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DPM - Getting To Know DCP Midstream

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PRESENTATION

John Arensdorf - *Spectra Energy - CCO*

Good afternoon. I think we're going to go ahead and get started, so if everybody will take their seat. I know a number of you and a number of you I met on the way in, but for those of you who don't know me, I'm John Arensdorf. I'm the Chief Communication Officer for Spectra Energy. And on behalf of Phillips 66, Spectra Energy and the DCP Midstream enterprise, I'd like to thank you for joining us today for our inaugural DCP Midstream Investor Day.

I just want to spend a minute or so setting the stage for our expectations for this afternoon. As owners, I think you've heard both Spectra Energy and Phillips 66 talked previously about our enthusiasm for the DCP Midstream robust set of CapEx opportunities and the earnings growth, which we're going to follow from that.

So we continue to be very excited about the value creation DCP Midstream brings to our shareholders. And today's session is really designed to help you better understand the basis for our enthusiasm. Tom O'Connor and his team are going to provide you with a detailed look at the growth opportunities which will benefit not only DCP and DCP Midstream Partners, but ultimately the shareholders of Phillips 66 and Spectra Energy.

Of course, we believe that the better you understand DCP the higher evaluation you give the enterprise. So our objective today is to provide you with information necessary for a more complete understanding of the various value-creating growth opportunities that DCP is pursuing.

So with that, I'm going to turn things over to Rose Robeson, who is the CFO of DCP Midstream Partners. She is going to review today's agenda with you and introduce today's speakers.

Rose?

Rose Robeson - *DCP Midstream Partners - CFO*

Well, thanks, John, and thanks to everybody for joining us today. I'm Rose Robeson and have recently been appointed as CFO for DCP Midstream Partners, after spending the last 10 years as the CFO for DCP Midstream. In addition to my CFO role, I'm also responsible for investor relations for the DCP Midstream enterprise.

Today's discussion is webcast, so we also welcome those of you joining us on the web and on the phone. For those of you in attendance, you probably notice the QR scan on the poster while walking in. You can scan the code to download the material for today's meeting to your mobile devices. Also, if you could please silence your cell phones today that would be appreciated.

So we have a wealth of information to share with you today on our strategy for our company, and look forward to introducing you to our leadership throughout the day. I would like to start today's meeting by discussing the topics we planned to cover and introducing our speakers.

Our CEO, Tom O'Connor, will begin by providing an overview of DCP Midstream's business strategy and our investment highlights. We'll then focus on our two major business segments, our Gathering and Processing segment and our Marketing and Logistics segment.

Wouter van Kempen has recently been appointed as President and Chief Operating Officer of DCP Midstream, LLC and he will be covering our major growth areas in the Gathering and Processing segment.

Bill Waldheim has recently been appointed as President of DCP Midstream Partners. Prior to his role with the partnership, Bill headed up our Marketing and Logistics business, so he will cover our exciting growth projects in this business segment. Mark Borer, CEO for DCP Midstream Partners, will then provide an overview of our MLP, and discuss how DCP Midstream Partners provides the financing to fund growth for the DCP Midstream enterprise.

Sean O'Brien, CFO for DCP Midstream, LLC, will then provide an overview of our financial outlook. We are also very pleased to have Pat Reddy and Greg Maxwell here, CFOs for owners to give their perspective on our company and how DCP Midstream creates value for their shareholders. Also here from Phillips 66 is Clayton Reasor, Senior Vice President of Investor Relations, Strategy & Corporate Affairs.

And, finally, Tom will return to wrap things up, and provide his thoughts on why DCP Midstream and DCP Midstream Partners are such attractive investment opportunities for our owners and our investors. As always, we'll allow plenty of time for your questions following our prepared remarks.

So, finally, I'd like to remind you that some of what we'll discuss today concerning future performance will be forward-looking information within the meanings of the securities laws. Actual results may materially differ from those discussed due to certain risk factors that affect our businesses. Please review the third slide in the deck that describes our use of forward-looking statements and lists some of the risk factors that may affect actual results. For a complete listing of risk factors that may impact our business results, please review DCP Midstream Partners most recent Form 10-K and Form 10-Qs as filed at the SEC.

