule 13d-1(c)

Rule 13d-1(d)

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

(1) This amended Statement on Schedule 13G also serves as Statement on Schedule 13G reporting holdings as of August 6, 2015, when the obligation to file a Schedule 13G arose.

1	NAME OF REPORTING PERSONS Itshak Sharon (Tshuva)	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See instructions) (a) o (b) x	
3	SEC USE ONLY	
4	CITIZENSHIP OR PLACE OF ORGANIZATION Israel	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	5	SOLE VOTING POWER ---
	6	SHARED VOTING POWER 2,521,302.94 (*) (**)
	7	SOLE DISPOSITIVE POWER ---
	8	SHARED DISPOSITIVE POWER 2,521,302.94 (*) (**)
9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 2,521,302.94 (*) (**)	
10	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (See instructions) o	
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9 7.63% (**) (***)	
12	TYPE OF REPORTING PERSON (See instructions) IN	

(*) This figure is as of December 31, 2016. On August 6, 2015, this figure was 1,694,542.00.

(**) The beneficial ownership of the securities reported herein is described in Item 4(a).

(***) Based on 33,057,719 Ordinary Shares outstanding as of December 31, 2016 (as reported by the Issuer in Form 20-F filed with the Securities and Exchange Commission on March 23, 2017). This figure was 5.09% on August 6, 2015, based on 33,319,923 Ordinary Shares outstanding as of December 31. 2014 (as reported in the Issuer's Form 20-F filed on March 26, 2015).

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1	NAME OF REPORTING PERSONS Delek Group Ltd.	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See instructions) (a) o (b) x	
3	SEC USE ONLY	
4	CITIZENSHIP OR PLACE OF ORGANIZATION Israel	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	5	SOLE VOTING POWER ---
	6	SHARED VOTING POWER 2,521,302.94 (*) (**)
	7	SOLE DISPOSITIVE POWER ---
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9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 2,521,302.94 (*) (**)	
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11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9 7.63% (**) (***)	
12	TYPE OF REPORTING PERSON (See instructions) CO	

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1	NAME OF REPORTING PERSONS The Phoenix Holding Ltd.	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See instructions) (a) o (b) x	
3	SEC USE ONLY	
4	CITIZENSHIP OR PLACE OF ORGANIZATION Israel	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	5	SOLE VOTING POWER ---
	6	SHARED VOTING POWER 2,521,302.94 (*) (**)
	7	SOLE DISPOSITIVE POWER ---
	8	SHARED DISPOSITIVE POWER 2,521,302.94 (*) (**)
9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 2,521,302.94 (*) (**)	
10	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (See instructions) o	
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9 7.63% (**) (***)	
12	TYPE OF REPORTING PERSON (See instructions) CO	

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Item 1. (a) Name of Issuer:

Allot Communications Ltd.

(b) Address of Issuer's Principal Executive Offices:

22 Hanagar Street, Neve Ne’eman Industrial Zone B, Hod-Hasharon 4501317, Israel

Item 2. (a) Name of Person Filing:

1. Itshak Sharon (Tshuva)

2. Delek Group Ltd.

3. The Phoenix Holding Ltd.

The securities reported herein are beneficially owned by various direct or indirect, majority or wholly-owned subsidiaries of the Phoenix Holding Ltd. (the "Subsidiaries"). The Subsidiaries manage their own funds and/or the funds of others, including for holders of exchange-traded notes or various insurance policies, members of pension or provident funds, unit holders of mutual funds, and portfolio management clients. Each of the Subsidiaries operates under independent management and makes its own independent voting and investment decisions.

The Phoenix Holding Ltd. is an majority-owned subsidiary of Delek Group Ltd. The majority of Delek Group Ltd.'s outstanding share capital and voting rights are owned, directly and indirectly, by Itshak Sharon (Tshuva) through private companies wholly-owned by him, and the remainder is held by the public.

(b) Address of Principal Business Office:

The address of Itshak Sharon (Tshuva) and Delek Investments and Properties Ltd. is 7 Giborei Israel Street, P.O.B. 8464, Netanya, 42504, Israel.

The address of the Phoenix Holding Ltd. is Derech Hashalom 53, Givataim, 53454, Israel.

(c) Citizenship:

1. Itshak Sharon (Tshuva) - Israel

2. Delek Group Ltd. - Israel

3. The Phoenix Holding Ltd. - Israel

(d) Title of Class of Securities:

Ordinary Shares, par value ILS 0.10 per share

(e) CUSIP Number:

M0854Q105

Item 3. Not applicable.

Item 4. Ownership:

(a) Amount beneficially owned:

See row 9 of cover page of each reporting person.

Each of the Subsidiaries operates under independent management and makes its own independent voting and investment decisions. Neither the filing of this Schedule 13G nor any of its contents shall be deemed to constitute an admission by either the Filing Persons or Subsidiaries that a group exists for purposes of Section 13(d) of the Securities Exchange Act of 1934 or for any other purpose, and each reporting person disclaims the existence of any such group. In addition, each of the Filing Persons and Subsidiaries disclaims any beneficial ownership of the securities covered by this report in excess of their actual pecuniary interest therein. This Statement shall not be construed as an admission by the Filing Persons or Subsidiaries that they are the beneficial owners of any of the Ordinary Shares covered by this Statement, and each of Filing Persons and Subsidiaries disclaims beneficial ownership of any such Ordinary Shares.

As of December 31, 2016, the securities reported herein were held as follows:

	Ordinary Shares	Percentage of total Ordinary Shares outstanding
Excellence "nostro" accounts	--	--
Excellence pension and provident funds	--	--
Excellence trust funds	24,399.00	0.07
Excellence ETF's	461,372.94	1.40
The Phoenix "nostro" accounts	345,721.00	1.05
The Phoenix pension and provident funds	40,792.00	0.12
Linked insurance policies of Phoenix	36,171.00	0.11
Linked insurance policies of Phoenix - Partnership for Israeli shares (1)	1,612,847.00	4.88
Linked insurance policies of Phoenix - Partnership for investing in the TA 125 (1)	--	--
Partnership for international shares (1)	--	--

(1) All ownership rights in this partnership belong to companies that are part of Phoenix Group. The amount of ownership rights held by such companies in the partnership changes frequently according to a mechanism provided in the partnership agreement.

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As of August 6, 2015, the securities reported herein were held as follows:

	Ordinary Shares	Percentage of total Ordinary Shares outstanding
Excellence "nostro" accounts	--	--
Excellence pension and provident funds	--	--
Excellence trust funds	32,976.00	0.10
Excellence ETF's	860,572.00	2.58
The Phoenix "nostro" accounts	151,033.00	0.45
The Phoenix pension and provident funds	--	--
Linked insurance policies of Phoenix	--	--
Linked insurance policies of Phoenix - Partnership for Israeli shares (1)	549,337.00	1.65
Linked insurance policies of Phoenix - Partnership for investing in the TA 125 (1)	100,624.00	0.30
Partnership for international shares (1)	--	--

(1) All ownership rights in this partnership belong to companies that are part of Phoenix Group. The amount of ownership rights held by such companies in the partnership changes frequently according to a mechanism provided in the partnership agreement.

(b) Percent of class:

See row 11 of cover page of each reporting person

(c) Number of shares as to which such person has:

(i) Sole power to vote or to direct the vote:

See row 5 of cover page of each reporting person

(ii) Shared power to vote or to direct the vote:

See row 6 of cover page of each reporting person and note in Item 4(a) above

(iii) Sole power to dispose or to direct the disposition of:

See row 7 of cover page of each reporting person

(iv) Shared power to dispose or to direct the disposition of:

See row 8 of cover page of each reporting person and note in Item 4(a) above

Item 5. Ownership of Five Percent or Less of a Class:

Not applicable.

Item 6. Ownership of More than Five Percent on Behalf of Another:

Not applicable.

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Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company or Control Person:

Not applicable.

Item 8. Identification and Classification of Members of the Group:

Not applicable.

Item 9. Notice of Dissolution of Group:

Not applicable.

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Item 10. Certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

August 22, 2017

Itshak Sharon (Tshuva)

/s/ Itshak Sharon (Tshuva)

By: Itshak Sharon (Tshuva)

Delek Group Ltd.

/s/ Leora Pratt Levin

By: Leora Pratt Levin*
Title: V.P. Legal Affairs

/s/ Gabi Last

By: Gabi Last*
Title: Chairman

The Phoenix Holding Ltd.

/s/ Eli Schwartz

By: Eli Schwartz**
Title: Chief Investment Officer

/s/Menachem Neeman

By: Menachem Neeman**
Title: Legal Counsel and Company Secretary

* Signature duly authorized by resolution of the Board of Directors, notice of which is attached as Exhibit 2 to this Schedule 13G.

** Signature duly authorized by resolution of the Board of Directors, notice of which is attached as Exhibit 3 to this Schedule 13G.

EXHIBIT NO.	**DESCRIPTION**
Exhibit 1	Agreement of Joint Filing by and among the Reporting Persons, dated as of August 22, 2017.
Exhibit 2	Notice of resolution of the Board of Directors of Delek Group Ltd., dated as of November 25, 2009.
Exhibit 3	Notice of resolution of the Board of Directors of the Phoenix Holding Ltd., dated as of May 25, 2017.

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x;margin-bottom:0px" ALIGN="center">**DCP MIDSTREAM PARTNERS, LP**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2010, 2009 and 2008 (Continued)

derivatives that are in a net asset position as of the measurement date in accordance with our established counterparty credit policy, which takes into account any collateral margin that a counterparty may have posted with us as well as any letters of credit that they have provided.

Entity valuation adjustments are necessary to reflect the effect of our own credit quality on the fair value of our net liability position with each counterparty. This adjustment takes into account any credit enhancements, such as collateral margin we may have posted with a counterparty, as well as any letters of credit that we have provided. The methodology to determine this adjustment is consistent with how we evaluate counterparty credit risk, taking into account our own credit rating, current credit spreads, as well as any change in such spreads since the last measurement date.

Liquidity valuation adjustments are necessary when we are not able to observe a recent market price for financial instruments that trade in less active markets for the fair value to reflect the cost of exiting the position. Exchange traded contracts are valued at market value without making any additional valuation adjustments and, therefore, no liquidity reserve is applied. For contracts other than exchange traded instruments, we mark our positions to the midpoint of the bid/ask spread, and record a liquidity reserve based upon our total net position. We believe that such practice results in the most reliable fair value measurement as viewed by a market participant.

We manage our derivative instruments on a portfolio basis and the valuation adjustments described above are calculated on this basis. We believe that the portfolio level approach represents the highest and best use for these assets as there are benefits inherent in naturally offsetting positions within the portfolio at any given time, and this approach is consistent with how a market participant would view and value the assets and liabilities. Although we take a portfolio approach to managing these assets/liabilities, in order to reflect the fair value of any one individual contract within the portfolio, we allocate all valuation adjustments down to the contract level, to the extent deemed necessary, based upon either the notional contract volume, or the contract value, whichever is more applicable.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While we believe that our valuation methods are appropriate and consistent with other market participants, we recognize that the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. We review our fair value policies on a regular basis taking into consideration changes in the marketplace and, if necessary, will adjust our policies accordingly. See Note 12 Risk Management and Hedging Activities.

Valuation Hierarchy

Our fair value measurements are grouped into a three-level valuation hierarchy. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 inputs are unadjusted quoted prices for *identical* assets or liabilities in active markets.

Level 2 inputs include quoted prices for *similar* assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 inputs are unobservable and considered significant to the fair value measurement.

A financial instrument s categorization within the hierarchy is based upon the input that requires the highest degree of judgment in the determination of the instrument s fair value. Following is a description of the valuation methodologies used as well as the general classification of such instruments pursuant to the hierarchy.

DCP MIDSTREAM PARTNERS, LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2010, 2009 and 2008 (Continued)

Commodity Derivative Assets and Liabilities

We enter into a variety of derivative financial instruments, which may include over-the-counter, or OTC, instruments, such as natural gas, crude oil or NGL contracts.

Within our Natural Gas Services segment we typically use OTC derivative contracts in order to mitigate a portion of our exposure to natural gas, NGL and condensate price changes. We also may enter into natural gas derivatives to lock in margin around our storage and transportation assets. These instruments are generally classified as Level 2. Depending upon market conditions and our strategy, we may enter into OTC derivative positions with a significant time horizon to maturity, and market prices for these OTC derivatives may only be readily observable for a portion of the duration of the instrument. In order to calculate the fair value of these instruments, readily observable market information is utilized to the extent that it is available; however, in the event that readily observable market data is not available, we may interpolate or extrapolate based upon observable data. In instances where we utilize an interpolated or extrapolated value, and it is considered significant to the valuation of the contract as a whole, we would classify the instrument within Level 3.

Within our Wholesale Propane Logistics segment, we may enter into a variety of financial instruments to either secure sales or purchase prices, or capture a variety of market opportunities. Since financial instruments for NGLs tend to be counterparty and location specific, we primarily use the OTC derivative instrument markets, which are not as active and liquid as exchange traded instruments. Market quotes for such contracts may only be available for short dated positions (up to six months), and an active market itself may not exist beyond such time horizon. Contracts entered into with a relatively short time horizon for which prices are readily observable in the OTC market are generally classified within Level 2. Contracts with a longer time horizon, for which we internally generate a forward curve to value such instruments, are generally classified within Level 3. The internally generated curve may utilize a variety of assumptions including, but not limited to, historical and future expected relationship of NGL prices to crude oil prices, the knowledge of expected supply sources coming on line, expected weather trends within certain regions of the United States, and the future expected demand for NGLs.

Each instrument is assigned to a level within the hierarchy at the end of each financial quarter depending upon the extent to which the valuation inputs are observable. Generally, an instrument will move toward a level within the hierarchy that requires a lower degree of judgment as the time to maturity approaches, and as the markets in which the asset trades will likely become more liquid and prices more readily available in the market, thus reducing the need to rely upon our internally developed assumptions. However, the level of a given instrument may change, in either direction, depending upon market conditions and the availability of market observable data.

Interest Rate Derivative Assets and Liabilities

We use interest rate swap agreements as part of our overall capital strategy. These instruments effectively exchange a portion of our floating rate debt for fixed rate debt. The swaps are generally priced based upon a London Interbank Offered Rate, or LIBOR, instrument with similar duration, adjusted by the credit spread between our company and the LIBOR instrument. Given that a portion of the swap value is derived from the credit spread, which may be observed by comparing similar assets in the market, these instruments are classified within Level 2. Default risk on either side of the swap transaction is also considered in the valuation. We record counterparty credit and entity valuation adjustments in the valuation of our interest rate swaps; however, these reserves are not considered to be a significant input to the overall valuation.

Short-Term and Restricted Investments

We were required to post collateral to secure the term loan portion of our credit facility, and could elect to invest a portion of our available cash and restricted investment balances in various financial instruments such as

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DCP MIDSTREAM PARTNERS, LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2010, 2009 and 2008 (Continued)

commercial paper and money market instruments. The money market instruments are generally priced at acquisition cost, plus accreted interest at the stated rate, which approximates fair value, without any additional adjustments. Given that there is no observable exchange traded market for identical money market securities, we have classified these instruments within Level 2. Investments in commercial paper are priced using a yield curve for similarly rated instruments, and are classified within Level 2. Restricted investments have been used as collateral to secure the term loan portion of our credit facility. As of December 31, 2010, we held no short-term or restricted investments as a result of the term loan facility being fully repaid during the first quarter of 2010.

Nonfinancial Assets and Liabilities

We utilize fair value on a non-recurring basis to perform impairment tests as required on our property, plant and equipment, goodwill and intangible assets. Assets and liabilities acquired in business combinations are recorded at their fair value on the date of acquisition. The inputs used to determine such fair value are primarily based upon internally developed cash flow models and would generally be classified within Level 3, in the event that we were required to measure and record such assets at fair value within our consolidated financial statements. Additionally, we use fair value to determine the inception value of our asset retirement obligations. The inputs used to determine such fair value are primarily based upon costs incurred historically for similar work, as well as estimates from independent third parties for costs that would be incurred to restore leased property to the contractually stipulated condition, and would generally be classified within Level 3.

We utilize fair value on a recurring basis to measure our contingent consideration that is a result of certain acquisitions. The inputs used to determine such fair value are primarily based upon internally developed cash flow models and are classified within Level 3.

The following table presents the financial instruments carried at fair value as of December 31, 2010 and 2009, by consolidated balance sheet caption and by valuation hierarchy, as described above:

	December 31, 2010				December 31, 2009			
	Level 1	Level 2	Level 3	Total Carrying Value	Level 1	Level 2	Level 3	Total Carrying Value
	(Millions)							
Current assets:								
Short term investments(a)	$	$	$	$	$	$ 0.1	$	$ 0.1
Commodity derivatives(b)	$	$ 1.6	$ 0.3	$ 1.9	$	$ 6.9	$ 0.4	$ 7.3
Long-term assets:								
Restricted investments	$	$	$	$	$	$ 10.0	$	$ 10.0
Commodity derivatives(c)	$	$ 1.1	$ 0.3	$ 1.4	$	$ 1.8	$ 0.2	$ 2.0
Current liabilities(d):								
Commodity derivatives	$	$ (25.9)	$ (0.1)	$ (26.0)	$	$ (20.3)	$ (0.8)	$ (21.1)
Interest rate derivatives	$	$ (17.0)	$	$ (17.0)	$	$ (20.4)	$	$ (20.4)
Long-term liabilities(e):								
Commodity derivatives	$	$ (39.9)	$ (0.5)	$ (40.4)	$	$ (46.0)	$ (0.4)	$ (46.4)
Interest rate derivatives	$	$ (9.9)	$	$ (9.9)	$	$ (11.6)	$	$ (11.6)

(a) Included in other current assets in our consolidated balance sheets.

(b) Included in current unrealized gains on derivative instruments in our consolidated balance sheets.

(c) Included in long-term unrealized gains on derivative instruments in our consolidated balance sheets.

(d) Included in current unrealized losses on derivative instruments in our consolidated balance sheets.

(e) Included in long-term unrealized losses on derivative instruments in our consolidated balance sheets.

DCP MIDSTREAM PARTNERS, LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2010, 2009 and 2008 (Continued)

Changes in Level 3 Fair Value Measurements

The tables below illustrate a rollforward of the amounts included in our consolidated balance sheets for derivative financial instruments that we have classified within Level 3. The determination to classify a financial instrument within Level 3 is based upon the significance of the unobservable factors used in determining the overall fair value of the instrument. Since financial instruments classified as Level 3 typically include a combination of observable components (that is, components that are actively quoted and can be validated to external sources) and unobservable components, the gains and losses in the table below may include changes in fair value due in part to observable market factors, or changes to our assumptions on the unobservable components. Depending upon the information readily observable in the market, and/or the use of unobservable inputs, which are significant to the overall valuation, the classification of any individual financial instrument may differ from one measurement date to the next. In the event that there is a movement to/from the classification of an instrument as Level 3, we have reflected such items in the table below within the Transfers In/Out of Level 3 caption.

We manage our overall risk at the portfolio level, and in the execution of our strategy, we may use a combination of financial instruments, which may be classified within any level. Since Level 1 and Level 2 risk management instruments are not included in the rollforward below, the gains or losses in the table do not reflect the effect of our total risk management activities.

	Commodity Derivative Instruments			
	Current Assets	**Long-Term Assets**	**Current Liabilities**	**Long-Term Liabilities**
	(Millions)			
Year ended December 31, 2010:				
Beginning balance	$ 0.4	$ 0.2	$ (0.8)	$ (0.4)
Net realized and unrealized gains (losses) included in earnings	2.0	1.3	(0.3)	(0.1)
Transfers into Level 3(a)				
Transfers out of Level 3(a)				
Purchases, Issuances and Settlements net	(2.1)	(1.2)	1.0	
Ending balance	$ 0.3	$ 0.3	$ (0.1)	$ (0.5)
Net unrealized gains (losses) still held included in earnings(b)	$ 0.3	$ 0.1	$ (0.1)	$ (0.1)
Year ended December 31, 2009:				
Beginning balance	$ 0.3	$ 1.7	$	$
Net realized and unrealized gains (losses) included in earnings	0.2	(1.5)	(3.9)	(0.4)
Net transfers (out) of Level 3(c)	(0.1)			
Purchases, Issuances and Settlements net			3.1	
Ending balance	$ 0.4	$ 0.2	$ (0.8)	$ (0.4)
Net unrealized gains (losses) still held included in earnings(b)	$ 0.4	$ (0.1)	$ (1.8)	$ (0.4)

(a) Amounts transferred in and amounts transferred out are reflected at fair value as of the end of the period.

(b) Represents the amount of total gains or losses for the period, included in gains or losses from commodity derivative activity, net, attributable to change in unrealized gains or losses relating to assets and liabilities classified as Level 3 that are still held as of December 31, 2010 and 2009.

(c) Amounts transferred in are reflected at the fair value as of the beginning of the period and amounts transferred out are reflected at fair value at the end of the period.

During the first quarter of 2010, we recognized the fair value of our contingent consideration, which is classified as Level 3, in relation to our acquisition of an additional 5% interest in Collbran, from Delta, of

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DCP MIDSTREAM PARTNERS, LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2010, 2009 and 2008 (Continued)

approximately $1.0 million, which we recorded to other current liabilities in our consolidated balance sheets. As of September 30, 2010, we reassessed the fair value of the contingent consideration and adjusted the fair value of the liability to $0, and there has been no change to our assessment of the fair value as of December 31, 2010. Accordingly we recognized $1.0 million in other income in our consolidated results of operations during the year ended December 31, 2010.

During year ended December 31, 2010, we had no significant transfers into and out of Levels 1, 2 and 3. To qualify as a transfer, the asset or liability must have existed in the previous reporting period and moved into a different level during the current period.

10. Estimated Fair Value of Financial Instruments

We have determined fair value amounts using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that we could realize in a current market exchange. The use of different market assumptions and/or estimation methods may have a material effect on the estimated fair value amounts.