So once again, we are delighted. You could join us today and I'll turn things over to Tom O'Connor, our Chairman and CEO.

Tom O'Connor - *DCP Midstream, LLC - CEO*

Good afternoon. Thank you, Rose, and thanks to everybody for being here today. We really do appreciate you taking the time to come to Denver, and those of you who are on the phone welcome as well and thank you for joining us. Today is all about the DCP enterprise story and, hopefully, you'll learn a lot about what we're up to and come to understand this company a little bit better.

We began discussing the need for this investor day as the COP-Phillips 66 split became imminent, and post split it was evident to us that we were going to become a more important part of the growth story for both Spectra and Phillips 66. So our goal today is that you come to understand the tremendous opportunity for value creation that exists at DCP and how this value creation will benefit both Phillips 66 and Spectra Energy.

I'll start by saying that DCP has built an incredible competitive position in the midstream industry and this position is translating into an exciting portfolio of growth projects in both our Gathering and Processing and NGL infrastructure business. We currently have over $4 billion of projects in flight.

We're also intensely focused on the reliability, efficiency and profitability of our assets. We know that when we run better, we earn the right with our customers for their new business. Our commitment to safety runs deep within the culture of our company and our goal as always is zero incidents. Our belief is that the safety of our employees, our contractors in the communities we operate in must always be first and foremost in our mind.

If we look at the first slide, it will show our corporate structure. In the middle is DCP Midstream, LLC which we'll refer today as DCP Midstream. It's a very large non-public company which is owned 50/50 by Spectra Energy and Phillips 66. DCP Midstream is also the general partner of DCP Midstream Partners. We'll refer to it as DPM, and DPM is about 74% owned by the public. We're 2 companies, we have one strategy and we have a management team that's focused on creating value for our owners and our public unitholders.

The key theme's you're going to hear today is that we believe industry fundamentals including NGL values will remain attractive. Shale development for oil and natural gas is a game changer and investments are being made up and down the value change to bring these resources to market. As a logistics company that sits between growing supplies and growing markets, it couldn't be a better time for us.

Our high-quality Gathering and Processing business is experiencing significant growth and we're leveraging the power of the portfolio to extend down the value chain into complementary NGL pipelines. And the completion of this NGL infrastructure is going to position DCP Midstream as a leading full-service midstream provider.

You'll hear that DPM is integral to the growth of the enterprise. It's an attractive source of capital for us, and through co-investment it's expected to fund the significant portion of the growth and you're going to hear about that. These co-investments will increase the size of DPM, and over the next few years benefit both DPM and DCP Midstream and the owners through increasing general partner and limited partner distributions.

You'll hear that we have alignment with our owners, and we have alignment on our strategy and how that's going to create value for the owners both Phillips 66 and Spectra. The CEOs of Phillips 66 and the CFOs of both Phillips 66 and Spectra sit on our Board. I'm very happy to have them, it allows us to move quickly and it allows us to move nimbly in this industry, and that has created real value for this company.

There's also what you're going to hear is that we're very focused at DCP and how we create long-term value for the Phillips 66 and Spectra shareholders. Our focus continues to be growth earnings, deliver strong cash distributions and maintain industry-leading returns on capital.

We'll have a number of the leadership team speak today. You'll get to hear their passion for the area of the business and what the key challenges and the opportunities are. Recently, we've had a number of people moving to new seats but these are the people that are not new to this company. Wouter, Bill, Rose, and Sean have been key to developing our strategy creating the opportunities and executing on them. I'm very proud that they have stepped up into these new roles and that's a positive reflection on our commitment to succession planning.

I also want to acknowledge Mark in his decision to retire early next year. His contributions to the company over 30-year period including the last 6 as CEO of DPM had been big. He's seen it all. He has been a big part of our success and we're going to miss him.

There are also a few other folks from my management team in the audiences that are key to the Company's success and I'd like to acknowledge them. Brent Backes is our General Counsel. You'll hear a lot about projects, a lot about permits, they've all fallen in Brent's lap and he has done an exceptional job in achieving those goals. Chris Lewis is our Chief Commercial Officer. Amongst his other roles, Chris heads up all the engineering for the company and an engineering execution has been a big part of what we've been able to accomplish.

The story you're going to hear today is one of a very strong pipeline of growth opportunities built on a foundation of strategically located assets which are second to none in this industry. So, let's turns to our story.

At a macro level, we're in great position to create value for both Phillips 66 and Spectra. The midstream industry is seeing unprecedented growth supported by the enhancements in drilling technology which have unlocked vast new supplies of natural gas and crude oil. The supplies are ramping up quickly, and more recently our rich and associated liquids. The result is a need for significant new gathering, processing and downstream infrastructure.

For DCP, these favorable fundamentals are magnified because of our enviable positions in the highly productive Eagle Ford, Permian, and DJ Basin. Our outstanding position arises from two strategic decisions we made. Back in 2010, with a weak outlook for gas prices versus crude oil, we decided to focus our G&P business on our legacy areas where liquids recovery had always been the goal. Our belief was that with new drilling and recovery technologies, the need for infrastructure in these areas could be quite large.

We followed this decision with a major move to expand our presence in downstream NGL infrastructure. As the largest NGL producer, we saw a real benefit to bringing new capacity, premium pricing and reliability to the flow of our own barrels while participating in some pretty attractive investments. I can say today that we definitely underestimated the opportunities that this team would capture.

Wouter and Bill will review with you the status of our in-flight projects including the 3 big NGL pipelines, all of which are progressing very well. They'll show you how we're stitching together the G&P platform with the 1,900 miles of in-flight NGL pipelines to offer our customers a competitive one-stop integrated service from wellhead to market. They'll also provide some color on what's in the potential column.

All together, we're now estimating that from 2011 to 2015, the enterprise will spend approximately $5 billion to $7 billion on new growth projects. This continues the acceleration of capital opportunities we started last year when our estimate was $4 billion to $6 billion.

These growth opportunities will position DCP Midstream to build upon our history of outstanding financial performance. We've delivered strong earnings over the past several years and we're on track this year to achieve our commodity price neutral earnings growth target. We've distributed $5 billion to the owners in the last 5 years, and DPM unitholders have enjoyed a total shareholder return in excess of 200% since the IPO.

As you are aware, 2012 has been a challenging year for natural gas liquids pricing. And Bill will provide you a detailed look at the markets and the fundamentals of NGLs. The belief underlying our strategy is that you have to separate the short-term market surpluses from the attractive long-term market fundamentals.

This year, it has been about weather and it has been about an unusual amount of cracker downside, and we could see periodic ethane price weakness over the next couple of years as new cracking capacity is built out. Longer term, however, the outlook for growth and NGL demand to absorb new supplies is good. For example, over 700,000 barrels a day of incremental ethane cracking capacity is currently in development.

As producers and consumers of NGLs grow their business, we're anticipating strong demand for the logistic services that we provide. So, very good financial performance over the last few years, strong cash and earnings benefits to the owners of DCP Midstream as well as DPM.

Now with over $3 billion of projects that are going to be placed into service in the next 12 months, we have greater clarity on how we will grow our price neutral earnings at DCP Midstream at the high end of our 2% to 4% range per year, providing strong cash distributions to the owners and grow distributions to the DPM unitholders by 6% to 10% per year.

This next slide shows our operating metrics which are indicative of the positive trends at the Company. Capital spend has grown to over $2.5 billion in 2012 driven by new growth projects. Our process volumes have continued to grow and should accelerate as we bring on 4 new plants in the next 12 months. Volume growth on our higher-margin areas is offsetting areas in lower-margin areas where we're seeing some volume declines.

NGL volumes are growing as well, which you should expect as we invest and grow process volume, but it's also indicative that we are processing proportionally more rich gas and enjoying better recoveries. And, finally, you can see our return on capital employed leads the industry by a fairly wide margin. That's real value on every dollar we invest.

If we turn to the map of our assets, you'll understand my confidence and our outlook. The asset base includes 62 plants and 63,000 miles of pipeline. More importantly, midstream assets like real estate location matters, and the majority of our gathering and processing assets are in areas where the drilling activity is quite strong.

Our geographically integrated NGL pipeline, Sand Hills, Southern Hills, and Front Range linked our liquids rich G&P regions to growing Gulf Coast markets. When this NGL build out -- pipeline build out is complete, we will be one of the largest NGL pipeline owners in the US. As we execute on the largest build out in the Company's history, our footprint is changing dramatically.