The fair value of restricted investments, accounts receivable and accounts payable are not materially different from their carrying amounts because of the short term nature of these instruments or the stated rates approximating market rates. Unrealized gains and unrealized losses on derivative instruments are carried at fair value. The carrying and fair values of outstanding balances under our Credit Agreement are $398.0 million and $388.9 million as of December 31, 2010 and $613.0 million and $590.0 million, respectively as of December 31, 2009. The carrying and fair values of 3.25% Senior Notes are $250.0 million and $247.0 million as of December 31, 2010. We determine the fair value of our credit facility borrowings based upon the discounted present value of expected future cash flows, taking into account the difference between the contractual borrowing spread and the spread for similar credit facilities available in the marketplace. Additionally, we have executed interest rate swap agreements on a portion of our interest rate exposure which swaps variable for fixed interest rates.

11. Debt

Long-term debt was as follows:

	December 31, 2010	December 31, 2009
	(Millions)	
Credit Agreement		
Revolving credit facility, weighted-average variable interest rate of 1.14% and 0.69%, respectively, and net effective interest rate of 4.28% and 4.41%, respectively, due June 21, 2012(a)	$ 398.0	$ 603.0
Term loan facility, variable interest rate of 0.34%, due June 21, 2012(b)		10.0
Total amounts outstanding under the Credit Agreement	398.0	613.0
Debt Securities		
Issued September 30, 2010, interest at 3.25% payable semi-annually, due October 1, 2015	250.0	
Unamortized discount	(0.2)	
Total long-term debt	$ 647.8	$ 613.0

(a) $275.0 million of debt has been swapped to a fixed rate obligation with effective fixed rates ranging from 3.97% to 5.19%, for a net effective rate of 4.28% on the $398.0 million of outstanding debt under our revolving credit facility as of December 31, 2010.

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DCP MIDSTREAM PARTNERS, LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2010, 2009 and 2008 (Continued)

(b) The term loan facility is fully secured by restricted investments as of December 31, 2009. The term loan was repaid during the first quarter of 2010.

Credit Agreement

We have an $850.0 million revolving credit facility that matures June 21, 2012, or the Credit Agreement. Effective June 28, 2010, we transferred both the funded and the unfunded portions of the former Lehman Brothers Commercial Bank commitment to Morgan Stanley. The transfer reinstated the $25.4 million of available capacity to our revolving credit facility.

At December 31, 2010 and 2009, we had $32.1 million and $0.3 million, respectively, of letters of credit issued and outstanding under the Credit Agreement. As of December 31, 2009, we had outstanding term loan balances under the Credit Agreement, which were fully collateralized by investments in high-grade securities classified as restricted investments in the accompanying consolidated balance sheet. As of December 31, 2010, the unused capacity under the revolving credit facility was $419.9 million, of which approximately $265.0 million was available for general working capital purposes. We incurred $0.6 million of debt issuance costs associated with the Credit Agreement. These expenses are deferred as other long-term assets in the consolidated balance sheet and will be amortized over the term of the Credit Agreement.

Our borrowing capacity is limited at December 31, 2010 by the Credit Agreement s financial covenant requirements. Except in the case of a default, amounts borrowed under our credit facility will not mature prior to the June 21, 2012 maturity date.

Under the Credit Agreement, indebtedness under the revolving credit facility bears interest at either: (1) the higher of Wells Fargo Bank s prime rate or the Federal Funds rate plus 0.50%; or (2) LIBOR plus an applicable margin, which ranges from 0.23% to 0.575% dependent upon our credit rating. The revolving credit facility incurs an annual facility fee of 0.07% to 0.175% depending on our credit rating. This fee is paid on drawn and undrawn portions of the revolving credit facility. The term loan facility bears interest at a rate equal to either: (1) LIBOR plus 0.10%; or (2) the higher of Wells Fargo Bank s prime rate or the Federal Funds rate plus 0.50%.

The Credit Agreement requires us to maintain a leverage ratio (the ratio of our consolidated indebtedness to our consolidated EBITDA, in each case as is defined by the Credit Agreement) of not more than 5.0 to 1.0, and on a temporary basis for not more than three consecutive quarters (including the quarter in which such acquisition is consummated) following the consummation of asset acquisitions in the midstream energy business of not more than 5.5 to 1.0.

Debt Securities

On September 30, 2010, we issued $250.0 million of 3.25% Senior Notes due October 1, 2015. We received proceeds of $247.7 million, which are net of underwriters fees, related expense and unamortized discounts of $1.5 million, $0.6 million and $0.2 million, respectively, which we used to repay funds borrowed under the revolver portion of our Credit Facility. Interest on the notes will be paid semi-annually on April 1 and October 1 of each year, commencing April 1, 2011. The notes will mature on October 1, 2015 unless redeemed prior to maturity.

We have incurred $2.1 million of underwriters fees and related expense with the issue of the notes, which we deferred in other long term assets in our consolidated balance sheets. We will amortize these costs over the term of the notes.

The notes are senior unsecured obligations, ranking equally in right of payment with our existing unsecured indebtedness, including indebtedness under our Credit Facility. We are not required to make mandatory redemption or sinking fund payments with respect to these notes. The securities are redeemable at a premium at our option.

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The future maturities of long-term debt in the year indicated are as follows:

	Debt Maturities (Millions)
2011	$
2012	398.0
2013	
2014	
2015	250.0
Thereafter	
Unamortized discount	(0.2)
Total	$ 647.8

Other Agreements

As of December 31, 2010, we had a contingent letter of credit for up to $10.0 million, on which we pay a fee of 0.50% per annum. This facility reduces the amount of cash we may be required to post as collateral. As of December 31, 2010, we have no letters of credit issued on this facility; any letters of credit issued on this facility will incur a fee of 1.75% per annum and will not reduce the available capacity under our credit facility.

12. Risk Management and Hedging Activities

Our day to day operations expose us to a variety of risks including but not limited to changes in the prices of commodities that we buy or sell, changes in interest rates, and the creditworthiness of each of our counterparties. We manage certain of these exposures with both physical and financial transactions. We have established a comprehensive risk management policy, or Risk Management Policy, and a risk management committee, or the Risk Management Committee, to monitor and manage market risks associated with commodity prices and counterparty credit. The Risk Management Committee is responsible for the overall management of credit risk and commodity price risk, including monitoring exposure limits. The following briefly describes each of the risks that we manage.

Commodity Price Risk

We are exposed to the impact of market fluctuations in the prices of natural gas, NGLs and condensate as a result of our gathering, processing, sales and storage activities. For gathering and processing services, we may receive fees or commodities as payment for these services, depending on the contract type. We enter into derivative financial instruments to mitigate a portion of the risk of weakening natural gas, NGL and condensate prices associated with our gathering, processing and sales activities, thereby stabilizing our cash flows. We have mitigated a portion of our expected commodity price risk associated with our gathering, processing and sales activities through 2015 with commodity derivative instruments. Additionally, given the limited depth of the NGL derivatives market, we primarily utilize crude oil swaps to mitigate a portion of our commodity price exposure for propane and heavier NGLs. Historically, prices of NGLs have been generally related to the price of crude oil, with some exceptions, notably in late 2008 to early 2009, when NGL pricing was at a greater discount to crude oil pricing. Given the relationship and the lack of liquidity in the NGL financial market, we have historically used crude oil swaps to mitigate a portion of NGL price risks. When the relationship of NGL prices to crude oil prices is at a discount to historical ranges, we experience additional exposure as a result of the relationship. These transactions are primarily accomplished through the use of forward contracts that effectively exchange our floating price risk for a fixed price. However, the type of instrument that we use to mitigate a portion of our risk may vary depending upon our risk management objective. These transactions are not designated as hedging instruments for accounting purposes and the change in fair value is reflected within our consolidated statements of operations as a gain or a loss on commodity derivative activity.

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With respect to our Pelico system, we may enter into financial derivatives to lock in transportation margins across the system, or to lock in margins around our leased storage facility to maximize value. This objective may be achieved through the use of physical purchases or sales of gas that are accounted for under accrual accounting. While the physical purchase or sale of gas transactions are accounted for under accrual accounting and any inventory is stated at lower of cost or market, the swaps are not designated as hedging instruments for accounting purposes and any change in fair value of these instruments is reflected within our consolidated statements of operations.

Our Wholesale Propane Logistics segment is generally designed to establish stable margins by entering into supply arrangements that specify prices based on established floating price indices and by entering into sales agreements that provide for floating prices that are tied to our variable supply costs plus a margin. To the extent possible, we match the pricing of our supply portfolio to our sales portfolio in order to lock in value and reduce our overall commodity price risk. However, to the extent that we carry propane inventories or our sales and supply arrangements are not aligned, we are exposed to market variables and commodity price risk. We manage the commodity price risk of our supply portfolio and sales portfolio with both physical and financial transactions. While the majority of our sales and purchases in this segment are index-based, occasionally, we may enter into fixed price sales agreements in the event that a retail propane distributor desires to purchase propane from us on a fixed price basis. In such cases, we may manage this risk with derivatives that allow us to swap our fixed price risk to market index prices that are matched to our market index supply costs. In addition, we may on occasion use financial derivatives to manage the value of our propane inventories. These transactions are not designated as hedging instruments for accounting purposes and the change in value is reflected in the current period within our consolidated statements of operations as a gain or loss on commodity derivative activity.

Our portfolio of commodity derivative activity is primarily accounted for using the mark-to-market method of accounting, whereby changes in fair value are recorded directly to the consolidated statements of operations; however, depending upon our risk profile and objectives, in certain limited cases, we may execute transactions that qualify for the hedge method of accounting.

Commodity Cash Flow Hedges Effective July 1, 2007, we elected to discontinue using the hedge method of accounting for derivatives that manage our commodity price risk. Prior to July 1, 2007, we used commodity swaps to mitigate a portion of the risk of market fluctuations in the price of NGLs, natural gas and condensate. Given our election to discontinue using the hedge method of accounting, the remaining net losses deferred in AOCI relative to cash flow hedges are reclassified to sales of natural gas, propane, NGLs and condensate, through December 2011, as the underlying transactions impact earnings.

Interest Rate Risk

We mitigate a portion of our interest rate risk with interest rate swaps, which reduce our exposure to market rate fluctuations by converting variable interest rates to fixed interest rates. These interest rate swap agreements convert the interest rate associated with the indebtedness outstanding under our revolving credit facility to a fixed rate obligation, thereby reducing the exposure to market rate fluctuations.

At December 31, 2010 we had interest rate swap agreements totaling $450.0 million, of which we have designated $275.0 million as cash flow hedges and account for the remaining $175.0 million under the mark-to-market method of accounting. The entire $450.0 million of these swap agreements mitigate our interest rate risk through June 2012, with $150.0 million extending from June 2012 through June 2014.

We have designated $275.0 million of our interest rate swap agreements as cash flow hedges, and effectiveness is determined by matching the principal balance and terms with that of the specified obligation. The effective portions of changes in fair value are recognized in AOCI in the consolidated balance sheets and are reclassified into earnings as the hedged transactions impact earnings. The effect that these swaps have on

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our consolidated financial statements, as well as the effect that is expected over the upcoming 12 months is summarized in the charts below. However, due to the volatility of the interest rate markets, the corresponding value in AOCI is subject to change prior to its reclassification into earnings. Ineffective portions of changes in fair value are recognized in earnings.

As of December 31, 2010, $300.0 million of the agreements reprice prospectively approximately every 90 days and the remaining $150.0 million of the agreements reprice prospectively approximately every 30 days. Under the terms of the interest rate swap agreements, we pay fixed rates ranging from 2.94% to 5.19%, and receive interest payments based on the three-month and one-month LIBOR. The differences to be paid or received under the interest rate swap agreements are recognized as an adjustment to interest expense.

At December 31, 2009 we had interest rate swap agreements totaling $575.0 million, all of which we had designated as cash flow hedges. In conjunction with the issuance of $250.0 million of 3.25% Senior Notes, we paid down our revolving credit facility, discontinued hedge accounting on $225.0 million of our existing swap agreements, terminated certain swap agreements for $1.3 million, and modified certain swap agreements to reduce the total outstanding amount by $125.0 million. Additionally, the term on $150.0 million of the swap agreements was extended through June 2014. This resulted in $450.0 million of these swap agreements mitigating our interest rate risk through June 2012, with $150.0 million extending from June 2012 through June 2014.

Contingent Credit Features

Each of the above risks is managed through the execution of individual contracts with a variety of counterparties. Certain of our derivative contracts may contain credit-risk related contingent provisions that may require us to take certain actions in certain circumstances.

We have International Swap Dealers Association, or ISDA, contracts which are standardized master legal arrangements that establish key terms and conditions which govern certain derivative transactions. These ISDA contracts contain standard credit-risk related contingent provisions. Some of the provisions we are subject to are outlined below.

- If we were to have an effective event of default under our Credit Agreement that occurs and is continuing, our ISDA counterparties may have the right to request early termination and net settlement of any outstanding derivative liability positions.

- In the event that we or DCP Midstream, LLC were to be downgraded below investment grade by at least one of the major credit rating agencies, certain of our ISDA counterparties have the right to reduce our collateral threshold to zero, potentially requiring us to fully collateralize any commodity contracts in a net liability position.

- Additionally, in some cases, our ISDA contracts contain cross-default provisions that could constitute a credit-risk related contingent feature. These provisions apply if we default in making timely payments under those agreements and the amount of the default is above certain predefined thresholds, which are significantly high and are generally consistent with the terms of our Credit Agreement. As of December 31, 2010, we are not a party to any agreements that would be subject to these provisions other than our credit agreement.

Our commodity derivative contracts that are not governed by ISDA contracts do not have any credit-risk related contingent features.

Depending upon the movement of commodity prices and interest rates, each of our individual contracts with counterparties to our commodity derivative instruments or to our interest rate swap instruments are in either a net asset or net liability position. As of December 31, 2010, we had $64.4 million of individual commodity derivative contracts that contain credit-risk related contingent features that were in a net liability

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Years Ended December 31, 2010, 2009 and 2008 (Continued)

position, and have not posted any cash collateral relative to such positions. If a credit-risk related event were to occur and we were required to net settle our position with an individual counterparty, our ISDA contracts permit us to net all outstanding contracts with that counterparty, whether in a net asset or net liability position, as well as any cash collateral already posted. As of December 31, 2010 if a credit-risk related event were to occur we may be required to post additional collateral. Additionally, although our commodity derivative contracts that contain credit-risk related contingent features were in a net liability position as of December 31, 2010, if a credit-risk related event were to occur, the net liability position would be partially offset by contracts in a net asset position reducing our net liability to $62.6 million.

As of December 31, 2010 our interest rate swaps were in a net liability position of approximately $26.9 million, of which, the entire amount is subject to credit-risk related contingent features. If we were to have a default of any of our covenants to our Credit Agreement, that occurs and is continuing, the counterparties to our swap instruments have the right to request that we net settle the instrument in the form of cash.

Collateral

As of December 31, 2010, we had a contingent letter of credit facility for up to $10.0 million, on which we have no letters of credit issued. DCP Midstream, LLC had issued and outstanding parental guarantees totaling $65.0 million in favor of certain counterparties to our commodity derivative instruments. This contingent letter of credit facility and parental guarantees reduce the amount of cash we may be required to post as collateral. As of December 31, 2010, we had no cash collateral posted with counterparties to our commodity derivative instruments.

Summarized Derivative Information

The following summarizes the balance within AOCI relative to our commodity and interest rate cash flow hedges:

	December 31, 2010	December 31, 2009
	(Millions)	
Commodity cash flow hedges:		
Net deferred losses in AOCI	$ (0.3)	$ (0.8)
Interest rate cash flow hedges:		
Net deferred losses in AOCI	(27.4)	(31.1)
Total AOCI	$ (27.7)	$ (31.9)

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The fair value of our derivative instruments that are designated as hedging instruments, those that are marked to market each period, as well as the location of each within our consolidated balance sheets, by major category, is summarized as follows:

Balance Sheet Line Item	December 31, 2010	December 31, 2009	Balance Sheet Line Item	December 31, 2010	December 31, 2009
	(Millions)			(Millions)	
Derivative Assets Designated as Hedging Instruments:			**Derivative Liabilities Designated as Hedging Instruments:**		
Interest rate derivatives:			**Interest rate derivatives:**		
Unrealized gains on derivative instruments current	$	$	Unrealized losses on derivative instruments current	$ (12.2)	$ (20.4)
Unrealized gains on derivative instruments long-term			Unrealized losses on derivative instruments long-term	(5.4)	(11.6)
	$	$		$ (17.6)	$ (32.0)
Derivative Assets Not Designated as Hedging Instruments:			**Derivative Liabilities Not Designated as Hedging Instruments:**		
Commodity derivatives:			**Commodity derivatives:**		
Unrealized gains on derivative instruments current	$ 1.9	$ 7.3	Unrealized losses on derivative instruments current	$ (26.0)	$ (21.1)
Unrealized gains on derivative instruments long-term	1.4	2.0	Unrealized losses on derivative instruments long-term	(40.4)	(46.4)
	$ 3.3	$ 9.3		$ (66.4)	$ (67.5)
Interest rate derivatives:			**Interest rate derivatives:**		
Unrealized gains on derivative instruments current	$	$	Unrealized losses on derivative instruments current	$ (4.8)	$
Unrealized gains on derivative instruments long-term			Unrealized losses on derivative instruments long-term	(4.5)	
	$	$		$ (9.3)	$

The following table summarizes the impact on our consolidated balance sheet and consolidated statements of operations of our derivative instruments that are accounted for using the cash flow hedge method of accounting.

	Gain (Loss) Recognized in AOCI on Derivatives Effective Portion	Gain (Loss) Reclassified From AOCI to Earnings Effective Portion	Gain (Loss) Recognized in Income on Derivatives Ineffective Portion and Amount Excluded From	Deferred Losses in AOCI Expected to be Reclassified into

						Effectiveness Testing			Earnings
	2010	2009	2010	2009		2010	2009		Over the Next 12 Months
	(Millions)		(Millions)			(Millions)			(Millions)
Interest rate derivatives	$ (18.7)	$ (12.0)	$ (22.4)	$ (19.7)	(a)	$	$	(a)(c)	$ (19.1)
Commodity derivatives	$	$	$ (0.5)	$ (0.9)	(b)	$	$	(b)(c)	$ (0.3)

(a) Included in interest expense in our consolidated statements of operations.

(b) Included in sales of natural gas, propane, NGLs and condensate in our consolidated statements of operations.

(c) For the year ended December 31, 2010 and 2009, no derivative gains or losses were reclassified from AOCI to current period earnings as a result of the discontinuance of cash flow hedges related to certain forecasted transactions that are not probable of occurring.

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Changes in value of derivative instruments, for which the hedge method of accounting has not been elected from one period to the next, are recorded in the consolidated statements of operations. The following summarizes these amounts and the location within the consolidated statements of operations that such amounts are reflected:

Commodity Derivatives: Statements of Operations Line Item	Year Ended December 31, 2010	2009	2008
		(Millions)	
Third party:			
Realized	$ (2.9)	$ 16.8	$ (25.5)
Unrealized	(4.4)	(79.1)	100.9
(Losses) gains from commodity derivative activity, net	$ (7.3)	$ (62.3)	$ 75.4
Affiliates:			
Realized	$ (0.7)	$ (0.2)	$ (5.2)
Unrealized	(0.5)	(3.3)	1.5
Losses from commodity derivative activity, net affiliates	$ (1.2)	$ (3.5)	$ (3.7)

Interest Rate Derivatives: Statements of Operations Line Item	Year Ended December 31, 2010	2009	2008
		(Millions)	
Third party:			
Realized	$ (1.5)	$	$
Unrealized	3.1		
Interest expense	$ 1.6	$	$

We do not have any derivative financial instruments that qualify as a hedge of a net investment.

The following tables represent, by commodity type, our net long or short positions that are expected to partially or entirely settle in each respective year. To the extent that we have long dated derivative positions that span multiple calendar years, the contract will appear in more than one line item in the tables below.

Year of Expiration	December 31, 2010 Crude Oil Net Long (Short) Position (Bbls)	Natural Gas Net Long (Short) Position (MMBtu)	Natural Gas Liquids Net Long (Short) Position (Bbls)
2011	(998,554)	(687,500)	(73,190)

2012	(839,358)	(366,000)
2013	(748,250)	(365,000)
2014	(547,500)	(365,000)
2015	(182,500)	

	December 31, 2009		
Year of Expiration	Crude Oil Net Long (Short) Position (Bbls)	Natural Gas Net Long (Short) position (MMbtu)	Natural Gas Liquids Net Long (Short) Position (Bbls)
2010	(950,225)	(1,883,500)	(74,001)
2011	(949,000)	(1,496,500)	
2012	(777,750)	(1,500,600)	
2013	(748,250)	(730,000)	
2014	(365,000)		

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Years Ended December 31, 2010, 2009 and 2008 (Continued)

We periodically enter into interest rate swap agreements to mitigate a portion of our floating rate interest exposure. As of December 31, 2010 we have swaps with a notional value between $50.0 million and $80.0 million, which, in aggregate, exchange $450.0 million of our floating rate obligation to a fixed rate obligation through June 2012, with $150.0 million extending from June 2012 through June 2014.

13. Partnership Equity and Distributions

General Our partnership agreement requires that, within 45 days after the end of each quarter, we distribute all of our Available Cash, as defined below, to unitholders of record on the applicable record date, as determined by our general partner.

In November 2010, we issued 2,875,000 common limited partner units at $34.96 per unit. We received proceeds of $96.2 million, net of offering costs.

In September 2010, we issued 5,200 common limited partner units, from our Long Term Incentive plan, to non-employee directors as compensation for their service during 2010.

In August 2010, we issued 2,990,000 common limited partner units at $32.57 per unit. We received proceeds of $93.1 million, net of offering costs.

On May 26, 2010, we filed a universal shelf registration statement on Form S-3 with the SEC with a maximum aggregate offering price of $1.5 billion, to replace an existing shelf registration statement. The universal shelf registration statement will allow us to offer and issue additional partnership units and debt securities.

In November 2009, we issued 2,500,000 common limited partner units at $25.40 per unit, and in December 2009 we issued an additional 375,000 common limited partner units to the underwriters upon exercise of their overallotment option. We received proceeds of $69.5 million, net of offering costs.

In April 2009, we issued 3,500,000 Class D units valued at $49.7 million. The Class D units were issued to DCP Midstream, LLC in consideration for an additional 25.1% interest in East Texas and a fixed price natural gas liquids derivative by NGL component for the period April 2009 to March 2010. The Class D units converted into our common units on a one-for-one basis on August 17, 2009.

In March 2008, we issued 4,250,000 common limited partner units at $32.44 per unit, and received proceeds of $132.1 million, net of offering costs.

In January 2008, our registration statement on Form S-3 to register the 3,005,780 common limited partner units represented in the June 2007 private placement agreement and the 2,380,952 common limited partner units represented in the August 2007 private placement agreement was declared effective by the SEC.

Definition of Available Cash Available Cash, for any quarter, consists of all cash and cash equivalents on hand at the end of that quarter:

less the amount of cash reserves established by the general partner to:

provide for the proper conduct of our business;

comply with applicable law, any of our debt instruments or other agreements; and

provide funds for distributions to the unitholders and to our general partner for any one or more of the next four quarters;

plus, if our general partner so determines, all or a portion of cash and cash equivalents on hand on the date of determination of Available Cash for the quarter.

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General Partner Interest and Incentive Distribution Rights The general partner is entitled to a percentage of all quarterly distributions equal to its general partner interest of approximately 1% and limited partner interest of 1% as of December 31, 2010. The general partner has the right, but not the obligation, to contribute a proportionate amount of capital to us to maintain its current general partner interest.

The incentive distribution rights held by the general partner entitle it to receive an increasing share of Available Cash when pre-defined distribution targets are achieved. Currently, our distribution to our general partner related to its incentive distribution rights is at the highest level. The general partner s incentive distribution rights were not reduced as a result of our common limited partner unit issuances, and will not be reduced if we issue additional units in the future and the general partner does not contribute a proportionate amount of capital to us to maintain its current general partner interest. Please read the Distributions of *Available Cash after the Subordination Period* sections below for more details about the distribution targets and their impact on the general partner s incentive distribution rights.

Class D Units All of the Class D units were held by DCP Midstream, LLC and converted into our common units on a one for one basis on August 17, 2009. The holders of the Class D units received the second quarter distribution paid on August 14, 2009.

Subordinated Units All of our subordinated units were held by DCP Midstream, LLC and were converted to common limited partner units by February 2009. The subordination period had an early termination provision that permitted 50% of the subordinated units, or 3,571,428 units, to convert into common units on a one-to-one basis in February 2008 and permitted the other 50% of the subordinated units, or 3,571,429 units, to convert into common units on a one-to-one basis in February 2009, following the satisfactory completion of the tests for ending the subordination period contained in our partnership agreement. The board of directors of the General Partner certified that all conditions for early conversion were satisfied.

Our partnership agreement provides that, during the subordination period, the common units had the right to receive distributions of Available Cash each quarter in an amount equal to $0.35 per common unit, or the Minimum Quarterly Distribution, plus any arrearages in the payment of the Minimum Quarterly Distribution on the common units from prior quarters, before any distributions of Available Cash may be made on the subordinated units. These units are deemed subordinated because for a period of time, referred to as the subordination period, the subordinated units were not entitled to receive any distributions until the common units received the Minimum Quarterly Distribution plus any arrearages from prior quarters. Furthermore, no arrearages could be paid on the subordinated units. The practical effect of the subordinated units is to increase the likelihood that during the subordination period there will be Available Cash to be distributed on the common units.

Distributions of Available Cash after the Subordination Period Our partnership agreement, after adjustment for the general partner s relative ownership level, requires that we make distributions of Available Cash from operating surplus for any quarter after the subordination period, which ended in February 2009, in the following manner:

- *first,* to all unitholders and the general partner, in accordance with their pro rata interest, until each unitholder receives a total of $0.4025 per unit for that quarter;

- *second,* 13% to the general partner, plus the general partner s pro rata interest, and the remainder to all unitholders pro rata until each unitholder receives a total of $0.4375 per unit for that quarter;

- *third,* 23% to the general partner, plus the general partner s pro rata interest, and the remainder to all unitholders pro rata until each unitholder receives a total of $0.525 per unit for that quarter; and *thereafter,* 48% to the general partner, plus the general partner s pro rata interest, and the remainder to all unitholders.

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The following table presents our cash distributions paid in 2010, 2009 and 2008:

Payment Date	Per Unit Distribution	Total Cash Distribution (Millions)
November 12, 2010	$ 0.610	$ 27.4
August 13, 2010	0.610	25.3
May 14, 2010	0.600	24.6
February 12, 2010	0.600	24.6
November 13, 2009	0.600	22.6
August 14, 2009	0.600	22.6
May 15, 2009	0.600	20.1
February 13, 2009	0.600	20.1
November 14, 2008	0.600	20.1
August 14, 2008	0.600	20.1
May 15, 2008	0.590	19.6
February 14, 2008	0.570	15.7

14. Equity-Based Compensation
Total compensation cost (credit) for equity-based arrangements was as follows:

	Year Ended December 31,		
	2010	2009 (Millions)	2008
Performance Units	$ 1.2	$ 1.2	$ (0.7)
Phantom Units	0.2	0.4	(0.4)
Restricted Phantom Units	1.4	0.6	0.1
Total compensation cost (credit)	$ 2.8	$ 2.2	$ (1.0)

On November 28, 2005, the board of directors of our General Partner adopted a long-term incentive plan, or LTIP, for employees, consultants and directors of our General Partner and its affiliates who perform services for us. The LTIP provides for the grant of limited partner units, or LPUs, phantom units, unit options and substitute awards, and, with respect to unit options and phantom units, the grant of dividend equivalent rights, or DERs. Subject to adjustment for certain events, an aggregate of 850,000 LPUs may be delivered pursuant to awards under the LTIP. Awards that are canceled or forfeited, or are withheld to satisfy the General Partner s tax withholding obligations, are available for delivery pursuant to other awards. The LTIP is administered by the compensation committee of the General Partner s board of directors. All awards are subject to cliff vesting, with the exception of the Phantom Units issued to directors in conjunction with our initial public offering, which are subject to graded vesting provisions.

Substantially all awards are accounted for as liability awards.

Performance Units We have awarded phantom LPUs, or Performance Units, pursuant to the LTIP to certain employees. Performance Units generally vest in their entirety at the end of a three year performance period. The number of Performance Units that will ultimately vest range, in value from 0% to 200% of the outstanding Performance Units, depending on the achievement of specified performance targets over three year performance periods. The final performance payout is determined by the compensation committee of the board of directors of our General Partner. The DERs are paid in cash at the end of the performance period. Of the remaining Performance Units outstanding at December 31, 2010, 51,794 units are expected to vest on December 31, 2011 and 11,641 units are expected to vest on December 31, 2012.

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At December 31, 2010, there was approximately $1.0 million of unrecognized compensation expense related to the Performance Units that is expected to be recognized over a weighted-average period of 1.2 years. The following table presents information related to the Performance Units:

	Units	Grant Date Weighted-Average Price per Unit	Measurement Date Price per Unit
Outstanding at January 1, 2008	46,960	$ 34.09	
Granted	17,085	$ 33.85	
Forfeited	(12,025)	$ 33.14	
Outstanding at December 31, 2008	52,020	$ 34.23	
Granted	52,450	$ 10.05	
Vested	(37,330)	$ 34.51	
Outstanding at December 31, 2009	67,140	$ 15.18	
Granted	16,630	$ 31.80	
Vested(a)	(14,215)	$ 33.44	
Forfeited	(2,205)	$ 15.61	
Outstanding at December 31, 2010	67,350	$ 15.42	$ 37.40
Expected to vest(b)	63,435	$ 14.04	$ 37.40

(a) The units vested at 0%.

(b) Based on our December 31, 2010 estimated achievement of specified performance targets, the performance estimate for units granted in 2010 is 100%, and for units granted in 2009 is 125%. The estimated forfeiture rate for units granted in 2010 is 30% and for units granted in 2009 is 21%.

The estimate of Performance Units that are expected to vest is based on highly subjective assumptions that could potentially change over time, including the expected forfeiture rate and achievement of performance targets. Therefore, the amount of unrecognized compensation expense noted above does not necessarily represent the value that will ultimately be realized in our consolidated statements of operations.

The following table presents the fair value of units vested and the unit-based liabilities paid for unit based awards related to Performance Units, including the related DERs:

	Units Vested	Fair Value of Units Vested	Unit-Based Liabilities Paid

			(Millions)	
2010	14,215	$	$	0.8(a)
2009	37,330(a)	$ 1.1	$	0.3

(a) 22,860, or $0.8 million, of the units and the related DERs that vested in 2009 were paid in 2010.

Phantom Units In conjunction with our initial public offering, in January 2006 our General Partner s board of directors awarded phantom LPUs, or Phantom Units, to key employees, and to directors who are not officers or employees of affiliates of the General Partner.

In 2010, we granted 5,200 Phantom Units, pursuant to the LTIP, to directors who are not officers or employees of affiliates of the General Partner as part of their annual director fees for 2010. All of these units vested in 2010 and were settled in units.

In 2009, we granted 16,000 Phantom Units, pursuant to the LTIP, to directors who are not officers or employees of affiliates of the General Partner as part of their annual director fees for 2009. All of these units vested during 2009 and were settled in cash.

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In 2008, we granted 4,000 Phantom Units, pursuant to the LTIP, to directors who are not officers or employees of affiliates of the General Partner as part of their annual director fees for 2008. All of these units vested during 2008 and were settled in cash.

The DERs are paid in cash quarterly in arrears.

The following table presents information related to the Phantom Units:

	Units	Grant Date Weighted-Average Price per Unit	Measurement Date Price per Unit
Outstanding at January 1, 2008	20,199	$ 24.56	
Granted	4,000	$ 35.88	
Forfeited	(4,000)	$ 24.05	
Vested	(6,501)	$ 32.91	
Outstanding at December 31, 2008	13,698	$ 24.05	
Granted	16,000	$ 10.05	
Vested	(29,698)	$ 16.51	
Outstanding at December 31, 2009		$	
Granted	5,200	$ 24.05	
Vested	(5,200)	$ 31.80	
Outstanding at December 31, 2010		$	$

The following table presents the fair value of units vested and the unit-based liabilities paid for unit based awards related to Phantom Units:

	Units Vested	Fair Value of Units Vested	Unit-Based Liabilities Paid
		(Millions)	
2010(a)	5,200	$ 0.2	$
2009	29,698	$ 0.5	$ 0.5
2008	6,501	$ 0.2	$ 0.2

(a) We issued 5,200 units in September 2010 related to these Phantom Units.

Restricted Phantom Units Our General Partner s board of directors awarded restricted phantom LPUs, or RPUs, to key employees under the LTIP. Of the remaining RPUs outstanding at December 31, 2010, 41,436 units are expected to vest on December 31, 2011 and 11,641 units are expected to vest on December 31, 2012. The DERs are paid in cash quarterly in arrears.

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At December 31, 2010, there was approximately $0.9 million of unrecognized compensation expense related to the RPUs that is expected to be recognized over a weighted-average period of 1.0 year. The following table presents information related to the RPUs:

	Units	Grant Date Weighted-Average Price per Unit	Measurement Date Price per Unit
Outstanding at January 1, 2008		$	
Granted	17,085	$ 33.85	
Forfeited	(2,395)	$ 35.88	
Outstanding at December 31, 2008	14,690	$ 33.52	
Granted	52,450	$ 10.05	
Outstanding at December 31, 2009	67,140	$ 15.18	
Granted	16,630	$ 31.80	
Vested	(14,215)	$ 33.44	
Forfeited	(2,205)	$ 15.61	
Outstanding at December 31, 2010	67,350	$ 15.42	$ 37.40
Expected to vest	66,403	$ 18.64	$ 37.40

The following table presents the fair value of units vested and the unit-based liabilities paid for unit based awards related to Restricted Phantom Units:

	Units Vested	Fair Value of Units Vested	Unit-Based Liabilities Paid
		(Millions)	
2010(a)	14,215	$ 0.5	$

(a) 14,215 of the units and the related DERs that vested in 2010 were paid in 2011.

The estimate of RPUs that are expected to vest is based on highly subjective assumptions that could potentially change over time, including the expected forfeiture rate, which was estimated at 30% for units granted in 2010, 21% for units granted in 2009 and 22% for units granted in 2008. Therefore, the amount of unrecognized compensation expense noted above does not necessarily represent the value that will ultimately be realized in our consolidated statements of operations.

We intend to settle certain awards issued under the LTIP in cash upon vesting. Compensation expense on these awards is recognized ratably over each vesting period, and will be re-measured each reporting period for all awards outstanding until the units are vested. The fair value of all awards is determined based on the closing price of our common units at each measurement date.

15. Income Taxes

We are structured as a master limited partnership, which is a pass-through entity for federal income tax purposes. Accordingly, we had no federal deferred tax balances as of December 31, 2009 and 2008, and no federal income tax expense for the years ended December 31, 2010, 2009 and 2008. On December 30, 2010, we acquired all of the interests in Marysville Hydrocarbons Holdings, LLC, an entity that owns a taxable C-Corporation consolidated return group. We have estimated $35.0 million of federal deferred tax liabilities resulting from built-in tax gains recognized in the transaction and have recorded this in our preliminary purchase price allocation as of December 31, 2010.

On January 4, 2011, we merged two wholly-owned subsidiaries of Marysville Hydrocarbons Holding, LLC and converted the combined entity s organizational structure from a corporation to a limited liability company. This conversion to a limited liability company triggers the deferred tax liabilities resulting from

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built-in tax gains to become currently payable. Accordingly, the estimated $35.0 million of deferred tax liabilities at December 31, 2010 will be reflected as current income tax payable on financial statements with reporting periods beginning on or after January 1, 2011.

The State of Texas imposes a margin tax that is assessed at 1% of taxable margin apportioned to Texas. During 2008 and 2009 we acquired properties in Michigan. Michigan imposes a business tax of 0.8% on gross receipts, and 4.95% of Michigan taxable income. The sum of the gross receipts and income tax is subject to a tax surcharge of 21.99%. Michigan provides tax credits that may reduce our final tax liability.

Income tax benefit (expense) consists of the following:

	Year Ended December 31,		
	2010	2009 (millions)	2008
Current:			
State	$ (0.4)	$ (0.5)	$ (0.7)
Deferred:			
State	0.1	(0.1)	0.1
Total income tax expense	$ (0.3)	$ (0.6)	$ (0.6)

We had additional net long-term deferred tax liabilities of $1.6 million and $1.7 million as of December 31, 2010 and 2009, respectively, included in other long term liabilities on the consolidated balance sheets. These state deferred tax liabilities relate to our East Texas operations, and are primarily associated with depreciation related to property plant and equipment.

Our effective tax rate differs from statutory rates, primarily due to being structured as a limited partnership, which is a pass-through entity for United States income tax purposes, while being treated as a taxable entity in certain states.

16. Net Income or Loss per Limited Partner Unit

Our net income or loss is allocated to the general partner and the limited partners, including the holders of the subordinated units, through the date of subordinated conversion, in accordance with their respective ownership percentages, after allocating Available Cash generated during the period in accordance with our partnership agreement.

Securities that meet the definition of a participating security are required to be considered for inclusion in the computation of basic earnings per unit using the two-class method. Under the two-class method, earnings per unit is calculated as if all of the earnings for the period were distributed under the terms of the partnership agreement, regardless of whether the general partner has discretion over the amount of distributions to be made in any particular period, whether those earnings would actually be distributed during a particular period from an economic or practical perspective, or whether the general partner has other legal or contractual limitations on its ability to pay distributions that would prevent it from distributing all of the earnings for a particular period.

These required disclosures do not impact our overall net income or loss or other financial results; however, in periods in which aggregate net income exceeds our Available Cash it will have the impact of reducing net income per LPU.

Basic and diluted net income or loss per LPU is calculated by dividing limited partners interest in net income or loss, by the weighted-average number of outstanding LPUs during the period.

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17. Commitments and Contingent Liabilities
Litigation

Westfield In July 2010 there was an explosion at a condominium complex in Norfolk, Massachusetts in which a worker at the condominium was killed. An investigation of the accident by the Massachusetts State Fire Marshall has indicated that the propane that exploded may have been unodorized. The investigation further indicated that the propane that exploded may have been supplied by our Westfield propane rail terminal to one of our customers who filled the tank that exploded. We are not responsible for odorization of the propane we supply to our customers out of our Westfield terminal. Rather, we receive the propane by rail which has been odorized by our suppliers. An attorney representing the estate of the deceased has brought a legal action against our customer who filled the tank that exploded; however, we have not been named in that lawsuit. It is not possible to predict whether we will incur any liability or to estimate the damages, if any, we might incur in connection with this matter. Management does not believe the ultimate resolution of this issue will have a material adverse effect on our consolidated results of operations, financial position or cash flows.

El Paso On February 27, 2009, a jury in the District Court, Harris County, Texas rendered a verdict in favor of El Paso E&P Company, L.P., or El Paso, and against one of our subsidiaries and DCP Midstream, LLC. As previously disclosed, the lawsuit, filed in December 2006, stems from an ongoing commercial dispute involving our Minden processing plant that dates back to August 2000. During the second quarter of 2009 we filed an appeal in the 14th Court of Appeals, Texas. El Paso filed an additional lawsuit in the District Court of Webster Parish, Louisiana, claiming damages for the same claims as the Texas matter, but for periods prior to our ownership of the Minden processing plant. The Louisiana court determined in August 2009 that El Paso s Louisiana claims were barred by the doctrine of res judicata and dismissed the case with prejudice in Louisiana. In January 2010, we and DCP Midstream, LLC entered into a settlement agreement with El Paso to resolve all claims brought by El Paso regarding this matter in Texas and Louisiana. Under the terms of the settlement agreement, we paid El Paso approximately $2.2 million for our portion of the settlement, which is within the amount of our previously disclosed contingent liability. The cases have been dismissed in both Texas and Louisiana.

Other We are not a party to any other significant legal proceedings, but are a party to various administrative and regulatory proceedings and commercial disputes that have arisen in the ordinary course of our business. Management currently believes that the ultimate resolution of the foregoing matters, taken as a whole, and after consideration of amounts accrued, insurance coverage or other indemnification arrangements, will not have a material adverse effect on our consolidated results of operations, financial position, or cash flows.

Insurance We renewed our insurance policies in May, June and July 2010 for the 2010-2011 insurance year. We contract with third-party and affiliate insurers for: (1) automobile liability insurance for all owned, non-owned and hired vehicles; (2) general liability insurance; (3) excess liability insurance above the established primary limits for general liability and automobile liability insurance; and (4) property insurance, which covers replacement value of real and personal property and includes business interruption/extra expense. These renewals have not resulted in any material change to the premiums we are contracted to pay in the 2010-2011 insurance year compared with the 2009-2010 insurance year. We are jointly insured with DCP Midstream, LLC for directors and officers insurance covering our directors and officers for acts related to our business activities. All coverage is subject to certain limits and deductibles, the terms and conditions of which are common for companies that are of similar size to us and with similar types of operations.

Our insurance on Discovery for the 2010-2011 insurance year covers onshore named windstorm property and business interruption insurance and onshore and offshore non-windstorm property and business interruption insurance. The availability of offshore named windstorm property and business interruption insurance has been significantly reduced over the past two years as a result of higher industry-wide damage claims. Additionally, the named windstorm property and business interruption insurance that is available comes at uneconomic

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premium levels, higher deductibles and lower coverage limits. Consequently, as with the 2009-2010 insurance year, Discovery elected to not purchase offshore named windstorm property and business interruption insurance coverage for the 2010-2011 insurance year.

Environmental The operation of pipelines, plants and other facilities for gathering, transporting, processing, treating, or storing natural gas, NGLs and other products is subject to stringent and complex laws and regulations pertaining to health, safety and the environment. As an owner or operator of these facilities, we must comply with United States laws and regulations at the federal, state and local levels that relate to air and water quality, hazardous and solid waste management and disposal, and other environmental matters. The cost of planning, designing, constructing and operating pipelines, plants, and other facilities must incorporate compliance with environmental laws and regulations and safety standards. Failure to comply with these laws and regulations may trigger a variety of administrative, civil and potentially criminal enforcement measures, including citizen suits, which can include the assessment of monetary penalties, the imposition of remedial requirements, and the issuance of injunctions or restrictions on operation. Management believes that, based on currently known information, compliance with these laws and regulations will not have a material adverse effect on our consolidated results of operations, financial position or cash flows.

Indemnification DCP Midstream, LLC has indemnified us for certain potential environmental claims, losses and expenses associated with the operation of the assets of certain of our predecessors. See the Indemnification section of Note 5 for additional details.

Other Commitments and Contingencies We utilize assets under operating leases in several areas of operation. Consolidated rental expense, including leases with no continuing commitment, totaled $12.8 million, $12.1 million and $12.9 million for the years ended December 31, 2010, 2009 and 2008, respectively. Rental expense for leases with escalation clauses is recognized on a straight line basis over the initial lease term.

Minimum rental payments under our various operating leases in the year indicated are as follows at December 31, 2010:

	(Millions)
2011	$ 15.8
2012	12.5
2013	9.6
2014	4.1
2015	0.6
Thereafter	1.2
Total minimum rental payments	$ 43.8

18. Business Segments

Our operations are located in the United States and are organized into three reporting segments: (1) Natural Gas Services; (2) Wholesale Propane Logistics; and (3) NGL Logistics.

Natural Gas Services The Natural Gas Services segment consists of our Northern Louisiana system, our Southern Oklahoma system, our 40% limited liability company interest in Discovery, our 75% interest in our Colorado system, our Wyoming system, our 50.1% interest in our East Texas system, and our Michigan system.

Wholesale Propane Logistics The Wholesale Propane Logistics segment consists of six owned rail terminals, one owned marine import terminal, one leased marine terminal, one pipeline terminal and access to several open-access pipeline terminals.

NGL Logistics The NGL Logistics segment consists of the Seabreeze and Wilbreeze NGL transportation pipelines, the Wattenberg NGL transportation pipeline, the Black Lake interstate NGL pipeline and the NGL storage facility in Marysville, Michigan.