Our two-pronged strategy is simple and is very focused. It's an integrated value chain strategy from the wellhead to the market, but it all starts with the phenomenal G&P position in the very best locations. Gathering and processing is really the foundation of what we do, and we expect to deploy $3 billion to $4 billion in this business through 2015 and that will typically be at mid-teens returns. We're targeting our capital to regions where we have a distinct competitive advantage, and right now that's definitely around our existing footprint.

We have an eye to expand the footprint in the new basins, but with a bounty of opportunities around our existing footprint we don't feel compelled to make an expensive acquisition. That said, if an interesting and attractive opportunity of scale and scope emerges, we'll pursue it. Our growing NGL pipeline position is a natural extension for us at the midstream value chain. With this position, we'll see unrestricted and reliable NGL takeaway and we can compete with an integrated wellhead to market service offering.

Our current plans have us spending about $2 billion to $3 billion on NGL pipeline projects with expected low-double digit returns. For our owners, this will add a significant fee-based component to the portfolio. You might also see us move further downstream if we get the right market signals, and Bill will speak in particular to our thoughts on new fractionation.

So if you look out to early 2015, you're going to see a transformed DCP enterprise, driven by our suite of very attractive growth projects. The change is pretty striking. We have the potential to construct as many as 10 new processing plants. We'll have completed over 1,900 miles of new NGL pipelines.

Our capacity in NGL pipelines that we own will have quadrupled, and our NGL production will have grown 25% to about 0.5 million barrels a day, and we don't expect to stop there. The expansions of today will support the next round of projects to carry the Company on a sustainable growth trajectory through the decade. We have clear vision of where we're going. We have great momentum and execution and we have over 3,000 employees dedicated to making it a reality.

So, what does all this mean for our owners, Phillips 66 and Spectra and DPM unitholders? Looking forward, we'll deliver value to a net income growth cash distributions and growth in GP, LP distributions.

At DCP Midstream, we're targeting the high end of our 2% to 4% range and strong cash distributions, which directly benefit the Phillips 66 and Spectra shareholders. As DPM cash flows grow, GP and LP distributions to the general partner become a more meaningful contribution at DCP

Midstream. These distributions provide predictable cash flows to the owners and should receive evaluation multiples, and Mark will show you some detail around this.

We'll continue to emphasize co-investment with DPM, and expect that DPM will fund a significant part of the growth capital for the DCP enterprise. Over the last 18 months, these co-investments have totaled close to $1 billion, and we continue to target 6% to 10% distribution growth at DPM.

As I mentioned, we're seeing a significant expansion of capital opportunities to the $5 billion to $7 billion range through 2015. This increase capital need, coupled with projected weaker near-term commodity prices, has caused us to consider other funding options for Sand Hills and Southern Hills pipelines.

We're in discussion with our owners about partial ownership by Spectra and Phillips 66 in both of these pipelines. And not withstanding these discussions, it's still our intention for DPM to have a meaningful ownership interest in these pipelines. Consistent with our earlier plan, most likely that would happen when the pipes are completed and generating cash flow.

Such an investment by the owners would demonstrate a continuation of the strong owner support that both midstream and DPM have enjoyed throughout the years. Based on DCP Midstream's growing capital opportunities, we continue to believe that co-investment with DPM will be significant, providing support for our distribution growth target.

So, there's a lot of value creation in the strategy. There's something in it for DCP Midstream, DPM and, of course, the owners. In parallel, we're getting additional transparency which can help people value the DCP business within Phillips 66 and Spectra. So as you translate what you hear today to Phillips 66 and Spectra, there are few things we want you to remember.

First of all, the fundamentals for this industry remain very attractive. We have a tremendous set of growth opportunities on a solid-based, a well-run and strategically located asset. We're focused on growth, we're focused on cash distributions, and we're focused on returns, and that is how we measure the value we deliver.

So with that introduction, now what I'd like to do is get Wouter up here to talk to you about the Gathering and Processing business.