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These segments are monitored separately by management for performance against our internal forecast and are consistent with internal financial reporting. These segments have been identified based on the differing products and services, regulatory environment and the expertise required for these operations. Gross margin is a performance measure utilized by management to monitor the business of each segment.

The following tables set forth our segment information:

Year Ended December 31, 2010:

	Natural Gas Services	Wholesale Propane Logistics	NGL Logistics (Millions)	Other	Total
Total operating revenue	$ 778.7	$ 473.2	$ 17.6	$	$ 1,269.5
Gross margin(a)	$ 195.1	$ 28.9	$ 12.9	$	$ 236.9
Operating and maintenance expense	(63.5)	(12.6)	(3.7)		(79.8)
Depreciation and amortization expense	(69.1)	(1.9)	(2.6)	(0.1)	(73.7)
General and administrative expense				(33.7)	(33.7)
Earnings from unconsolidated affiliates	23.0		0.8		23.8
Other operating income	1.0	3.0			4.0
Step acquisition equity interest re-measurement gain			9.1		9.1
Interest expense				(29.1)	(29.1)
Income tax expense(b)				(0.3)	(0.3)
Net income (loss)	86.5	17.4	16.5	(63.2)	57.2
Net income attributable to noncontrolling interests	(9.2)				(9.2)
Net income (loss) attributable to partners	$ 77.3	$ 17.4	$ 16.5	$ (63.2)	$ 48.0
Non-cash derivative mark-to-market(c)	$ (4.4)	$ (1.0)	$	$ 1.4	$ (4.0)
Capital expenditures	$ 38.6	$ 0.6	$ 11.5	$	$ 50.7
Acquisitions net of cash acquired	$	$ 67.8	$ 135.5	$	$ 203.3
Investments in unconsolidated affiliates	$ 2.3	$	$	$	$ 2.3

Year Ended December 31, 2009:

	Natural Gas Services	Wholesale Propane Logistics	NGL Logistics	Other	Total

			(Millions)		
Total operating revenue	$ 583.7	$ 348.2	$ 10.5	$	$ 942.4
Gross margin(a)	$ 109.7	$ 48.9	$ 7.6	$	$ 166.2
Operating and maintenance expense	(58.2)	(10.3)	(1.2)		(69.7)
Depreciation and amortization expense	(61.9)	(1.4)	(1.4)	(0.2)	(64.9)
General and administrative expense				(32.3)	(32.3)
Earnings from unconsolidated affiliates	16.6		1.9		18.5
Interest income				0.3	0.3
Interest expense				(28.3)	(28.3)
Income tax expense(b)				(0.6)	(0.6)
Net income (loss)	6.2	37.2	6.9	(61.1)	(10.8)
Net income attributable to noncontrolling interests	(8.3)				(8.3)
Net (loss) income attributable to partners	$ (2.1)	$ 37.2	$ 6.9	$ (61.1)	$ (19.1)
Non-cash derivative mark-to-market(c)	$ (84.2)	$ 0.8	$	$ (0.4)	$ (83.8)
Capital expenditures	$ 164.3	$ 0.5	$	$	$ 164.8
Acquisitions net of cash acquired	$ 44.5	$	$	$	$ 44.5
Investments in unconsolidated affiliates	$ 7.0	$	$	$	$ 7.0

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Year Ended December 31, 2008:

	Natural Gas Services	Wholesale Propane Logistics	NGL Logistics (Millions)	Other	Total
Total operating revenue	$ 1,336.2	$ 483.0	$ 11.3	$	$ 1,830.5
Gross margin(a)	$ 331.4	$ 11.0	$ 7.1	$	$ 349.5
Operating and maintenance expense	(66.5)	(9.9)	(1.0)		(77.4)
Depreciation and amortization expense	(50.5)	(1.3)	(1.4)		(53.2)
General and administrative expense				(33.3)	(33.3)
Other		1.5			1.5
Earnings from unconsolidated affiliates	17.4		0.8		18.2
Interest income				6.1	6.1
Interest expense				(32.8)	(32.8)
Income tax expense(b)				(0.6)	(0.6)
Net income (loss)	231.8	1.3	5.5	(60.6)	178.0
Net income attributable to noncontrolling interests	(36.1)				(36.1)
Net income (loss) attributable to partners	$ 195.7	$ 1.3	$ 5.5	$ (60.6)	$ 141.9
Non-cash derivative mark-to-market(c)	$ 99.2	$ 2.4	$	$ (0.6)	$ 101.0
Capital expenditures	$ 68.3	$ 3.3	$ 0.4	$ 0.7	$ 72.7
Acquisitions net of cash acquired	$ 157.3	$	$	$	$ 157.3
Investments in unconsolidated affiliates	$ 7.4	$	$	$	$ 7.4

	2010	December 31, 2009 (Millions)	2008
Segment long-term assets:			
Natural Gas Services(d)	$ 1,141.1	$ 1,185.2	$ 1,045.9
Wholesale Propane Logistics(d)	101.7	53.2	54.3
NGL Logistics(d)	220.6	32.3	33.8
Other(e)	4.1	13.1	70.3
Total long-term assets	1,467.5	1,283.8	1,204.3
Current assets	233.1	197.7	215.4

Total assets	$ 1,700.6	$ 1,481.5	$ 1,419.7

(a) Gross margin consists of total operating revenues, including commodity derivative activity, less purchases of natural gas, propane and NGLs. Gross margin is viewed as a non-GAAP measure under the rules of the SEC, but is included as a supplemental disclosure because it is a primary performance measure used by management as it represents the results of product sales versus product purchases. As an indicator of our operating performance, gross margin should not be considered an alternative to, or more meaningful than, net income or cash flow as determined in accordance with GAAP. Our gross margin may not be comparable to a similarly titled measure of another company because other entities may not calculate gross margin in the same manner.

(b) Income tax expense relates primarily to the Texas margin tax and the Michigan business tax.

(c) Non-cash derivative mark-to-market is included in segment gross margin, along with cash settlements for our derivative contracts.

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(d) Long-term assets for our Natural Gas Services segment increased in 2009 as a result of our expansion projects in East Texas and the Piceance Basin, the acquisition of certain companies that held natural gas gathering and treating assets for $45.1 million from MichCon Pipeline Company.

Long-term assets for our Wholesale Propane Logistics segment increased in 2010 as a result of our acquisition of Atlantic Energy from a subsidiary of UGI Corporation.

Long-term assets for our NGL Logistics segment increased in 2010 as a result of our acquisitions of the Wattenberg pipeline, Black Lake and Marysville. Our July 30, 2010 acquisition of an additional 50% interest in Black Lake from an affiliate of BP PLC brought our ownership interest in Black Lake to 100%. Prior to our acquisition of an additional 50% interest in Black Lake, we accounted for Black Lake under the equity method of accounting. Subsequent to this transaction we account for Black Lake as a consolidated subsidiary.

(e) Other long-term assets not allocable to segments consist of restricted investments, unrealized gains on derivative instruments, corporate leasehold improvements and other long-term assets.

19. Supplemental Cash Flow Information

	Year Ended December 31,		
	2010	2009 (Millions)	2008
Cash paid for interest:			
Cash paid for interest, net of amounts capitalized	$ 7.8	$ 9.0	$ 26.3
Cash paid for income taxes, net of income tax refunds	$ 0.5	$ 1.5	$
Non-cash investing and financing activities:			
Property, plant and equipment acquired with accounts payable	$ 6.3	$ 4.1	$ 17.4
Other non-cash additions of property, plant and equipment	$ 2.0	$ 1.3	$ 5.5
Accounts payable related to equity issuance costs	$ 0.2	$	$
Acquisition related contingent consideration	$ 1.0	$	$
Non-cash contribution from noncontrolling interests	$ 0.5	$	$
Accrued equity-based compensation	$	$	$ 0.2

20. Quarterly Financial Data (Unaudited)

Our consolidated results of operations by quarter for the years ended December 31, 2010 and 2009 were as follows (millions, except per unit amounts):

2010	First	Second	Third	Fourth	Year Ended December 31, 2010
Total operating revenues	$ 403.7	$ 277.5	$ 239.9	$ 348.4	$ 1,269.5
Operating income	$ 25.5	$ 27.8	$ 2.7	$ 6.8	$ 62.8
Net income (loss)	$ 25.9	$ 27.0	$ (0.8)	$ 5.1	$ 57.2

Net (income) loss attributable to noncontrolling interests	$ (0.1)	$ (1.0)	$ (3.3)	$ (4.8)	$ (9.2)
Net income (loss) attributable to partners	$ 25.8	$ 26.0	$ (4.1)	$ 0.3	$ 48.0
Limited partners interest in net income (loss)	$ 22.0	$ 21.8	$ (8.2)	$ (4.5)	$ 31.1
Basic net income (loss) per limited partner unit	$ 0.64	$ 0.63	$ (0.23)	$ (0.12)	$ 0.86

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2009	First	Second	Third	Fourth	Year Ended December 31, 2009
Total operating revenues	$ 284.4	$ 152.0	$ 205.7	$ 300.3	$ 942.4
Operating income (loss)	$ 28.1	$ (36.8)	$ 11.1	$ (3.1)	$ (0.7)
Net income (loss)	$ 19.8	$ (40.0)	$ 12.4	$ (3.0)	$ (10.8)
Net loss (income) attributable to noncontrolling interests	$ 1.3	$ (2.1)	$ (2.5)	$ (5.0)	$ (8.3)
Net income (loss) attributable to partners	$ 21.1	$ (42.1)	$ 9.9	$ (8.0)	$ (19.1)
Limited partners interest in net income (loss)(a)	$ 18.9	$ (44.8)	$ 6.5	$ (11.4)	$ (30.8)
Basic net income (loss) per limited partner unit(a)	$ 0.67	$ (1.41)	$ 0.21	$ (0.35)	$ (0.99)

(a) Total limited partners interest in net income and basic income per limited partner unit excludes the results from our additional 25.1% interest in East Texas for the period January 1, 2009 through March 31, 2009.

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21. Supplementary Information Condensed Consolidating Financial Information

The following condensed consolidating financial information presents the results of operations, financial position and cash flows of DCP Midstream Partners, LP, or parent guarantor, DCP Midstream Operating LP, or subsidiary issuer, which is a 100% owned subsidiary, and non-guarantor subsidiaries, as well as the consolidating adjustments necessary to present DCP Midstream Partners, LP s results on a consolidated basis. In conjunction with the universal shelf registration statement on Form S-3 filed with the SEC on May 26, 2010, the parent guarantor has agreed to fully and unconditionally guarantee securities of the subsidiary issuer. For the purpose of the following financial information, investments in subsidiaries are reflected in accordance with the equity method of accounting. The financial information may not necessarily be indicative of results of operations, cash flows, or financial position had the subsidiaries operated as independent entities.

Condensed Consolidating Balance Sheets
December 31, 2010

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
			(Millions)		
ASSETS					
Current assets:					
Cash and cash equivalents	$	$ 1.5	$ 6.7	$ (1.5)	$ 6.7
Accounts receivable			151.0		151.0
Inventories			65.2		65.2
Other			10.2		10.2
Total current assets		1.5	233.1	(1.5)	233.1
Property, plant and equipment, net			1,169.1		1,169.1
Goodwill and intangible assets, net			186.7		186.7
Advances receivable consolidated subsidiaries	333.4	534.7		(868.1)	
Investments in consolidated subsidiaries	184.9	323.6		(508.5)	
Investments in unconsolidated affiliates			104.3		104.3
Other long-term assets		2.3	5.1		7.4
Total assets	$ 518.3	$ 862.1	$ 1,698.3	$ (1,378.1)	$ 1,700.6
LIABILITIES AND EQUITY					
Accounts payable and other current liabilities	$ 0.2	$ 19.5	$ 193.0	$ (1.5)	$ 211.2
Advances payable consolidated subsidiaries			868.1	(868.1)	
Long-term debt		647.8			647.8
Other long-term liabilities		9.9	93.5		103.4
Total liabilities	0.2	677.2	1,154.6	(869.6)	962.4
Commitments and contingent liabilities					
Equity:					
Partners equity					
Net equity	518.1	212.3	323.9	(508.5)	545.8
Accumulated other comprehensive loss		(27.4)	(0.3)		(27.7)

Total partners equity	518.1	184.9	323.6	(508.5)	518.1
Noncontrolling interests			220.1		220.1
Total equity	518.1	184.9	543.7	(508.5)	738.2
Total liabilities and equity	$ 518.3	$ 862.1	$ 1,698.3	$ (1,378.1)	$ 1,700.6

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DCP MIDSTREAM PARTNERS, LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2010, 2009 and 2008 (Continued)

	Condensed Consolidating Balance Sheets December 31, 2009				
	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
			(Millions)		
ASSETS					
Current assets:					
Cash and cash equivalents	$	$ 1.6	$ 1.3	$ (0.8)	$ 2.1
Accounts receivable			152.5		152.5
Inventories			34.2		34.2
Other		0.1	8.8		8.9
Total current assets		1.7	196.8	(0.8)	197.7
Restricted investments		10.0			10.0
Property, plant and equipment, net			1,000.1		1,000.1
Goodwill and intangible assets, net			152.6		152.6
Advances receivable consolidated subsidiaries	245.8	520.0		(765.8)	
Investments in consolidated subsidiaries	131.9	245.3		(377.2)	
Investments in unconsolidated affiliates			114.6		114.6
Other long-term assets		0.6	5.9		6.5
Total assets	$ 377.7	$ 777.6	$ 1,470.0	$ (1,143.8)	$ 1,481.5
LIABILITIES AND EQUITY					
Accounts payable and other current liabilities	$	$ 21.1	$ 170.8	$ (0.8)	$ 191.1
Advances payable consolidated subsidiaries			765.8	(765.8)	
Long-term debt		613.0			613.0
Other long-term liabilities		11.6	60.4		72.0
Total liabilities		645.7	997.0	(766.6)	876.1
Commitments and contingent liabilities					
Equity:					
Partners equity					
Net equity	377.7	163.0	246.1	(377.2)	409.6
Accumulated other comprehensive loss		(31.1)	(0.8)		(31.9)
Total partners equity	377.7	131.9	245.3	(377.2)	377.7
Noncontrolling interests			227.7		227.7
Total equity	377.7	131.9	473.0	(377.2)	605.4
Total liabilities and equity	$ 377.7	$ 777.6	$ 1,470.0	$ (1,143.8)	$ 1,481.5

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DCP MIDSTREAM PARTNERS, LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2010, 2009 and 2008 (Continued)

	Condensed Consolidating Statements of Operations Year Ended December 31, 2010				
	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
	(Millions)				
Operating revenues:					
Sales of natural gas, propane, NGLs and condensate	$	$	$ 1,162.7	$	$ 1,162.7
Transportation, processing and other			115.3		115.3
Losses from commodity derivative activity, net			(8.5)		(8.5)
Total operating revenues			1,269.5		1,269.5
Operating costs and expenses:					
Purchases of natural gas, propane and NGLs			1,032.6		1,032.6
Operating and maintenance expense			79.8		79.8
Depreciation and amortization expense			73.7		73.7
General and administrative expense		0.2	33.5		33.7
Step acquisition equity interest re-measurement gain			(9.1)		(9.1)
Other, net			(4.0)		(4.0)
Total operating costs and expenses		0.2	1,206.5		1,206.7
Operating (loss) income		(0.2)	63.0		62.8
Interest expense, net		(28.8)	(0.3)		(29.1)
Earnings from unconsolidated affiliates			23.8		23.8
Earnings (losses) from consolidated subsidiaries	48.0	77.0		(125.0)	
Income (loss) before income taxes	48.0	48.0	86.5	(125.0)	57.5
Income tax expense			(0.3)		(0.3)
Net income (loss)	48.0	48.0	86.2	(125.0)	57.2
Net income attributable to noncontrolling interests			(9.2)		(9.2)
Net income (loss) attributable to partners	$ 48.0	$ 48.0	$ 77.0	$ (125.0)	$ 48.0

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DCP MIDSTREAM PARTNERS, LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2010, 2009 and 2008 (Continued)

	Condensed Consolidating Statements of Operations Year Ended December 31, 2009				
	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries (Millions)	Consolidating Adjustments	Consolidated
Operating revenues:					
Sales of natural gas, propane, NGLs and condensate	$	$	$ 913.0	$	$ 913.0
Transportation, processing and other			95.2		95.2
Losses from commodity derivative activity, net			(65.8)		(65.8)
Total operating revenues			942.4		942.4
Operating costs and expenses:					
Purchases of natural gas, propane and NGLs			(776.2)		(776.2)
Operating and maintenance expense			(69.7)		(69.7)
Depreciation and amortization expense			(64.9)		(64.9)
General and administrative expense		(0.1)	(32.2)		(32.3)
Total operating costs and expenses		(0.1)	(943.0)		(943.1)
Operating loss		(0.1)	(0.6)		(0.7)
Interest expense, net		(27.8)	(0.2)		(28.0)
Earnings from unconsolidated affiliates			18.5		18.5
(Losses) Earnings from consolidated subsidiaries	(19.1)	8.8		10.3	
(Loss) income before income taxes	(19.1)	(19.1)	17.7	10.3	(10.2)
Income tax expense			(0.6)		(0.6)
Net (loss) income	(19.1)	(19.1)	17.1	10.3	(10.8)
Net income attributable to noncontrolling interests			(8.3)		(8.3)
Net (loss) income attributable to partners	$ (19.1)	$ (19.1)	$ 8.8	$ 10.3	$ (19.1)

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DCP MIDSTREAM PARTNERS, LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2010, 2009 and 2008 (Continued)

Condensed Consolidating Statements of Operations Year Ended December 31, 2008	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries (Millions)	Consolidating Adjustments	Consolidated
Operating revenues:					
Sales of natural gas, propane, NGLs and condensate	$	$	$ 1,672.7	$	$ 1,672.7
Transportation, processing and other			86.1		86.1
Gains from commodity derivative activity, net			71.7		71.7
Total operating revenues			1,830.5		1,830.5
Operating costs and expenses:					
Purchases of natural gas, propane and NGLs			(1,481.0)		(1,481.0)
Operating and maintenance expense			(77.4)		(77.4)
Depreciation and amortization expense			(53.2)		(53.2)
General and administrative expense		(0.1)	(33.2)		(33.3)
Other, net			1.5		1.5
Total operating costs and expenses		(0.1)	(1,643.3)		(1,643.4)
Operating (loss) income		(0.1)	187.2		187.1
Interest (expense) income, net		(27.1)	0.4		(26.7)
Earnings from unconsolidated affiliates			18.2		18.2
Earnings from consolidated subsidiaries	141.9	169.1		(311.0)	
Income before income taxes	141.9	141.9	205.8	(311.0)	178.6
Income tax expense			(0.6)		(0.6)
Net income	141.9	141.9	205.2	(311.0)	178.0
Net income attributable to noncontrolling interests			(36.1)		(36.1)
Net income attributable to partners	$ 141.9	$ 141.9	$ 169.1	$ (311.0)	$ 141.9

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DCP MIDSTREAM PARTNERS, LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2010, 2009 and 2008 (Continued)

	Condensed Consolidating Statements of Cash Flows Year Ended December 31, 2010				
	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
			(Millions)		
OPERATING ACTIVITIES					
Net cash (used in) provided by operating activities	$ (87.4)	$ (42.9)	$ 271.8	$ (0.7)	$ 140.8
INVESTING ACTIVITIES:					
Capital expenditures			(50.7)		(50.7)
Acquisitions, net of cash acquired			(203.3)		(203.3)
Investments in unconsolidated affiliates			(2.3)		(2.3)
Return of investment from unconsolidated affiliate			1.2		1.2
Proceeds from sale of assets			3.4		3.4
Purchase of available-for-sale securities					
Proceeds from sales of available-for-sale securities		10.1			10.1
Net cash provided by (used in) investing activities		10.1	(251.7)		(241.6)
FINANCING ACTIVITIES:					
Proceeds from debt		868.2			868.2
Payments of debt		(833.4)			(833.4)
Payment of deferred financing costs		(2.1)			(2.1)
Proceeds from issuance of common units, net of offering costs	189.3				189.3
Purchase of additional interest in a subsidiary			(3.5)		(3.5)
Distributions to unitholders and general partner	(101.9)				(101.9)
Distributions to noncontrolling interests			(25.6)		(25.6)
Contributions from noncontrolling interests			13.8		13.8
Contributions from DCP Midstream, LLC			0.6		0.6
Net cash provided by (used in) financing activities	87.4	32.7	(14.7)		(105.4)
Net change in cash and cash equivalents		(0.1)	5.4	(0.7)	4.6
Cash and cash equivalents, beginning of period		1.6	1.3	(0.8)	2.1
Cash and cash equivalents, end of period	$	$ 1.5	$ 6.7	$ (1.5)	$ 6.7

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DCP MIDSTREAM PARTNERS, LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2010, 2009 and 2008 (Continued)

	Condensed Consolidating Statements of Cash Flows Year Ended December 31, 2009				
	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
			(Millions)		
OPERATING ACTIVITIES					
Net cash provided by (used in) operating activities	$ 15.8	$ (31.5)	$ 124.1	$ (0.5)	$ 107.9
INVESTING ACTIVITIES:					
Capital expenditures			(164.8)		(164.8)
Acquisitions, net of cash acquired			(44.5)		(44.5)
Investments in unconsolidated affiliates			(7.0)		(7.0)
Return of investment from unconsolidated affiliate			2.2		2.2
Proceeds from sale of assets			0.3		0.3
Purchase of available-for-sale securities		(1.1)			(1.1)
Proceeds from sales of available-for-sale securities		51.1			51.1
Net cash provided by (used in) investing activities		50.0	(213.8)		(163.8)
FINANCING ACTIVITIES:					
Proceeds from debt		237.0			237.0
Payments of debt		(280.5)			(280.5)
Proceeds from issuance of common units, net of offering costs	69.5				69.5
Net change in advances to predecessor from DCP Midstream, LLC			3.0		3.0
Distributions to unitholders and general partner	(85.3)				(85.3)
Distributions to noncontrolling interests			(27.0)		(27.0)
Contributions from noncontrolling interests			78.7		78.7
Contributions from DCP Midstream, LLC			0.7		0.7
Net cash (used in) provided by financing activities	(15.8)	(43.5)	55.4		(3.9)
Net change in cash and cash equivalents		(25.0)	(34.3)	(0.5)	(59.8)
Cash and cash equivalents, beginning of period		26.6	35.6	(0.3)	61.9
Cash and cash equivalents, end of period	$	$ 1.6	$ 1.3	$ (0.8)	$ 2.1

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DCP MIDSTREAM PARTNERS, LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2010, 2009 and 2008 (Continued)

	Condensed Consolidating Statements of Cash Flows Year Ended December 31, 2008				
	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
			(Millions)		
OPERATING ACTIVITIES					
Net cash (used in) provided by operating activities	$ (56.4)	$ (52.8)	$ 285.5	$ 1.3	$ 177.6
INVESTING ACTIVITIES:					
Capital expenditures			(72.7)		(72.7)
Acquisitions, net of cash acquired			(157.3)		(157.3)
Investments in unconsolidated affiliates			(7.4)		(7.4)
Proceeds from sale of assets			2.9		2.9
Purchase of available-for-sale securities		(608.2)			(608.2)
Proceeds from sales of available-for-sale securities		650.5			650.5
Net cash provided by (used in) investing activities		42.3	(234.5)		(192.2)
FINANCING ACTIVITIES:					
Proceeds from debt		660.4			660.4
Payments of debt		(633.9)			(633.9)
Proceeds from issuance of common units, net of offering costs	132.1				132.1
Net change in advances to predecessor from DCP Midstream, LLC			(14.2)		(14.2)
Distributions to unitholders and general partner	(75.7)		(0.5)		(76.2)
Distributions to noncontrolling interests			(46.4)		(46.4)
Contributions from noncontrolling interests			21.3		21.3
Contributions from DCP Midstream, LLC			4.1		4.1
Net cash provided by (used in) financing activities	56.4	26.5	(35.7)		47.2
Net change in cash and cash equivalents		16.0	15.3	1.3	32.6
Cash and cash equivalents, beginning of period		10.6	20.3	(1.6)	29.3
Cash and cash equivalents, end of period	$	$ 26.6	$ 35.6	$ (0.3)	$ 61.9

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DCP MIDSTREAM PARTNERS, LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2010, 2009 and 2008 (Continued)

22. Valuation and Qualifying Accounts and Reserves

Our valuation and qualifying accounts and reserves for the years ended December 31, 2010, 2009 and 2008 are as follows:

	Balance at Beginning of Period	Charged to Consolidated Statements of Operations	Charged to Other Accounts (Millions)	Deductions/ Other	Balance at End of Period
December 31, 2010					
Allowance for doubtful accounts	$ 0.5	$	$	$	$ 0.5
Environmental	1.1	1.0		(0.2)	1.9
Litigation	2.4	0.3		(2.5)	0.2
Other (a)	0.1		1.0	(1.1)	
	$ 4.1	$ 1.3	$ 1.0	$ (3.8)	$ 2.6
December 31, 2009					
Allowance for doubtful accounts	$ 1.0	$	$	$ (0.5)	$ 0.5
Environmental	1.9			(0.8)	1.1
Litigation	2.5			(0.1)	2.4
Other (a)	0.1				0.1
	$ 5.5	$	$	$ (1.4)	$ 4.1
December 31, 2008					
Allowance for doubtful accounts	$ 1.7	$	$	$ (0.7)	$ 1.0
Environmental	1.8	0.5		(0.4)	1.9
Litigation		2.5			2.5
Other (a)				0.1	0.1
	$ 3.5	$ 3.0	$	$ (1.0)	$ 5.5

(a) Principally consists of other contingency liabilities, which are included in other current liabilities, and the recognition and re-measurement of the fair value of contingent consideration.

23. Subsequent Events

On January 27, 2011, the board of directors of the general partner declared a quarterly distribution of $0.6175 per unit, payable on February 14, 2011 to unitholders of record on February 7, 2011.

On January 13, 2011, we paid $7.5 million to the sellers of Michigan Pipeline & Processing, LLC, or MPP, which we purchased in October 2008, under our contingent payment agreement whereby we would pay up to an additional $15.0 million to the sellers depending on the earnings of MPP after a three-year period.

On January 1, 2011, we acquired a 33.33% interest in Southeast Texas for $150.0 million, in a transaction among entities under common control. The Southeast Texas system is a fully integrated midstream business which includes 675 miles of natural gas pipelines; three natural gas processing plants with recently increased processing capacity totaling 380 MMcf/d; and natural gas storage assets with 9 Bcf of existing storage capacity. The terms of the joint venture agreement provide that distributions to us for the first seven years related to storage and transportation gross margin will be pursuant to a fee-based arrangement, based on storage capacity and tailgate volumes. Distributions related to the gathering and processing business, along with reductions for all expenditures, will be pursuant to our and DCP Midstream, LLC s respective ownership interests in

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DCP MIDSTREAM PARTNERS, LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2010, 2009 and 2008 (Continued)

Southeast Texas. The results of the Southeast Texas system will be included in our Natural Gas Services segment. Transfers of net assets between entities under common control are accounted for as if the transfer occurred at the beginning of the period, and prior years are retroactively adjusted to furnish comparative information similar to the pooling method. Accordingly, our consolidated financial statements will be adjusted to include the historical results of Southeast Texas in subsequent filings, however, the accounting for our acquisition of the interest in Southeast Texas was incomplete at the time we issued our consolidated financial statements. Given the recent timing of the acquisition, we were unable to calculate supplemental pro-forma combined information. The required disclosures will be made in a subsequent filing.

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Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

There were no changes in or disagreements with accountants on accounting and financial disclosures during the year ended December 31, 2010.

Item 9A. ***Controls and Procedures***

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit to the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified by the Commission s rules and forms, and that information is accumulated and communicated to the management of our general partner, including our general partner s principal executive and principal financial officers (whom we refer to as the Certifying Officers), as appropriate to allow timely decisions regarding required disclosure. The management of our general partner evaluated, with the participation of the Certifying Officers, the effectiveness of our disclosure controls and procedures as of December 31, 2010, pursuant to Rule 13a-15(b) under the Exchange Act. Based upon that evaluation, the Certifying Officers concluded that, as of December 31, 2010, our disclosure controls and procedures were effective. There were no changes in internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the fourth quarter of 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management s Annual Report On Internal Control Over Financial Reporting

Our general partner is responsible for establishing and maintaining an adequate system of internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Our internal control system was designed to provide reasonable assurance to our management and board of directors of our general partner regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Our management, including our Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2010 based on the framework in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2010.

Deloitte & Touche, LLP, an independent registered public accounting firm, has issued their report, included immediately following, regarding our internal control over financial reporting.

March 1, 2011

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of

DCP Midstream GP, LLC

Denver, Colorado

We have audited the internal control over financial reporting of DCP Midstream Partners, LP and subsidiaries (the Company) as of December 31, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed by, or under the supervision of, the company s principal executive and principal financial officers, or persons performing similar functions, and effected by the company s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2010 of the Company and our report dated March 1, 2011 expressed an unqualified opinion on those consolidated financial statements and included an explanatory paragraph referring to the retroactive effect of the April 1, 2009 acquisition of an additional 25.1% of DCP East Texas Holdings, LLC, which was accounted for in a manner similar to a pooling of interests.

/s/ Deloitte & Touche LLP

Denver, Colorado

March 1, 2011

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Item 9B. ***Other Information***
No information was required to be disclosed in a report on Form 8-K, but not so reported, for the quarter ended December 31, 2010.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***
Management of DCP Midstream Partners, LP

We do not have directors or officers, which is commonly the case with publicly traded partnerships. Our operations and activities are managed by our general partner, DCP Midstream GP, LP, which in turn is managed by its general partner, DCP Midstream GP, LLC, which we refer to as our General Partner. Our General Partner is wholly-owned by DCP Midstream, LLC. The officers and directors of our General Partner are responsible for managing us. All of the directors of our General Partner are elected annually by DCP Midstream, LLC and all of the officers of our General Partner serve at the discretion of the directors. Unitholders are not entitled to participate, directly or indirectly, in our management or operations.

Board of Directors and Officers

The board of directors of our General Partner that oversees our operations currently has nine members, four of whom are independent as defined under the independence standards established by the New York Stock Exchange. The New York Stock Exchange does not require a listed limited partnership like us to have a majority of independent directors on its general partner s board of directors or to establish a compensation committee or a nominating committee. However, the board of directors of our General Partner has established an audit committee consisting of four independent members of the board, a compensation committee and a special committee to address conflict situations.

Our General Partner s board of directors annually reviews the independence of directors and affirmatively makes a determination that each director expected to be independent has no material relationship with our General Partner, either directly or indirectly as a partner, unitholder or officer of an organization that has a relationship with our General Partner.

The executive officers of our General Partner manage the day-to-day affairs of our business and devote all of their time to our business and affairs, except Mark A. Borer, our CEO and President, who devotes more than 90% of his time to our business and affairs. We also utilize employees of DCP Midstream, LLC to operate our business and provide us with general and administrative services.

Meeting Attendance and Preparation

The board of directors met 13 times in 2010 and members of our current board of directors attended at least 75% of regular and special meetings and meetings of the committees on which they serve, either in person or telephonically, during 2010. In addition, directors are expected to be prepared for each meeting of the board by reviewing materials distributed in advance.

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Directors and Executive Officers

The following table shows information regarding the current directors and the executive officers of DCP Midstream GP, LLC. Directors are elected for one-year terms.

Name	Age	Position with DCP Midstream GP, LLC
Thomas C. O Connor	55	Chairman of the Board and Director
Mark A. Borer	56	President, Chief Executive Officer and Director
Angela A. Minas	46	Vice President and Chief Financial Officer
Michael S. Richards	51	Vice President, General Counsel and Secretary
Don Baldridge	41	Vice President, Business Development
Paul F. Ferguson, Jr.	61	Director
Alan N. Harris	57	Director
Donald G. Hrap	52	Director
John E. Lowe	52	Director
Frank A. McPherson	77	Director
Thomas C. Morris	70	Director
Stephen R. Springer	64	Director

Our directors hold office for one year or until the earlier of their death, resignation, removal or disqualification or until their successors have been elected and qualified. Officers serve at the discretion of the board of directors. There are no family relationships among any of our directors or executive officers.

Thomas C. O Connor was elected Chairman of the Board of DCP Midstream GP, LLC in September 2008, and has been a director of DCP Midstream GP, LLC since December 2007. Mr. O Connor has over 21 years experience in the natural gas industry with Duke Energy prior to joining DCP Midstream, LLC in November 2007 as Chairman of the Board, President and CEO. Mr. O Connor joined Duke Energy in 1987 where he served in a variety of positions in the company s natural gas and pipeline operations units. After serving in a number of leadership positions with Duke Energy, he was named President and Chief Executive Officer of Duke Energy Gas Transmission in 2002 and he was named Group Vice President of corporate strategy at Duke Energy in 2005. In 2006 he became Group Executive and Chief Operating Officer of U.S. Franchised Electric and Gas and later in 2006 was named Group Executive and President of Commercial Businesses at Duke Energy.

Mark A. Borer was elected President and Chief Executive Officer, and director of DCP Midstream GP, LLC in November 2006. Mr. Borer was previously Group Vice President, Marketing and Corporate Development of DCP Midstream, LLC since July 2004. He previously served as Executive Vice President of Marketing and Corporate Development of DCP Midstream, LLC from May 2002 through July 2004. Mr. Borer served as Senior Vice President, Southern Division of DCP Midstream, LLC from April 1999 through May 2002. Prior to that time, Mr. Borer was Vice President of Natural Gas Marketing for Union Pacific Fuels, Inc. Mr. Borer was a director of the general partner of TEPPCO Partners, L.P. from April 2000 until his resignation in 2005.

Angela A. Minas was elected Vice President and Chief Financial Officer of DCP Midstream GP, LLC in September 2008. Ms. Minas was previously Chief Financial Officer, Chief Accounting Officer and Treasurer for Constellation Energy Partners from September 2006 through March 2008. She also served as Managing Director of the Commodities Group at Constellation Energy Group, Inc. from September 2006 through March 2008. Prior to that, Ms. Minas was Senior Vice President, Global Consulting from 2004 to 2006 for SAIC and Vice President, US Consulting from 2002 to 2003 for SAIC. Prior to that, Ms. Minas was a partner with Arthur Andersen LLP from 1997 through 2002.

Michael S. Richards was elected Vice President, General Counsel and Secretary of DCP Midstream GP, LLC in September 2005. Mr. Richards was previously Assistant General Counsel and Assistant Secretary of DCP Midstream, LLC since February 2000. He was previously Assistant General Counsel and Assistant Secretary at KN Energy, Inc. from December 1997 until he joined DCP Midstream, LLC. Prior to that, he was Senior Counsel and Risk Manager at Total Petroleum (North America) Ltd. from 1994 through 1997. Mr. Richards was previously in private practice where he focused on securities and corporate finance.

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Don Baldridge was elected Vice President, Business Development of DCP Midstream GP, LLC in January 2009. Mr. Baldridge was previously Vice President, Corporate Development of DCP Midstream, LLC since August 2008. Prior to that, he served as senior director, corporate development and other management positions with DCP Midstream, LLC since April 2005. Mr. Baldridge has more than 17 years experience in the energy industry, including commercial, trading and business development activities.

Paul F. Ferguson, Jr. was elected as a director of DCP Midstream GP, LLC in November 2005. Mr. Ferguson currently serves as Chairman of the Audit Committee of the board of directors. Mr. Ferguson was a member of the Compensation, Audit and special committees of the general partner of TEPPCO Partners, L.P. He served as Senior Vice President and Treasurer of Duke Energy from June 1997 to June 1998, when he retired. Mr. Ferguson served as Senior Vice President and Chief Financial Officer of PanEnergy Corp. from September 1995 to June 1997. He held various other financial positions with PanEnergy Corp. from 1989 to 1995 and served as Treasurer of Texas Eastern Corporation from 1988 to 1989. Mr. Ferguson was a director of the general partner of TEPPCO Partners, L.P. from October 2004 until his resignation in 2005.

Alan N. Harris was appointed as a director of DCP Midstream GP, LLC in December 2008, effective January 1, 2009. In January 2009, the board of directors appointed Mr. Harris as Chairman of the compensation committee of the board of directors. Mr. Harris currently serves as chief development and operations officer of Spectra Energy. Prior to Spectra Energy s spin-off from Duke Energy in 2007, Mr. Harris served as group vice president and chief financial officer of Duke Energy Gas Transmission, or DEGT, from February 2004 and was named executive vice president of DEGT in December 2002. Mr. Harris, who joined the corporation in 1982, has served in a number of other senior management positions since that time.

Donald G. Hrap was appointed as a director of DCP Midstream GP, LLC in January 2011 and is currently president, Americas, for ConocoPhillips where he leads the development, operations, and services related to ConocoPhillips exploration and production business in the Lower 48 Region of the US and in Latin America. Before his present position at ConocoPhillips, he was president of the Lower 48 Region and prior to that, senior vice president of Western Canada Gas. Mr. Hrap joined ConocoPhillips in 2006 through the merger with Burlington Resources, serving as senior vice president of operations for Burlington Canada. Prior to that he was vice president for the North American Division at Gulf Canada Resources, where he worked for 17 years.

John E. Lowe was elected a director of DCP Midstream GP, LLC in October 2008, and is currently Assistant to the Chief Executive Officer for ConocoPhillips, representing the company in external relationships and assisting on special projects. Mr. Lowe was previously Executive Vice President, Exploration and Production, from 2007 to October 2008 and was Executive Vice President of Commercial in 2006. Prior to that, Mr. Lowe served as Executive Vice President of Planning, Strategy and Corporate Affairs from 2002 to 2006, and as Senior Vice President of Corporate Strategy and Development from 2001 to 2002.

Frank A. McPherson was elected as a director of DCP Midstream GP, LLC in December 2005. Mr. McPherson retired as Chairman and Chief Executive Officer from Kerr McGee Corporation in 1997 after a 40-year career with the company. Mr. McPherson was Chairman and Chief Executive Officer of Kerr McGee from 1983 to 1997. Prior to that he served in various capacities in management of Kerr McGee. Mr. McPherson joined Kerr McGee in 1957. Mr. McPherson served on the boards of Tri Continental Corporation, Seligman Group of Mutual Funds, ConocoPhillips, Kimberly Clark Corporation, MAPCO Inc., Bank of Oklahoma, the Federal Reserve Bank of Kansas City and the American Petroleum Institute. He also served on the boards of several non-profit organizations in Oklahoma.

Thomas C. Morris was elected as a director of DCP Midstream GP, LLC in December 2005. Mr. Morris is currently retired, having served 34 years with Phillips Petroleum Company. Mr. Morris served in various capacities with Phillips, including Vice President and Treasurer and subsequently Senior Vice President and Chief Financial Officer from 1994 until his retirement in 2001. Mr. Morris served as Vice Chairman of the board of OK Mozart, is a former member of the executive board of the American Petroleum Institute finance committee and a former member of the Business Development Council of Texas A&M University.

Stephen R. Springer was elected as a director of DCP Midstream GP, LLC in July 2007. Mr. Springer currently serves as chairman of the Special Committee of the board of Directors which addresses conflict situations. He began his career at Texas Gas Transmission Corporation, where he served in a variety of executive management positions within gas acquisitions and gas marketing. After serving as President of

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Transco Gas Marketing Company, he served as Vice President of Business Development at Williams Field Services Company and then Senior Vice President and General Manager of Williams Midstream Division, the position he held until his retirement in 2002. Mr. Springer has served on the board of directors of Atmos Energy Corporation since 2005.

Director Experience and Qualifications

Directors are appointed annually by DCP Midstream, LLC and hold office for one year or until the earlier of their death, resignation, removal or disqualification and until their successors have been elected and qualified. DCP Midstream, LLC evaluates and recommends candidates for membership on the board of directors based on criteria established thereby. When evaluating director candidates, nominees and incumbent directors, DCP Midstream, LLC has informed us that it considers, among other things, educational background, knowledge of our business and industry, professional reputation, independence, and ability to represent the best interests of our unitholders. DCP Midstream, LLC and the board of directors believe that the above-mentioned attributes, along with the leadership skills and experience in the midstream natural gas industry, provide the Partnership with a capable and knowledgeable board of directors.

Thomas C. O Connor We believe Mr. O Connor is a suitable member of the board of directors, as he brings to the company over two decades of industry experience, and has significant management experience in natural gas and pipeline transmission operations.

Mark A. Borer We believe Mr. Borer is a suitable member of the board of directors as he brings to the company extensive industry experience. In addition, because Mr. Borer has held management positions with the company or one of its subsidiaries since 1999 and because Mr. Borer has served as a director since 2006, he brings to the board of directors, valuable historical perspective of board and company operations.

Paul F. Ferguson, Jr. We believe that Mr. Ferguson is a suitable member of the board of directors because of his extensive industry experience. Mr. Ferguson has held various financial positions with PanEnergy Corp., and the knowledge of industry accounting and financial practices he gained through such experience, coupled with his accounting background and his CPA designation, make him valuable to the board of directors understanding of the Partnership s financial data and its implications to the future strategic planning of the Partnership. Mr. Ferguson also provides insight to the board of directors as to the Partnership s financial compliance and reporting obligations. Because Mr. Ferguson has served as a director since 2005, he brings to the board of directors, valuable historical perspective of board and company operations.

Alan N. Harris We believe that Mr. Harris is a suitable member of the board of directors because he has over 30 years of leadership experience in the natural gas industry. In additional, Mr. Harris prior experience as Chief Financial Officer of DEGT and his knowledge of industry accounting and financial practices are invaluable to the board of directors understanding of the Partnership s financial data and its implications to the future strategic planning of the Partnership.

Donald G. Hrap We believe that Mr. Hrap is a suitable member of the board of directors because of his extensive executive management experience within the energy industry, in particular, his experience with ConocoPhillips and Gulf Canada, spanning over twenty years. In addition, Mr. Hrap s experience in operations with a global energy company is valuable to company operations and future strategic planning.

John E. Lowe We believe that Mr. Lowe is a suitable member of the board of directors because of his extensive executive management and strategic planning experience in the industry. Mr. Lowe s prior management positions with ConocoPhillips in the corporate strategy area also provide the board with valuable insight as the board of directors moves forward with its strategic planning initiatives.

Frank A. McPherson We believe that Mr. McPherson is a suitable member of the board of directors because of his extensive industry and executive management experience, spanning over a period of 50 years. In addition, Mr. McPherson s prior public company board experience provides the board of directors with valuable insight into corporate governance and compliance matters. Because Mr. McPherson has served as a director since 2005, he also brings to the board of directors, valuable historical perspective of board and company operations.

Thomas C. Morris We believe that Mr. Morris is a suitable member of the board of directors because of the industry knowledge and experience gained during his 34 years of service with Phillips Petroleum Company.

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In addition, Mr. Morris background in finance and accounting, coupled with his previous role as Chief Financial Officer of Phillips Petroleum Company, are invaluable to the board of directors understanding of the Partnership s financial data and its implications to the future strategic planning of the Partnership. Because Mr. Morris has served as a director since 2005, he also brings to the board of directors, valuable historical perspective of board and company operations.

Stephen R. Springer We believe that Mr. Springer is a suitable member of the board of directors because of his extensive industry experience, including natural gas acquisitions, natural gas marketing, natural gas gathering and processing, NGL transportation and business development. In addition, Mr. Springer s prior public company board experience provides the board of directors with valuable insight into public company operations, corporate governance and compliance matters.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires DCP Midstream GP, LLC s directors and executive officers, and persons who own more than 10% of any class of our equity securities to file with the Securities and Exchange Commission, or SEC, and the New York Stock Exchange initial reports of ownership and reports of changes in ownership of our common units and our other equity securities. Specific due dates for those reports have been established, and we are required to report herein any failure to file reports by those due dates. Directors, executive officers and greater than 10% unitholders are also required by SEC regulations to furnish us with copies of all Section 16(a) reports they file. To our knowledge, based solely on a review of the copies of reports furnished to us and written representations that no other reports were required during the fiscal year ended December 31, 2010, all Section 16(a) filing requirements applicable to such reporting persons were complied with.