Wouter van Kempen - *DCP Midstream, LLC - President and COO*

Great. Thank you, Tom, and thanks for everybody for being here today in Denver. My name is Wouter van Kempen. I'm the President and Chief Operating Officer for DCP Midstream, and until recently I held the position of President of DCP's Gathering and Processing business unit.

Tom mentioned it and I'll say it again, the foundation, the success of our company has always been and will always be how we serve our customers, how we execute on our day-to-day operations. As Tom mentioned, our operational performance, our safety and environmental record and our reliability is what earns us the right to partner with our customers for both existing and new business. And as you listen today, I hope you will share in our excitement about our existing G&P platform and the growth potential it creates for the G&P enterprise.

So, let me begin by providing an overview of our G&P business. DCP is a gathering and processing powerhouse. We process 6.3 trillion BTUs of gas everyday and our NGL production is well over 400,000 barrels per day. That is more than 17% of all the NGLs extracted in the United States.

In this industry, size, scale and location matters, and we have it. With 62 processing plants, 63,000 miles of pipelines throughout the country, our footprint is absolutely unmatched. And as you can see from the map, we have a great presence in liquid rich basins like the Eagle Ford, the DJ, the Permian Basin and the liquid rich area in the Mid-Continent. In all of these areas, DCP has deeply established positions. We have broad gathering footprints and we have expensive processing capability.

Due to strong crude and liquids prices, crude and wet gas directed drilling delivers the best returns for our customers, and the location of our assets allows us to benefit from this robust continued drilling activity.

Our gathering and processing footprint is a foundation from which all else springs. So it provides us with the infrastructure to vertically integrate and provide NGL services from the tailgate of our plants and to the market centers of Conway and Mont Belvieu. Later on, we'll highlight how we will further leverage our G&P position to continue to expand our NGL business.

To meet our customer needs for critical midstream services, we need to grow together with them. So we have been and will continue to actively expand the footprints in processing capacities in all of our regions. Let me give you some details.

For the G&P business since January 2011, we've placed in service for building, restarting, and expanding 5 plants with approximately 350 million a day of capacity and hundreds of miles of gathering lines. This capacity offers us a low-cost, high-return opportunity to increase our overall system utilization.

We currently have 4 new processing plants under construction. And with the plants that we have on the drawing boards we may very well see a total of 10 or more new plants being built over the next few years. We have $3 billion to $4 billion of investment opportunity in our G&P business, and I'll cover those with you in greater detail a little bit later. All in all, fundamentals for our G&P business are very, very attractive.

The key to winning in gathering and processing is a strong partnership with customers. We're very proud on how we've partnered with our customers to offer them with safe and reliable midstream services everyday. Our diversified customer base shows that our size and skill proves attractive to E&P producers of all sizes. And we uniquely differentiate ourselves with customers through our vast super systems, which is one of our main competitive advantages. And you'll hear us talk a lot about these super systems, so let me take a minute explaining these.

In the key operating area throughout the country, we have interconnected a series of plants and gathering systems into very competitive and flexible networks. These integrated networks allow us more operating flexibility and they deliver better reliability for our customers during planned and unplanned outages.

Additionally, super systems give us a great competitive advantage since a lot of the new production is being developed in areas where gas already is flowing. So we already have steel in the grounds and we can compete with speed and predictability among existing relationships.

We've created these super systems in the DJ Basin, in the Permian Basin, in the Mid-Continent and in the Eagle Ford, and no other midstream service provider in the country can provide to their customers this service to their customer on a scale like we do.

As it relates to our portfolio of contracts, we have a variety of structures which provide win-win for DCP and for our customers measured by volume about 45% of our contract are fee-based, 45% are under percent of proceeds, and the remaining 10% is contracted under keep-whole contracts.

I talked a lot about our size. I've talked about the location of our assets, spoke about the strong customer relationship. Now, let me show you some of the results. Earlier Tom mentioned that our team made a strategic decision in 2010 to focus on the legacy and liquid rich areas. This slide shows how we've executed on that decision.

Over the last 3 years, our gross margin per Mcf of gas processed has continued to improve on a commodity price neutral basis driven by higher margin gas in a number of our regions. As evidenced from the middle chart, our portfolio now consists of more liquid rich gas than ever before, and not only are we bringing richer gas to our plants we're also processing significantly more gas.