Audit Committee

The board of directors of our General Partner has a standing audit committee. The audit committee is composed of four nonmanagement directors, Paul F. Ferguson, Jr. (chairman), Frank A. McPherson, Thomas C. Morris and Stephen R. Springer, each of whom is able to understand fundamental financial statements and at least one of whom has past experience in accounting or related financial management experience. The board has determined that each member of the audit committee is independent under Section 303A.02 of the New York Stock Exchange listing standards and Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended. In making the independence determination, the board considered the requirements of the New York Stock Exchange and our Code of Business Ethics. Among other factors, the board considered current or previous employment with us, our auditors or their affiliates by the director or his immediate family members, ownership of our voting securities, and other material relationships with us. The audit committee has adopted a charter, which has been ratified and approved by the board of directors.

With respect to material relationships, the following relationships are not considered to be material for purposes of assessing independence: service as an officer, director, employee or trustee of, or greater than five percent beneficial ownership in (a) a supplier to the partnership if the annual sales to the partnership are less than one percent of the sales of the supplier; (b) a lender to the partnership if the total amount of the partnership s indebtedness is less than one percent of the total consolidated assets of the lender; or (c) a charitable organization if the total amount of the partnership s annual charitable contributions to the organization are less than three percent of that organization s annual charitable receipts.

Mr. Ferguson has been designated by the board as the audit committee s financial expert meeting the requirements promulgated by the SEC and set forth in Item 407(d) of Regulation S-K of the Securities Exchange Act of 1934 based upon his education and employment experience as more fully detailed in Mr. Ferguson s biography set forth above.

Special Committee

The board of directors of our General Partner has a standing special committee, which is comprised of four nonmanagement directors, Stephen R. Springer (chairman), Paul F. Ferguson, Jr., Frank A. McPherson and Thomas C. Morris. The special committee will review specific matters that the board believes may involve conflicts of interest. The special committee will determine if the resolution of the conflict of interest is fair and reasonable to us, or on grounds no less favorable to us than generally available from unrelated third parties. The special committee meets at each quarterly meeting of the Board of Directors. The members of the special committee may not be officers or employees of our General Partner or directors, officers or employees of its affiliates. Each of the members of the special committee meet the independence and experience standards established by the New York Stock Exchange and the Securities Exchange Act of 1934, as amended. Any matters approved by the special committee will be conclusively deemed to be fair and reasonable to us, approved by all of our partners, and not a breach by our General Partner of any duties it may owe us or our unitholders.

Compensation Committee

The board of directors of our General Partner has a standing compensation committee, which is composed of four directors, Alan N. Harris (chairman), John E. Lowe, Frank A. McPherson and Thomas C. O Connor. The compensation committee oversees compensation decisions for the officers of our general partner and administers the long-term incentive plan, selecting individuals to be granted equity-based awards from among those eligible to participate. The compensation committee has adopted a charter, which has been ratified and approved by the board of directors.

Corporate Governance Guidelines and Code of Business Ethics

Our board of directors has adopted Corporate Governance Guidelines that outline the important policies and practices regarding our governance.

We have adopted a Code of Business Ethics applicable to the persons serving as our directors, officers (including without limitation, the chief executive officer, chief financial officer and principal accounting officer) and employees, which includes the prompt disclosure to the SEC of a current report on Form 8-K of any waiver of the code for executive officers or directors approved by the board of directors.

Copies of our Corporate Governance Guidelines, our Code of Business Ethics, our Audit Committee Charter and our Compensation Committee Charter are available on our website at *www.dcppartners.com*. Copies of these items are also available free of charge in print to any unitholder who sends a request to the office of the Secretary of DCP Midstream Partners, LP at 370 17th Street, Suite 2775, Denver, Colorado 80202.

Meeting of Non-Management Directors and Communications with Directors

At each quarterly meeting of the special committee, the committee, which consists of all of our independent directors, meets in an executive session without management participation or participation by non-independent directors. The chairman of the special committee, Stephen R. Springer, presides over these executive sessions. In addition, at each quarterly meeting of the board of directors, the non-management members of the board meet in executive session. The chairman of the board of directors, Thomas C. O Connor, presides over these executive sessions.

Unitholders or interested parties may communicate with any and all members of our board, including our non-management directors, or any committee of our board, by transmitting correspondence by mail or facsimile addressed to one or more directors by name or to the chairman of the board or any committee of the board at the following address and fax number: Name of the Director(s), c/o Secretary, DCP Midstream Partners, LP, 370 17th Street, Suite 2775, Denver, Colorado 80202, fax number (303) 633-2921.

New York Stock Exchange, or NYSE, Annual Certification

On April 1, 2010, Mark A. Borer, our Chief Executive Officer, certified to the NYSE, as required by NYSE rules, that as of April 1, 2010, he was not aware of any violation by us of the NYSE s Corporate Governance Listing Standards.

Report of the Audit Committee

The audit committee oversees our financial reporting process on behalf of the board of directors. Management has the primary responsibility for the financial statements and the reporting process including the

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systems of internal controls. The audit committee operates under a written charter approved by the board of directors. The charter, among other things, provides that the audit committee has authority to appoint, retain and oversee the independent auditor. In this context, the audit committee:

- reviewed and discussed the audited financial statements in this annual report on Form 10-K with management, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements;

- reviewed with Deloitte & Touche, LLP, our independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality and acceptability of our accounting principles and such other matters as are required to be discussed with the audit committee under generally accepted auditing standards;

- received the written disclosures and the letter required by standard No. 1 of the independence standards board (independence discussions with audit committees) provided to the audit committee by Deloitte & Touche, LLP;

- discussed with Deloitte & Touche, LLP its independence from management and us and considered the compatibility of the provision of nonaudit service by the independent auditors with the auditors independence;

- discussed with Deloitte & Touche, LLP the matters required to be discussed by statement on auditing standards No. 61 (AICPA, Professional Standards, Vol. 1, AU Section 380 Communications With Audit Committees);

- discussed with our internal auditors and Deloitte & Touche, LLP the overall scope and plans for their respective audits. The audit committee meets with the internal auditors and Deloitte & Touche, LLP, with and without management present, to discuss the results of their examinations, their evaluations of our internal controls and the overall quality of our financial reporting;

- based on the foregoing reviews and discussions, recommended to the board of directors that the audited financial statements be included in the annual report on Form 10-K for the year ended December 31, 2010, for filing with the Securities and Exchange Commission; and

- approved the selection and appointment of Deloitte & Touche, LLP to serve as our independent auditors.

This report has been furnished by the members of the audit committee of the board of directors:

Audit Committee

Paul F. Ferguson, Jr. (Chairman)

Frank A. McPherson

Thomas C. Morris

Stephen R. Springer

The report of the audit committee in this report shall not be deemed incorporated by reference into any other filing by DCP Midstream Partners, LP under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, except to the extent that we specifically incorporate this information by reference, and shall not otherwise be deemed filed under such acts.

Item 11. ***Executive Compensation***

Compensation Discussion and Analysis

General

As a publicly traded limited partnership, we do not have directors, officers or employees. Instead, our operations are managed by our general partner, DCP Midstream GP, LP, which in turn is managed by its general partner, DCP Midstream GP, LLC, which we refer to as our General Partner. Our General Partner is a wholly-owned subsidiary of DCP Midstream, LLC.

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As of February 18, 2011, our General Partner had four named executive officers, or NEOs, and two additional employees. All of these employees are solely dedicated to our operations and management, except our President and Chief Executive Officer, or CEO, who devotes more than 90% of his time to our operations and management. The General Partner has not entered into employment agreements with any of our executive officers. The compensation committee of our General Partner s board of directors establishes the compensation program for these employees.

Compensation Committee Responsibilities

The compensation committee is comprised of directors of our General Partner and has four members as of February 18, 2011. The compensation committee s responsibilities include, among other duties, the following:

- annually review and approve the Partnership s goals and objectives relevant to compensation of the CEO and other NEOs;
- annually evaluate the CEO s performance in light of the Partnership s goals and objectives, and approve the compensation levels for the CEO and other NEOs;
- periodically evaluate the terms and administration of the Partnership s short-term and long-term incentive plans to assure that they are structured and administered in a manner consistent with the Partnership s goals and objectives;
- periodically evaluate incentive compensation and equity-related plans and consider amendments if appropriate;
- retain and terminate any compensation consultant to be used to assist in the evaluation of director, CEO or other NEO compensation; and
- perform other duties as deemed appropriate by the General Partner s board of directors.

Compensation Philosophy

Our compensation program is structured to provide the following benefits:

- attract, retain and reward talented executive officers and key management employees by providing total compensation competitive with that of other executive officers and key management employees employed by publicly traded limited partnerships of similar size or in similar lines of business;
- motivate executive officers and key management employees to achieve strong financial and operational performance;
- emphasize performance-based compensation, balancing short-term and long-term results;
- reward individual performance; and

encourage a long-term commitment to the Partnership by requiring target levels of unit ownership.

Methodology Advisors and Peer Companies

The compensation committee reviews data from market surveys provided by independent consultants to assess the competitive position with respect to base salary, annual short-term incentives and long-term incentive compensation. With respect to NEO compensation, the compensation committee also considers individual performance, levels of responsibility, skills and experience. In 2010 we engaged the services of BDO Seidman, LLP, or BDO, a compensation consultant, to conduct a study to assist us in establishing overall compensation packages for our NEOs. We consider BDO to be independent of the Partnership and therefore the work performed by BDO does not create a conflict of interest. The BDO study was based on compensation as reported in the annual reports on Form 10-K for a group of peer companies with a similar tax status, and the 2010 Towers Watson General Industry Executive Compensation Database, or the Towers Watson database.

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The study was comprised of the following peer companies:

Atlas Pipeline Partners, L.P.	Magellan Midstream Partners, L.P.
Boardwalk Pipeline Partners, LP	MarkWest Energy Partners, L.P.
Buckeye Partners, L.P.	NuStar Energy L.P.
Copano Energy, L.L.C.	ONEOK Partners, L.P.
Crosstex Energy, L.P.	Penn Virginia Resource Partners, L.P.
Eagle Rock Energy Partners, L.P.	Plains All American Pipeline, L.P.
El Paso Pipeline Partners, L.P.	Regency Energy Partners LP
Enbridge Energy Partners, L.P.	Spectra Energy Partners, LP
Enterprise Products Partners L.P.	Sunoco Logistics Partners L.P.
Genesis Energy, L.P.	Targa Resources Partners LP
Inergy, L.P.	Western Gas Partners, LP
Kinder Morgan Energy Partners, L.P.	Williams Partners L.P.

Studies such as this generally include only the most highly compensated officers of each company, which correlates with our NEOs. The results of this study, as well as other factors such as our targeted performance objectives, served as a benchmark for establishing our total direct compensation packages. In order to assess the competitiveness of the total direct compensation packages for our NEOs we used the median amount for peer positions from the BDO study and the data point that represents the 50^{th} percentile of the market in the Towers Watson database.

Components of Compensation

The total annual direct compensation program for executives of the General Partner consists of three components: (1) base salary; (2) an annual short-term cash incentive, or STI, which is based on a percentage of annual base salary; and (3) the present value of an equity-based grant under our long-term incentive plan, or LTIP, which is based on a percentage of annual base salary. Under our compensation structure, the allocation between base salary, STI and LTIP varies depending upon job title and responsibility levels. In 2010, this allocation for targeted compensation of our NEOs was as follows:

	Base Salary	**Targeted STI Level**	**Targeted LTIP Level**
CEO	34%	21%	45%
Chief Financial Officer, or CFO	44%	20%	36%
Vice President, General Counsel & Secretary	44%	20%	36%
Vice President, Chief Development Officer	53%	18%	29%

In allocating compensation among these components, we believe a significant portion of the compensation of our executive officers should be performance-based since these individuals have a greater opportunity to influence our performance. In making this allocation, we have relied in part on the BDO study of the companies named above. Each component of compensation is further described below.

Base Salary Base salaries for executives are determined based upon job responsibilities, level of experience, individual performance, and comparisons to the salaries of executives in similar positions obtained from the BDO study. The goal of the base salary component is to compensate executives at a level that approximates the median salaries of individuals in comparable positions at comparably sized companies in our industry.

The base salaries for executives are generally reevaluated annually as part of our performance review process, or when there is a change in the level of job responsibility. Our board of directors annually considers and approves a merit increase in base salary based upon the results of this performance review process. Merit increases are based on review of performance in certain categories, including: business values, safety, health and environment, leadership, operational results, project results, attitude, ability and knowledge. Our board of directors approved increases in NEO base salary for 2010 ranging from 3.0% to 3.2%. The base salaries paid to our NEOs are set forth in the Summary Compensation table below.

Annual Short-Term Cash Incentive, or STI Under the STI, annual cash incentives are provided to executives to promote the achievement of our performance objectives. Target incentive opportunities for

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executives under the STI are established as a percentage of base salary. Incentive amounts are intended to provide total cash compensation at the market median for executive officers in comparable positions and markets when target performance is achieved, below the market median when performance is less than target and above the market median when performance exceeds target. The BDO study was used to determine the competitiveness of the incentive opportunity for comparable positions. STI payments are generally paid in cash in March of each year for the prior fiscal year s performance.

In 2010, the STI objectives were initially designed and proposed by the executive officers, working with the Chairman of the General Partner s board of directors, with objectives that are both Partnership-oriented and individually-oriented. These objectives are intended to promote the achievement of performance objectives of the Partnership. Historically, the Partnership objectives account for 75% of the award and the personal objectives account for 25% of the award. Personal objectives typically change each year and focus on specific objectives to be targeted by each NEO for that particular calendar year. The NEOs are involved in developing these objectives because they best understand the immediate objectives required for the Partnership s success. Nevertheless, all proposed objectives are first reviewed and revised by the Chairman of the Board for the CEO and by the CEO for the other NEOs. The CEO s objectives are subsequently reviewed and approved by the compensation committee and ultimately by the General Partner s board of directors. In 2010, the STI objectives approved by the compensation committee and the General Partner s board of directors were divided as follows: (1) Partnership objectives accounted for 75% of the STI and (2) personal objectives accounted for 25% of the STI. All STI objectives are subject to change each year. The target incentive opportunities for 2010 as a percentage of base salary were as follows:

	2010 Targeted STI Opportunity
CEO	60%
CFO	45%
Vice President, General Counsel & Secretary	45%
Vice President, Chief Development Officer	35%

For 2010 there were four stated Partnership objectives under the STI which accounted for 75% of the total STI. The stated Partnership objectives for each NEO are described below and were weighted as indicated for each NEOs:

2010 Target STI Payment Opportunity for Partnership Objectives

STI Partnership Objectives	**Mr. Borer**	**Ms. Minas**	**Mr. Richards**	**Mr. Baldridge**
1) Distributable Cash Flow Per Unit	45%	45%	45%	45%
2) Total Shareholder Return vs. Peer Group	25%	25%	25%	25%
3) Safety	3%	3%	3%	3%
4) Environmental	2%	2%	2%	2%
Percentage of Total STI	75%	75%	75%	75%

1. *Distributable Cash Flow per Unit.* The achievement of our budget for distributable cash flow per unit excluding non-cash mark-to-market impacts and any one-time transactions costs. We defined distributable cash flow as net cash provided by or used in operating activities, less maintenance capital expenditures, net of reimbursable projects, plus or minus adjustments for non-cash mark-to-market of derivative instruments, proceeds from divestiture of assets, net income attributable to noncontrolling interest net of depreciation and income tax, net changes in operating assets and liabilities and other adjustments to reconcile net cash provided by or used in operating activities. As a publicly traded limited partnership, our performance is generally judged on our ability to pay cash distributions to our unitholders. We use distributable cash flow per unit because we believe it permits management to focus on the long term sustainability and development of our assets. For this Partnership objective, the target level of performance is distributable cash flow per unit of \$3.28 per unit; the maximum level of performance is distributable cash flow per unit of \$3.96 per unit; and the minimum level of performance is distributable cash flow per unit of \$2.83 per unit.

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2. *Total Shareholder Return vs. Peer Group.* Maintain a competitive total shareholder return compared to the following peer group of publicly held midstream natural gas master limited partnerships:

Copano Energy, L.L.C.	MarkWest Energy Partners, L.P.
Crestwood Midstream Partners LP	ONEOK Partners, L.P.
Duncan Energy Partners L.P.	Penn Virginia Resource Partners, L.P.
Enbridge Energy Partners, L.P.	Regency Energy Partners LP
Enterprise Products Partners L.P.	Targa Resources Partners LP
Inergy, L.P.	Western Gas Partners, LP

Final results will be based upon these companies average stock exchange closing prices for the last 20 trading days of 2009 compared to the last 20 trading days of 2010. We believe that using total shareholder return as a performance measure provides incentive for the continued growth of our operating footprint and distributions to unitholders. For this Partnership objective, the target level of performance is having a total shareholder return ranking among the companies listed in our peer group in the 50th percentile; the maximum level of performance is having a total shareholder return ranking among the companies listed in our peer group in the 90th percentile; and the minimum level of performance is having a total shareholder return ranking among the companies listed in our peer group in the 30th percentile. Total shareholder return will be based on data obtained from Bloomberg and assumes that any dividends or distributions are reinvested.

3. *Safety Objective.* A safety objective covering both our assets and the assets of DCP Midstream, LLC, the owner of our general partner and the operator or our assets, 70% of which is based on a recordable incident rate, or RIR, and 30% of which is based on preventable vehicle accidents, or PVAs. If a fatality occurs of our employee or that of our contractor on our premises, a 5% safety penalty will be assessed against the entire STI payout. For this Partnership objective, the target level of performance during the year is an RIR of 0.75 and 40 total PVAs, the maximum level of performance is an RIR of 0.50 and 30 total PVAs, and the minimum level of performance is an RIR of 1.00 and 50 total PVAs.

4. *Environmental Objective.* An environmental objective of non-routine air emissions, natural gas vented or flared, of both our assets and the assets of DCP Midstream, LLC. The Partnership has established certain levels of emissions that comprise the minimum, target and maximum level of performance for this objective.

The payout on these Partnership objectives ranged from 0% if the minimum level of performance is not achieved, 50% if the minimum level of performance is achieved, 100% if the target level of performance is achieved and 200% if the maximum level of performance is achieved. When the performance level falls between these percentages, payout will be determined by straight-line interpolation.

The level of performance achieved in 2010 for each of the Partnership objectives was as follows:

STI Partnership Objective	Level of Performance Achieved
1) Distributable Cash Flow per Unit	Between Minimum and Target
2) Total Shareholder Return vs. Peer Group	Between Minimum and Target
3) Safety	Between Target and Maximum
4) Environmental	Between Target and Maximum

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For 2010 the NEO s personal objectives under the STI accounted for 25% of the total STI. The personal objectives were approved by the compensation committee and the board of directors of the General Partner for the CEO, and by the CEO for the other NEOs. There was overlap of the personal objectives between the NEOs. Each of the personal objectives for the NEOs and the weighting of each personal objective are described below:

2010 Target STI Payment Opportunity for Personal Objectives

STI Personal Objectives	Mr. Borer	Ms. Minas	Mr. Richards	Mr. Baldridge
1) Distribution Growth	6.25%	5%	6.25%	6.25%
2) Balancing Growth	6.25%			6.25%
3) Enterprise Growth Plan Financing	6.25%			6.25%
4) Combination of #2 and #3		5%	6.25%	
5) 2010 Business Plan	6.25%	5%	6.25%	6.25%
6) Finance Organization Development		5%		
7) Internal Controls		5%		
8) Regulatory Compliance			6.25%	
Percentage of Total STI	25%	25%	25%	25%

1) *Distribution Growth.* Take action to achieve investor expectations on distribution growth.

2) *Balancing Growth.* Manage and adjust financial strategies and tactics to balance growth and continued near term challenges in the fundamentals and economic environment.

3) *Enterprise Growth Plan Financing.* Improve the Partnership s positioning as a funding source for enterprise growth.

4) *Combination of #2 and #3.* This objective is a combination of objectives 2 and 3.

5) *2010 Business Plan.* Take actions to achieve 2010 business plan operating results and strategic objectives.

6) *Finance Organization Development.* Work with DCP Midstream, LLC finance and accounting services providers to build a sustainable and high performance service delivery model for the Partnership.

7) *Internal Controls.* Maintain internal controls and accounting accuracy for the Partnership.

8) *Regulatory Compliance.* Meet all regulatory compliance requirements.

The payout on the individual personal objectives ranged from 0% if the minimum level of performance is not achieved, 50% if the minimum level of performance is achieved, 100% if the target level of performance is achieved and 200% if the maximum level of performance is achieved. When the performance level falls between these percentages, payout will be determined by straight-line interpolation.

Early in 2011, management prepared a report on the achievement of the Partnership objectives and the personal objectives. These results were reviewed and approved by the Compensation Committee in February 2011, including a calculation of the percentage achievement of each objective for purposes of the STI program. The total payout for the executive officers under the STI for fiscal year 2010 including both Partnership objectives and personal objectives ranged from 99.26% to 105.98% of target, with the CEO at 99.26%.

Long-Term Incentive Plan, or LTIP The long-term incentive compensation program has the objective of providing a focus on long-term value creation and enhancing executive retention. Under our LTIP program, we issued phantom limited partner units to each NEO. Half of such phantom units are performance phantom units, or PPUs, and half are restricted phantom units, or RPUs. The PPUs will vest based upon the level of achievement of certain performance objectives over a three year performance period, or the Performance Period. The RPUs will automatically vest if the executive officer remains employed with us at the end of a three year vesting period, or the Vesting Period. We believe this program promotes retention of our executive officers, and focuses our executive officers on the goal of long-term value creation.

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For 2010, the PPUs have as a performance measurement of total shareholder return over the Performance Period relative to a peer group of 12 other similar publicly held master limited partnerships that we believe we compete with in the capital markets. The companies included in this peer group at the start of 2010 were the following:

Copano Energy, L.L.C.	MarkWest Energy Partners, L.P.
Crestwood Midstream Partners LP	ONEOK Partners, L.P.
Duncan Energy Partners L.P.	Penn Virginia Resource Partners, L.P.
Enbridge Energy Partners, L.P.	Regency Energy Partners LP
Enterprise Products Partners L.P.	Targa Resources Partners LP
Inergy, L.P.	Western Gas Partners, LP

If a company originally named to the peer group is not publicly traded at the end of the Performance Period, none of its performance will be used in calculating the peer group s total shareholder return. If there is a combination of any peer group companies during the Performance Period, the performance of the surviving entity will be used. No new companies will be added to the peer group during the Performance Period.

The RPUs awarded in 2010 will vest automatically at the end of the Vesting Period provided the executive officer remains employed with us at the end of such period.

These PPU and RPU awards were granted at the first regular meeting of the General Partner s board of directors during the first quarter of 2010. The number of awards granted to our executive officers is set forth in the Grants of Plan-Based Awards table below. Award recipients also received the right to receive dividend equivalent rights, or DERs, on the number of units earned during the Vesting Period. The DERs on the PPUs will be paid in cash at the end of the Performance Period and the DERs on the RPUs will be paid quarterly in cash during the Vesting Period. The amount paid on the DERs will equal the quarterly distributions actually paid during the Performance Period and the Vesting Period on the number of PPUs or RPUs earned.

Our practice is to determine the dollar amount of long-term incentive compensation that we want to provide, and to then grant a number of PPUs and RPUs that have a fair market value equal to that amount on the date of grant, which is based on the closing price of our common units on the New York Stock Exchange on the date of grant. Target long-term incentive opportunities for executives under the plan are established as a percentage of base salary, using the BDO study data for individuals in comparable positions.

The target 2010 long-term incentive opportunities, expressed as a percentage of base salary were as follows:

	Targeted LTI Opportunity
CEO	130%
CFO	80%
Vice President, General Counsel & Secretary	80%
Vice President, Chief Development Officer	55%

For the PPUs granted in 2010, the performance measure is total shareholder return over the Performance Period relative to the peer group described above. This performance measure was initially designed and proposed by the executive officers and presented to the Chairman of the General Partner s board of directors. These objectives were then considered and approved by the compensation committee and ultimately by the board of directors of the General Partner. The compensation committee believes utilizing total shareholder return as a performance measure provides incentive for the continued growth of our operating footprint and distributions to unitholders. We believe this performance measure provides management with appropriate incentives for our disciplined and steady growth. If our total shareholder return ranking among the companies listed in our peer group over the Performance Period is less than the 30th percentile, 0% of the PPUs will vest. If such ranking over the Performance Period is in the 30th percentile, 50% percent of the PPUs will vest. If such ranking over the Performance Period is in the 50th percentile, 100% of the PPUs will vest and if such ranking over the Performance Period is in the 90th percentile, 200% of the PPUs will vest. When total shareholder return falls between 30%, 50% and 90% percentiles, vesting will be determined by straight-line interpolation. Total shareholder return will be based on data obtained from Bloomberg and assumes that any dividends or distributions are reinvested.

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In the event that any person other than DCP Midstream, LLC and/or an affiliate thereof becomes the beneficial owner of more than 50% of the combined voting power of the General Partner s equity interests prior to the completion of the Performance Period, the PPUs, RPUs and related DERs will (i) be replaced with equivalent units of the new enterprise if there is no change in the recipient s job status for twelve months or (ii) fully vest if the recipient is severed or if the recipient s job is lower in status within twelve months of the change in control.

In the event an award recipient s employment is terminated after the first anniversary of the grant date for reasons of death, disability, early or normal retirement, or if the recipient is terminated by the General Partner for reasons other than cause, the recipient s (i) performance units will contingently vest on a pro-rata basis for time worked over the Performance Period and final performance, measured at the end of the Performance Period, will determine the payout and (ii) time vested units will become fully vested and payable. Termination of employment for any other reason will result in the forfeiture of any unvested units.

Other Compensation In addition, our executives are eligible to participate in other compensation programs, which include but are not limited to:

Company Matching and Retirement Contributions to Defined Contribution Plans Our executives may elect to participate in the DCP Midstream, LP 401(k) and Retirement Plan. Under the plan, our executives may elect to defer up to 75% of their eligible compensation, or up to the limits specified by the Internal Revenue Service. We match the first 6% of eligible compensation contributed by the executive to the plan. In addition, we make retirement contributions ranging from 4% to 7% of the eligible compensation of qualifying participants to the plan, based on years of service, up to the limits specified by the Internal Revenue Service. We have no defined benefit plans.

Miscellaneous Compensation Our executive officers are eligible to participate in a nonqualified deferred compensation program. Executive officers are allowed to defer up to 75% of their base salary, and up to 100% of their STI, LTIP or other compensation. Executive officers elect either to receive amounts contributed during specific plan years as a lump sum at a specific date, subject to Internal Revenue Service rules, or in a lump sum or annual annuity (over three to ten years) at termination.

Executive officers and other eligible employees may participate in a nonqualified, defined contribution retirement plan. Benefits earned under this plan are attributable to compensation in excess of the annual compensation limits under section 401(k) of the Internal Revenue Code. Under this plan, we make a contribution of up to 13% of eligible compensation, as defined by the plan, to the nonqualified deferred compensation program.

In addition, we provide our employees, including the executive officers, with a variety of health and welfare benefit programs. The health and welfare programs are intended to protect employees against catastrophic loss and promote well being. These programs include medical, wellness, pharmacy, dental, life insurance, and accidental death and disability. We also provide all our employees with a monthly parking pass or a pass to be used on available public transportation systems. In 2011 we eliminated certain perquisites we previously paid to our executives, which include items such as financial planning, club dues and an allowance towards annual physical exam expenses.

We are a partnership and not a corporation for U.S. federal income tax purposes, and therefore, are not subject to the executive compensation tax deductible limitations of Internal Revenue Code §162(m). Accordingly, none of the compensation paid to our named executive officers is subject to the limitation.

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Unit Ownership Guidelines   To underscore the importance of linking executive and unitholder interests, the board of directors of our General Partner has adopted unit ownership guidelines for executive officers and key employees who are eligible to receive long-term incentive awards. To that extent, the board has established target equity ownership obligations for the various levels of executives, which have a five-year build term from the date the executive officer commences employment with us. Ownership is reported annually to the compensation committee. As of December 31, 2010, all of our executive officers have satisfied the unit ownership guidelines or are meeting the required progression to achieve these unit ownership guidelines. As of December 31, 2010, the unit ownership guidelines for the executive officers were as follows:

	Number of Units
CEO	28,000
CFO	10,000
Vice Presidents	10,000

Compensation Committee Report

The compensation committee has reviewed and discussed with management the Compensation Discussion and Analysis presented above. Members of management with whom the compensation committee had discussions are the Chief Executive Officer of the General Partner and the Group Vice President and Chief Administrative Officer of DCP Midstream, LLC. In addition, the compensation committee engaged the services of BDO Seidman, LLP, a compensation consultant, to conduct a study to assist us in establishing overall compensation packages for our executives. Based on this review and discussion, we recommended to the board of directors of the General Partner that the Compensation Discussion and Analysis referred to above be included in this annual report on Form 10-K for the year ended December 31, 2010.

Compensation Committee

Alan N. Harris (Chairman)

John E. Lowe

Frank A. McPherson

Thomas C. O Connor

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Executive Compensation

The following table discloses the compensation of the General Partner s principal executive officers, principal financial officer and named executive officers, or collectively, the executive officers :

Name and Principal Position	Year	Salary (c)	LTIP Awards (d)	Non-Equity Incentive Plan Compensation	All Other Compensation (e)	Total
Mark A. Borer	2010	$ 382,760	$ 501,168	$ 227,943	$ 294,400	$ 1,406,271
President and Chief	2009	$ 386,058	$ 486,420	$ 313,082	$ 272,010	$ 1,457,570
Executive Officer	2008	$ 358,538	$ 474,334	$ 80,671	$ 126,851	$ 1,040,394
Angela A. Minas(a)	2010	$ 241,558	$ 194,616	$ 115,200	$ 91,557	$ 642,931
Vice President and	2009	$ 243,269	$ 188,538	$ 150,803	$ 115,321	$ 697,931
Chief Financial Officer	2008	$ 61,923	$ 56,546	$ 18,252	$ 49,199	$ 185,920
Michael S. Richards	2010	$ 194,144	$ 156,456	$ 90,317	$ 94,476	$ 535,393
Vice President,	2009	$ 195,673	$ 151,756	$ 116,488	$ 104,618	$ 568,535
General Counsel and Secretary	2008	$ 181,748	$ 147,826	$ 52,343	$ 65,136	$ 447,053
Don A. Baldridge(b)	2010	$ 191,815	$ 106,212	$ 66,635	$ 60,743	$ 425,405
Vice President,	2009	$ 182,077	$ 93,666	$ 90,875	$ 45,969	$ 412,587
Business Development						

(a) Ms. Minas employment with the General Partner commenced effective September 8, 2008.

(b) Mr. Baldridge s employment with the General Partner commenced effective January 5, 2009. Effective February 21, 2011, Mr. Baldridge s employment with the General Partner terminated and he commenced employment with DCP Midstream, LLC as Vice President, Natural Gas and NGL Marketing.

(c) Actual salaries in 2009 were higher as a result of our bi-weekly payment methodology. Generally speaking we pay employees 26 times per year, or every two weeks. This methodology resulted in 27 pay periods in 2009.

(d) The amounts in this column reflect the grant date fair value of LTIP awards in accordance with the provisions of the FASB Accounting Standards Codification, or ASC, 718 Compensation Stock Compensation , or ASC 718. PPU awards are subject to performance conditions. For PPUs granted in 2010, 2009 and 2008 the performance conditions are between 0% if the minimum level of performance is not achieved to 200% if the maximum level of performance is achieved. The maximum value of the PPUs, based on the grant date fair value for Mark A. Borer was $501,168, $486,420 and $474,334 for units granted during 2010, 2009 and 2008 respectively. The maximum value of the PPUs, based on the grant date fair value for Angela A. Minas was $194,616, $188,538, and $56,546 for units granted during 2010, 2009 and 2008 respectively. The maximum value of the PPUs, based on the grant date fair value for Michael S. Richards was $156,456, $151,756 and $147,826 for units granted during 2010, 2009 and 2008 respectively. The maximum value of the PPUs, based on the grant date fair value for Don A. Baldridge was $106,212 and $93,666 for units granted during 2010 and 2009 respectively.

(e) Includes DERs, company retirement and nonqualified deferred compensation program contributions by the Partnership, the value of life insurance premiums paid by the Partnership on behalf of an executive and other deminimus compensation.

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Mark A. Borer, President and CEO

The LTIP awards are comprised of PPUs and RPUs pursuant to the LTIP. Under the 2010, 2009 and 2008 STI, Mr. Borer s target opportunity was 60% of his annual base salary, with the possibility of earning from 0% to 120% of his annual base salary in 2010, 2009 and 2008, depending on the level of performance in each of the STI objectives.

All Other Compensation includes the following:

	2010	2009	2008
Company retirement contributions to defined contribution plans	$ 31,850	$ 31,850	$ 29,900
Nonqualified deferred compensation program contributions	$ 87,592	$ 60,158	$ 50,160
DERs	$ 171,263	$ 176,424	$ 44,947
Life insurance premiums(a)	$ 3,695	$ 3,578	$ 1,844

(a) Paid by the Partnership on behalf of Mr. Borer.

Angela A. Minas, Vice President and CFO

The LTIP awards are comprised of PPUs and RPUs pursuant to the LTIP. Under the 2010, 2009 and 2008 STI, Ms. Minas target opportunity was 45% of her annual base salary, with the possibility of earning from 0% to 90% of her annual base salary, depending on the level of performance in each of the STI objectives, which was pro rated in 2008 based upon her service period in 2008.

All Other Compensation includes the following:

	2010	2009	2008
Relocation expenses	$	$ 37,220	$ 41,901
Company retirement contributions to defined contribution plans	$ 24,500	$ 24,187	$ 5,131
Nonqualified deferred compensation program contributions	$ 1,965	$	$
DERs	$ 64,312	$ 53,160	$ 2,034
Life insurance premiums(a)	$ 780	$ 754	$ 133

(a) Paid by the Partnership on behalf of Ms. Minas.

Michael S. Richards, Vice President, General Counsel and Secretary

The LTIP awards are comprised of Phantom IPO Units, PPUs and RPUs pursuant to the LTIP. Under the 2010, 2009 and 2008 STI, Mr. Richards target opportunity was 45% of his annual base salary, with the possibility of earning from 0% to 90% of his annual base salary in 2010, 2009 and 2008, depending on the level of performance in each of the STI objectives.

All Other Compensation includes the following:

	2010	2009	2008
Company retirement contributions to defined contribution plans	$ 26,950	$ 26,246	$ 23,000

Nonqualified deferred compensation program contributions	$ 13,156	$ 7,795	$ 6,550
DERs	$ 53,434	$ 69,988	$ 35,020
Life insurance premiums(a)	$ 936	$ 589	$ 566

(a) Paid by the Partnership on behalf of Mr. Richards.

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Don A. Baldridge, Vice President, Business Development

The LTIP awards are comprised of PPUs and RPUs pursuant to the LTIP. Under the 2010 and 2009 STI, Mr. Baldridge s target opportunity was 35% of his annual base salary, with the possibility of earning from 0% to 70% of his annual base salary in 2010 and 2009, depending on the level of performance in each of the STI objectives, which was pro rated in 2009 based upon his service period in 2009.

All Other Compensation includes the following:

	2010	2009
Company retirement contributions to defined contribution plans	$ 24,174	$ 23,238
Nonqualified deferred compensation program contributions	$ 5,531	$
DERs	$ 30,637	$ 22,368
Life insurance premiums(a)	$ 401	$ 363

(a) Paid by the Partnership on behalf of Mr. Baldridge.

Grants of Plan-Based Awards

Following are the grants of plan-based awards during the year ended December 31, 2010 for the General Partner s executive officers:

		Estimated Future Payouts under Non-Equity Incentive Plan Awards (a)			Estimated Future Payouts under Equity Incentive Plan Awards			Grant Date Fair Value of LTIP Awards ($)
Name	Grant Date	Minimum ($)	Target ($)	Maximum ($)	Minimum (#)	Target (#)	Maximum (#)	
Mark A. Borer	NA	$ 115,605	$ 231,210	$ 462,420				$
PPUs	(b)	$	$	$	3,940	7,880	15,760	$ 250,584
RPUs	(c)	$	$	$	7,880	7,880	7,880	$ 250,584
Angela A. Minas	NA	$ 54,743	$ 109,485	$ 218,970				$
PPUs	(b)	$	$	$	1,530	3,060	6,120	$ 97,308
RPUs	(c)	$	$	$	3,060	3,060	3,060	$ 97,308
Michael S. Richards	NA	$ 43,988	$ 87,975	$ 175,950				$
PPUs	(b)	$	$	$	1,230	2,460	4,920	$ 78,228
RPUs	(c)	$	$	$	2,460	2,460	2,460	$ 78,228
Don A. Baldridge	NA	$ 33,810	$ 67,620	$ 135,240				$
PPUs	(b)	$	$	$	835	1,670	3,340	$ 53,106
RPUs	(c)	$	$	$	1,670	1,670	1,670	$ 53,106

(a) Amounts shown represent amounts under the STI. If minimum levels of performance are not met, then the payout for one or more of the components of the STI may be zero.

(b) The number of units shown represents units awarded under the LTIP. If minimum levels of performance are not met, then the payout may be zero.

(c) The number of units shown represents units awarded under the LTIP and these units vest at the end of the Vesting Period provided the individual is still employed by the Partnership.

The PPUs awarded on March 8, 2010 will vest in their entirety on December 31, 2012 if the specified performance conditions are satisfied and the RPUs awarded on March 8, 2010 will vest in their entirety on December 31, 2012 if the executive is still employed by the Partnership.

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Outstanding Equity Awards at Fiscal Year-End

Following are the outstanding equity awards for the General Partner s executive officers as of December 31, 2010:

	Outstanding LTIP Awards	
Name	Equity Incentive Plan Awards: Unearned Units That Have Not Vested(a)	Equity Incentive Plan Awards: Market Value of Unearned Units That Have Not Vested(b)
Mark A. Borer	88,360	$ 3,304,664
Angela A. Minas	34,260	$ 1,281,324
Michael S. Richards	27,570	$ 1,031,118
Don A. Baldridge	17,320	$ 647,768

(a) PPUs awarded 3/8/2010 and 3/2/2009; units vest in their entirety over a range of 0% to 200% on 12/31/2011and 12/31/2012, respectively, if the specified performance conditions are satisfied. RPUs awarded 3/8/2010 and 3/2/2009, vest in their entirety on 12/31/2011 and 12/31/2012, respectively. To determine the market value, the calculation of the number of PPU s granted on 3/8/2010, that are expected to vest, is based on assumed performance of 100%, as the previous fiscal year performance has exceeded threshold performance; the calculation of the number of PPU s granted on 3/2/2009, that are expected to vest, is based on assumed performance of 200%, as the previous fiscal years performance has exceeded threshold performance.

(b) Value calculated based on the closing price of our common units at December 31, 2010, which was $37.40.

Options Exercises and Stock Vested

Following are the stock awards vested for the General Partner s executive officers for the year ended December 31, 2010:

	Stock Awards	
Name	Number of Shares Acquired on Vesting	Value Realized on Vesting
Mark A. Borer	6,610	$ 238,274
Angela A. Minas	1,695	$ 61,101
Michael S. Richards	2,060	$ 74,258
Don A. Baldridge		$

Nonqualified Deferred Compensation

Following is the nonqualified deferred compensation for the General Partner s executive officers for the year ended December 31, 2010:

Name	Executive Contributions in Last Fiscal Year(a)	Registrant Contributions in Last Fiscal Year(b)	Aggregate Earnings in Last Fiscal Year(c)	Aggregate Withdrawal/ Distributions	Aggregate Balance at December 31, 2010
Mark A. Borer	$ 183,810	$ 87,592	$ 45,991	$	$ 836,410
Angela A. Minas	$ 75,401	$ 1,965	$ 4,909	$	$ 97,756
Michael S. Richards	$ 9,707	$ 13,156	$ 3,831	$ (15,770)	$ 57,716
Don A. Baldridge	$	$ 5,531	$ 509	$	$ 6,040

(a) These amounts are included in the Summary Compensation table for the year 2010 with the exception of $75,401 for Ms. Minas, which was included in the Summary Compensation table for the year 2009 as it related to deferrals of 2009 STI.

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(b) These amounts are included in the Summary Compensation table for the year 2010.

(c) The performance of executive officers non-qualified deferred compensation is linked to certain mutual funds or to the average rating of the BBB bond index at the election of the participant.

Potential Payments upon Termination or Change in Control

As noted above the PPU s RPUs and the related dividend equivalent rights, or DER s, will become payable to executive officers under certain circumstance related to termination or change in control. The General Partner has not entered into any employment agreements with any of our executive officers. There are no formal severance plans in place for any employees in the event of termination of employment, or a change in control of the Partnership. When an employee terminates employment with the Partnership, they are entitled to a cash payment for the amount of unused vacation hours at the date of their termination.

The following table presents PPU s, RPU s and DERs payable as of December 31, 2010 under certain circumstances, following termination, or a change in control:

Triggering Event	PPUs	RPUs	DERs	Total
Mark A. Borer				
Change of Control(a)	$ 1,156,404	$ 1,394,678	$ 135,714	$ 2,686,796
Termination(b)	$ 726,970	$ 1,110,623	$ 145,805	$ 1,983,398
Angela A. Minas				
Change of Control(a)	$ 448,431	$ 509,531	$ 52,617	$ 1,010,579
Termination (b)	$ 281,783	$ 399,226	$ 56,515	$ 737,524
Michael S. Richards				
Change of Control(a)	$ 360,835	$ 435,093	$ 42,345	$ 838,273
Termination(b)	$ 226,811	$ 346,416	$ 45,489	$ 618,716
Don A. Baldridge				
Change of Control(a)	$ 228,181	$ 228,181	$ 26,503	$ 482,865
Termination(b)	$ 139,972	$ 167,981	$ 28,077	$ 336,030

(a) In the event that the recipient is severed or if the recipient s job is lower in status within twelve months of the change of control.

(b) In the event of termination for reasons of death, disability, early or normal retirement, or if the recipient is terminated by the General Partner for reasons other than cause.

Compensation of Directors

General Effective February 18, 2011, the board of directors of the General Partner approved a compensation package for directors who are not officers or employees of affiliates of the General Partner, or Non-Employee Directors. Members of the board who are also officers or employees of affiliates of the General Partner do not receive additional compensation for serving on the board. The board approved the payment to each Non-Employee Director of an annual compensation package containing the following: (1) a $40,000 retainer; (2) a board meeting fee of $1,250 for each board meeting attended; (3) a telephonic board and committee meeting fee of $500 for each telephonic meeting attended; and (4) an annual grant of Phantom Units that approximate $40,000 of value, awarded pursuant to the LTIP, that have a six month vesting period. The directors also receive DERs, based on the number of units awarded, which are paid in cash on a quarterly basis. The Phantom Units will be paid in units upon vesting.

Our directors will also be reimbursed for out-of-pocket expenses associated with their membership on our board of directors. Each director will be fully indemnified by us for his actions associated with being a director to the fullest extent permitted under Delaware law.

Committees The chairman of the audit committee of the board will receive an annual retainer of $20,000 and the members of the audit committee will receive $1,500 for each audit committee meeting attended. The chairman of the special committee of the board will likewise receive an annual retainer of $20,000 and the members of the special committee will receive $1,250 for each special committee meeting attended. Finally, the Non-Employee Director members of the compensation committee will receive $1,250 for each compensation committee meeting attended.

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Following is the compensation of the General Partner s Non-Employee Directors for the year ended December 31, 2010:

Name	Fees Earned	LTIP Awards(a)	DERs	Total
Paul F. Ferguson, Jr.	$ 90,750	$ 41,340	$ 1,573	$ 133,663
Frank A. McPherson	$ 72,500	$ 41,340	$ 1,573	$ 115,413
Thomas C. Morris	$ 69,250	$ 41,340	$ 1,573	$ 112,163
Stephen R. Springer	$ 90,750	$ 41,340	$ 1,573	$ 133,663

a) The amounts in this column reflect the grant date fair value of LTIP awards in accordance with the provisions of ASC 718.
Mr. Ferguson is the audit committee chair and a member of the special committee.

Mr. McPherson is a member of the audit committee, the compensation committee and the special committee.

Mr. Morris is a member of the audit committee and the special committee.

Mr. Springer is the special committee chair and a member of the audit committee.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Unitholder Matters***
The following table sets forth the beneficial ownership of our units and the related transactions held by:

each person who beneficially owns 5% or more of our outstanding units as of February 25, 2011;

all of the directors of DCP Midstream GP, LLC;

each Named Executive Officer of DCP Midstream GP, LLC; and

all directors and executive officers of DCP Midstream GP, LLC as a group.
Percentage of total common units beneficially owned is based on 40,486,782 common units outstanding.

Name of Beneficial Owner(a)	Common Units Beneficially Owned	Percentage of Common Units Beneficially Owned
DCP LP Holdings, LP(b)(1)	11,746,451	29.01%
Tortoise Capital Advisors L.L.C.(d)	4,308,630	10.64%
Kayne Anderson Capital Advisors, L.P.(c)	3,070,624	7.58%
Mark A. Borer	41,393	*
Angela A. Minas	30,613	*

Michael S. Richards	13,463	*
Don Baldridge	6,101	*
Donald G. Hrap		*
Alan N. Harris	9,842	*
Paul F. Ferguson, Jr.	11,634	*
John E. Lowe	1	*
Frank A. McPherson	20,966	*
Thomas C. Morris	25,967	*
Thomas C. O Connor	12,000	*
Stephen R. Springer	6,800	*
All directors and executive officers as a group (12 persons)	178,780	*

* Less than 1%.

(a) Unless otherwise indicated, the address for all beneficial owners in this table is 370 17th Street, Suite 2775, Denver, Colorado 80202.

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(b) DCP Midstream, LLC is the ultimate parent company of DCP LP Holdings, LP and may, therefore, be deemed to beneficially own the units held by DCP LP Holdings, LP. DCP Midstream, LLC disclaims beneficial ownership of all of the units owned by DCP LP Holdings, LP. The address of DCP LP Holdings, LP and DCP Midstream, LLC is 370 17th Street, Suite 2500, Denver, Colorado 80202.

(c) As set forth in a Schedule 13G filed on February 14, 2011. The address of Kayne Anderson Capital Advisors, L.P. is 1800 Avenue of the Stars, Second Floor, Los Angeles, CA 90067.

(d) As set forth in a Schedule 13G filed on February 14, 2011. The address of Tortoise Capital Advisors L.L.C. is 11550 Ash Street, Suite 300, Leawood, Kansas 66211.

Equity Compensation Plan Information

The following table summarizes information about our equity compensation plan as of December 31, 2010.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (1) (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by unitholders		$	
Equity compensation plans not approved by unitholders			710,100
Total		$	710,100

(1) The long-term incentive plan currently permits the grant of awards covering an aggregate of 850,000 units. For more information on our long-term incentive plan, which did not require approval by our limited partners, refer to Item 11. Executive Compensation Components of Compensation.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

Distributions and Payments to our General Partner and its Affiliates

The following table summarizes the distributions and payments to be made by us to our General Partner and its affiliates in connection with our formation, ongoing operation, and liquidation. These distributions and payments are determined by and among affiliated entities and, consequently, are not the result of arm s-length negations.

Operational Stage:

Distributions of Available Cash to our General Partner and its affiliates	We will generally make cash distributions to the unitholders and to our General Partner, in accordance with their pro rata interest. In addition, if distributions exceed the minimum quarterly distribution and other higher target levels, our General Partner will be entitled to increasing percentages of the distributions, up to 48% of the distributions above the

	highest target level. Currently, our distribution to our general partner related to its incentive distribution rights is at the highest level.
Payments to our General Partner and its affiliates	We reimburse DCP Midstream, LLC and its affiliates $10.2 million per year, For further information regarding the reimbursement. Please see the Omnibus Agreement section below.
Withdrawal or removal of our General Partner	If our General Partner withdraws or is removed, its general partner interest and its incentive distribution rights will either be sold to the new general partner for cash or converted into common units, in each case for an amount equal to the fair market value of those interests.

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Liquidation Stage:

Liquidation	Upon our liquidation, the partners, including our General Partner, will be entitled to receive liquidating distributions according to their respective capital account balances.

Omnibus Agreement

The employees supporting our operations are employees of DCP Midstream, LLC. We have entered into an omnibus agreement, as amended, or the Omnibus Agreement, with DCP Midstream, LLC. Under the Omnibus Agreement, we are required to reimburse DCP Midstream, LLC for salaries of operating personnel and employee benefits as well as capital expenditures, maintenance and repair costs, taxes and other direct costs incurred by DCP Midstream, LLC on our behalf. We also pay DCP Midstream, LLC an annual fee for centralized corporate functions performed by DCP Midstream, LLC on our behalf, including legal, accounting, cash management, insurance administration and claims processing, risk management, health, safety and environmental, information technology, human resources, credit, payroll, taxes and engineering.

Commencing January 2011 we extended the omnibus agreement through December 31, 2011 for $10.2 million. The Omnibus Agreement also addresses the following matters:

- DCP Midstream, LLC s obligation to indemnify us for certain liabilities and our obligation to indemnify DCP Midstream, LLC for certain liabilities;

- DCP Midstream, LLC s obligation to continue to maintain its credit support, including without limitation guarantees and letters of credit, for our obligations related to commercial contracts with respect to its business or operations that were in effect at the closing of our initial public offering until the expiration of such contracts; and

- Our general partner will have the right to agree to further increases in connection with expansions of our operations through the acquisition or construction of new assets or businesses, with the concurrence of the special committee of DCP Midstream GP, LLC s board of directors.

Our General Partner and its affiliates will also receive payments from us pursuant to the contractual arrangements described below under the caption Contracts with Affiliates.

Any or all of the provisions of the Omnibus Agreement, other than the indemnification provisions described below, will be terminable by DCP Midstream, LLC at its option if our general partner is removed without cause and units held by our general partner and its affiliates are not voted in favor of that removal. The Omnibus Agreement will also terminate in the event of a change of control of us, our general partner (DCP Midstream GP, LP) or our General Partner (DCP Midstream GP, LLC).

Competition

None of DCP Midstream, LLC or any of its affiliates, including Spectra Energy and ConocoPhillips, is restricted, under either our partnership agreement or the Omnibus Agreement, from competing with us. DCP Midstream, LLC and any of its affiliates, including Spectra Energy and ConocoPhillips, may acquire, construct or dispose of additional midstream energy or other assets in the future without any obligation to offer us the opportunity to purchase or construct those assets.

Indemnification

In connection with our acquisition of our wholesale propane logistics business, DCP Midstream, LLC agreed to indemnify us until October 31, 2010 if certain contractual matters result in a claim, and agreed to indemnify us indefinitely for breaches of the agreement. The indemnity obligation for breach of the representations and warranties is not effective until claims exceed in the aggregate $680,000 and is subject to a maximum liability of $6.8 million. This indemnity obligation for all other claims other than a breach of the representations and warranties does not become effective until an individual claim or series of related claims exceed $50,000. We have not pursued indemnification under this agreement.

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Contracts with Affiliates

We charge transportation fees, sell a portion of our residue gas and NGLs to, and purchase natural gas and NGLs from, DCP Midstream, LLC, ConocoPhillips, and their respective affiliates. We also purchase a portion of our propane from and market propane on behalf of Spectra Energy. Management anticipates continuing to purchase and sell these commodities to DCP Midstream, LLC, ConocoPhillips and their respective affiliates, and Spectra Energy in the ordinary course of business.

Natural Gas Gathering and Processing Arrangements

We have a fee-based contractual relationship with ConocoPhillips, which includes multiple contracts, pursuant to which ConocoPhillips has dedicated all of its natural gas production within an area of mutual interest to certain of our systems under multiple agreements that are market based. These agreements provide for gathering, processing and transportation services. We collect fees from ConocoPhillips for gathering and compressing the natural gas from the wellhead or receipt point and for processing the natural gas at certain of our processing plants. We also purchase natural gas from ConocoPhillips at the wellhead or receipt point, transport the wellhead natural gas through our gathering systems, treat and process the natural gas, and then sell a portion of the resulting residue natural gas and NGLs at index prices based on published index market prices.

We sell NGLs processed at certain of our plants, and sell condensate removed from the gas gathering systems that deliver to certain of our systems under contracts to a subsidiary of DCP Midstream, LLC equal to that subsidiary s net weighted-average sales price, adjusted for transportation, processing and other charges from the tailgate of the respective asset.

Please read Item 1. Business Natural Gas Services Segment Customers and Contracts and Note 5 of the Notes to Consolidated Financial Statements in Item 8. Financial Statements and Supplementary Data.

Merchant Arrangements

Under our merchant arrangements, we use a subsidiary of DCP Midstream, LLC (DCP Midstream Marketing, LP) as our agent to purchase natural gas from third parties at pipeline interconnect points, as well as residue gas from certain of our processing plants, and then resell the aggregated natural gas primarily to third parties. DCP Midstream, LLC owns certain assets and is party to certain contractual relationships around our Pelico system, included in our Northern Louisiana system, that are periodically used for the benefit of Pelico. DCP Midstream, LLC is able to source natural gas upstream of Pelico and deliver it to us and is able to take natural gas from the outlet of the Pelico system and market it downstream of Pelico. We purchase natural gas from DCP Midstream, LLC upstream of Pelico and transport it to Pelico under a firm transportation agreement with an affiliate. Our purchases from DCP Midstream, LLC are at DCP Midstream LLC s actual acquisition cost plus any transportation service charges. Volumes that exceed our on-system demand are sold to DCP Midstream, LLC at an index-based price, less contractually agreed to marketing fees. Please read Note 5 of the Notes to Consolidated Financial Statements in Item 8. Financial Statements and Supplementary Data.

Propane Supply Arrangements

We have a propane supply agreement with Spectra Energy, effective from May 1, 2008 through April 30, 2012, which provides us propane supply at our Providence marine terminal, which is included in our Wholesale Propane Logistics segment, for up to approximately 120 million gallons of propane annually. On June 15, 2010, we entered into an amendment to the supply agreement to shorten the term of the agreement, which previously terminated on April 30, 2014. In consideration for shortening the term, Spectra Energy provided us with a cash payment of $3.0 million.

In conjunction with our acquisition of Atlantic Energy on July 30, 2010, we acquired a propane supply agreement with Spectra Energy, effective from May 1, 2010 to April 30, 2012, which provides us propane supply for our Chesapeake marine terminal, which is included in our Wholesale Propane Logistics segment, for up to approximately 65 million gallons of propane annually.

In December 2010, Spectra Energy s international propane supplier breached its contract with Spectra Energy by failing to make certain scheduled propane deliveries that were to be delivered to us under our propane supply contracts with Spectra Energy. We were able to secure spot shipments on the open market at a price higher than our contract price to cover these missing deliveries. In December 2010 Spectra Energy made a $17.0 million payment to us to reimburse us for the damages we incurred for our open market purchases.

Transportation Arrangements

We also have a contractual arrangement with a subsidiary of DCP Midstream, LLC that provides that DCP Midstream, LLC will pay us to transport NGLs over our Seabreeze and Wilbreeze pipelines, pursuant to fee-based rates that will be applied to the volumes transported. DCP Midstream, LLC is the sole shipper on these pipelines under the transportation agreements.

In conjunction with our acquisition of the Wattenberg pipeline, which is part of our NGL Logistics segment, we signed a transportation agreement with DCP Midstream, LLC pursuant to fee-based rates that will be applied to the volumes transported. The agreement was effective through December 31, 2010. Effective January 1, 2011, we entered into a 10-year dedication and transportation agreement with a subsidiary of DCP Midstream, LLC whereby certain NGL volumes produced at several of DCP Midstream, LLC s processing facilities are dedicated for transportation on the Wattenberg pipeline. We collect fee-based transportation revenues under our tariff.

DCP Midstream, LLC historically is also the largest shipper on the Black Lake pipeline, primarily due to the NGLs delivered to it from certain of our processing plants. Please read Note 5 of the Notes to Consolidated Financial Statements in Item 8. Financial Statements and Supplementary Data.

Derivative Arrangements

We have entered into commodity contracts whereby we receive a fixed price and we pay a floating price. DCP Midstream, LLC has issued parental guarantees in favor of certain counterparties to our commodity derivative instruments to mitigate a portion of our collateral requirements with those counterparties. We pay DCP Midstream, LLC interest of 0.5% per annum on these outstanding guarantees. We have also entered into a short term NGL swap contracts with DCP Midstream, LLC whereby we receive a fixed price for NGLs and we pay a floating price. For more information regarding our derivative activities and credit support provided by DCP Midstream, LLC, please read Management s Discussion and Analysis of Financial Condition and Results of Operations Quantitative and Qualitative Disclosures about Market Risk Commodity Price Risk Commodity Cash Flow Protection Activities and Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

Other Agreements and Transactions with DCP Midstream, LLC

On November 4, 2010, we entered into agreements with DCP Midstream, LLC, to acquire a 33.33% interest in Southeast Texas, for $150.0 million. The Southeast Texas system is a fully integrated midstream business which includes 675 miles of natural gas pipelines, three natural gas processing plants with recently increased processing capacity totaling 380 MMcf/d and natural gas storage assets with 9 Bcf of existing storage capacity. The terms of the joint venture agreement provide that distributions to us for the first seven years related to storage and transportation gross margin will be pursuant to a fee-based arrangement, based on storage capacity and tailgate volumes. Distributions related to the gathering and processing business, along with reductions for all expenditures, will be pursuant to our and DCP Midstream, LLC s respective ownership interests in Southeast Texas. This acquisition closed as of January 1, 2011.

On September 16, 2010, we entered into an agreement with DCP Midstream, LLC to sell certain surplus equipment with a net book value of $6.2 million, for net proceeds of $3.6 million. The surplus equipment is the result of a consolidation of operations at our Anderson Gulch plant in the Piceance Basin. The net proceeds of $3.6 million have been distributed 75% to us and 25% to the noncontrolling interest in Collbran, based upon proportionate ownership. The title to the surplus equipment will pass to DCP Midstream, LLC upon removal of the equipment from our premises.

On June 30, 2010, we entered into an agreement with DCP Midstream, LLC to sell certain surplus equipment with a net book value of $1.6 million, for net proceeds of $2.2 million. The surplus equipment is the result of our integration efforts and synergies realized following our acquisition of certain companies that held natural gas gathering and treating assets from MichCon Pipeline Company in November 2009.

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In conjunction with our acquisition of a 50.1% limited liability company interest in East Texas from DCP Midstream, LLC, we entered into agreements with DCP Midstream, LLC whereby DCP Midstream, LLC will reimburse East Texas for certain expenditures on East Texas capital projects as defined in the Contribution Agreements. These reimbursements are for certain capital projects which have commenced within three years from the respective acquisition dates. DCP Midstream, LLC made capital contributions to East Texas for capital projects of $13.8 million and $67.5 million for the years ended December 31, 2010 and 2009, respectively.

DCP Midstream, LLC has issued parental guarantees for its 49.9% limited liability company interest in East Texas, totaling $6.0 million as of December 31, 2010, in favor of certain counterparties to processing and transportation agreements at East Texas. Concurrently, we have issued similar guarantees for our 50.1% interest.

On February 11, 2009, our East Texas natural gas processing complex and natural gas delivery system known as the Carthage Hub, was temporarily shut in following a fire that was caused by a third party underground pipeline outside of our property line that ruptured. We are actively pursuing full reimbursement of our costs and lost margin associated with the incident from the responsible third party. East Texas filed a lawsuit in December 2009, to recover damages from the responsible third party. In the event we are unable to recover our costs and lost margin from the responsible third party, we have insurance covering property damage, net of applicable deductibles. Following this incident, DCP Midstream, LLC has agreed to reimburse to us 25% of any claims received as reimbursement of costs and lost margin, from the responsible third party or from insurance. DCP Midstream, LLC will pay 75% of costs related to the incident as a result of this agreement.

In April 2009, we entered into a thirteen year contractual arrangement with DCP Midstream, LLC in which we pay DCP Midstream, LLC a fee for processing services associated with the gas we gather on our Southern Oklahoma system, which is part of our Natural Gas Services segment. In addition, in February 2010, a contract was signed with DCP Midstream, LLC providing for adjustments to those fees based upon plant efficiencies related to our portion of volumes from the Southern Oklahoma system being processed at DCP Midstream, LLC s plant through March 2022. In addition, as part of this arrangement, DCP Midstream, LLC pays us a fee for certain gathering services.

Review, Approval or Ratification of Transactions with Related Persons

Our partnership agreement contains specific provisions that address potential conflicts of interest between the owner of our general partner and its affiliates, including DCP Midstream, LLC on one hand, and us and our subsidiaries, on the other hand. Whenever such a conflict of interest arises, our general partner will resolve the conflict. Our general partner may, but is not required to, seek the approval of such resolution from the special committee of the board of directors of our general partner, which is comprised of independent directors and acts as our conflicts committee. The partnership agreement provides that our general partner will not be in breach of its obligations under the partnership agreement or its duties to us or to our unitholders if the resolution of the conflict is:

- approved by the conflicts committee;
- approved by the vote of a majority of the outstanding common units, excluding any common units owned by our general partner or any of its affiliates;
- on terms no less favorable to us than those generally being provided to or available from unrelated third parties; or
- fair and reasonable to us, taking into account the totality of the relationships between the parties involved, including other transactions that may be particularly favorable or advantageous to us.

If our general partner does not seek approval from the special committee and the board of directors of our general partner determines that the resolution or course of action taken with respect to the conflict of interest satisfies either of the standards set forth in the third and fourth bullet points above, then it will be presumed that, in making its decision, the board of directors acted in good faith, and in any proceeding brought by or on behalf of any limited partner or the partnership, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption. Unless the resolution of a conflict is specifically provided for in

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our partnership agreement, our general partner or the conflicts committee may consider any factors it determines in good faith to consider when resolving a conflict. When our partnership agreement requires someone to act in good faith, it requires that person to reasonably believe that he is acting in the best interests of the partnership, unless the context otherwise requires.

In addition, our code of business ethics requires that all employees, including employees of affiliates of DCP Midstream, LLC who perform services for us and our general partner, avoid or disclose any activity that may interfere, or have the appearance of interfering, with their responsibilities to us.

Director Independence

Please see Item 10. Directors, Executive Officers and Corporate Governance for information about the independence of our general partner s board of directors and its committees, which information is incorporated herein by reference in its entirety.

Item 14. ***Principal Accounting Fees and Services***

The following table presents fees for professional services rendered by Deloitte & Touche LLP, or Deloitte, our principal accountant, for the audit of our financial statements, and the fees billed for other services rendered by Deloitte:

Type of Fees	Year Ended December 31, 2010	2009
	(Millions)	
Audit Fees (a)	$ 1.8	$ 1.4

(a) Audit Fees are fees billed by Deloitte for professional services for the audit of our consolidated financial statements included in our annual report on Form 10-K and review of financial statements included in our quarterly reports on Form 10-Q, services that are normally provided by Deloitte in connection with statutory and regulatory filings or engagements or any other service performed by Deloitte to comply with generally accepted auditing standards and include comfort and consent letters in connection with Securities and Exchange Commission filings and financing transactions.

For the last two fiscal years, Deloitte has not billed us for assurance and related services, unless such services were reasonably related to the performance of the audit or review of our financial statements, and are included in the table above. Deloitte has not provided any services to us over the last two fiscal years related to tax compliance, tax services and tax planning.

Audit Committee Pre-Approval Policy

The audit committee pre-approves all audit and permissible non-audit services provided by the independent auditors on a case-by-case basis. These services may include audit services, audit-related services, tax services and other services. The audit committee does not delegate its responsibilities to pre-approve services performed by the independent auditor to management or to an individual member of the audit committee. The audit committee has, however, pre-approved audit related services that do not impair the independence of the independent auditors for up to $50,000 per engagement, and up to an aggregate of $200,000 annually, provided the audit committee is notified of such audit-related services in a timely manner. The audit committee may, however, from time to time delegate its authority to any audit committee member, who will report on the independent auditor services that were approved at the next audit committee meeting.

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PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

Consolidated Financial Statements and Financial Statements Schedules included in this Item 15:

(a) Consolidated Financial Statements of Discovery Producer Services LLC

(b) Exhibits

(a) Financial Statements

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Discovery Producer Services LLC

Consolidated Financial Statements

For the Years Ended December 31, 2010, 2009 and 2008

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Report of Independent Registered Public Accounting Firm

To the Management Committee of

Discovery Producer Services LLC

We have audited the accompanying consolidated balance sheets of Discovery Producer Services LLC as of December 31, 2010 and 2009, and the related consolidated statements of income, members capital, and cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Discovery Producer Services LLC at December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Tulsa, Oklahoma

March 1, 2011

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DISCOVERY PRODUCER SERVICES LLC

CONSOLIDATED BALANCE SHEETS

	December 31, 2010	December 31, 2009
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 10,230	$ 10,074
Trade accounts receivable:		
Affiliate	11,881	12,399
Other	7,029	8,665
Insurance receivable	2,234	4,647
Prepaid insurance	2,769	2,484
Other current assets	884	1,185
Total current assets	35,027	39,454
Property, plant, and equipment, net	356,201	364,932
Other noncurrent assets	271	
Total assets	$ 391,499	$ 404,386
LIABILITIES AND MEMBERS CAPITAL		
Current liabilities:		
Accounts payable:		
Affiliate	$ 2,740	$ 1,986
Other	14,031	12,329
Accrued liabilities	684	1,101
Other current liabilities	380	1,292
Total current liabilities	17,835	16,708
Asset retirement obligations	25,575	