Our plant utilization continues to improve leading to the need for investing in additional infrastructure that I will discuss with you in a few moments.

Let me step back a little bit and talk about some of the market fundamentals that are driving our business. Despite the recent weakness in ethane and propane prices, our midstream processing economics remain very attractive.

First, if we look at the historical trends of frac spreads, you can see that the current frac spread in is well within the norm -- within the historical norm and continues to be attractive. Secondly, when you look in the liquid rich areas where gas content is higher than 3 gallon per Mcf, you'll see a significant value uplift from NGLs.

From the chart on the right side of the page, you'll see that for 3 GPM gas, the NGL value uplift adds about 50% of the gas price to the total product value. As you can see on the top of the right hand or on the top left side of the chart on the right-hand side, you can see that in many of critical areas the liquids content is well north of GPM -- of 3 GPM, which creates a significant and attractive uplift, driving producers to drill in these basins and in these shales.

I want to highlight another key item which confirms my previous point on my liquids uplift, that we're seeing increased processing volumes on our systems despite a falling gas directed rate count. Producers in liquid rich basins are drilling for oil, for liquids or for both. When they do that they also get associated with liquid rich gas.

Technology has advanced greatly, and we see the effects of this everyday in our business. So, let me give you some examples regarding how we are changing, or how things are changing and what influence it has on our business.

One of our largest customers is drilling oil wells 7,000 feet deep, 4,500 laterals, takes them only 7 days to drill these wells. That's down from close to 20 days less than 2 years ago. That's a pretty dramatic leap, and results in tremendous productivity improvements resulting in breakeven prices for the producers that are coming down significantly.

And that has obviously benefit both the producers and it's benefiting us. And those technology advances and other drilling efficiencies are allowing producers to be in what we call manufacturing mode in many of our areas.

So, it's not surprising to us that producers drilling activities continue to climb in our key areas. We've seen this trend in all of DCP's focused areas, where the climbs in dry gas drilling is more than offset by elevated drilling for liquids. This market shift is one that we anticipated and it validates our strategic move to focus on the liquid rich basins.

So let's take a little closer look at the Gathering and Processing business. This business is segmented into 4 regions where each area contributes about 20% to 30% from an EBITDA point of view. Few, if any, G&P companies are blessed with an asset portfolio and a geographical footprint like DCP has.

One of the things that excites us most as a team is that we're seeing growth in all of the regions we're doing business, from the DJ to the Mid-Continent to the Permian to the Eagle Ford. This portfolio will generate significant capital opportunities over the next years. We're looking at CapEx opportunities of up to $1 billion or even more in a number of our regions. So, let me show you -- what we believe the advantage of this portfolio is.

We know these regions very, very well, our risk is low. We can level [up] the existing systems versus having to chase high multiple acquisitions. By using the steel that we already have in the ground, we can have speed to market, which is a real competitive advantage and it's valued by customers.

We can decide to be selective, and we can pick the very, very best opportunities for our investors and for our owners. And, lastly, we can readily integrate our G&P business with our downstream NGL pipes, which in the near future will serve all of the major areas and basins in our portfolio.

First -- going into each of these different regions, first let me talk about the Permian Basin, which has experienced a tremendous renaissance where the pursuit of oil and NGLs has catapulted this basin back to the top of the energy map where it once resided.

More than 20% of crude oil production growth in the Lower 48 during the last 5 years has come from the Permian Basin. DCP is the largest gatherer and processor in the Permian Basin, and we believe the Permian will be one of the most prolific oil and gas plays for many years to come. Our strategy is to keep pace with our customer's growth, and our 17 plants, 1.3 Bcf a day super system supported by over 10 million acres under dedication positions us to win.

Over the past few years, we've aggressively pursued processing expansions around our current and installed base. Since January 2011, we've brought about 150 million a day of new processing capacity online via our Roberts Ranch and Linam Ranch expansions, as well as the Antelope Ridge and Pecos Diamond restarts. While we continue to pursue expansion opportunities within this current installed base, we've also started an expansion program focusing on new plants.

The first new plant is the previously announced Rawhide Plant servicing the Wolfberry development. This plant, the associated gathering system is expected to be in commercial operation by the middle of 2013. The next plant that we expect to sanction is the 75 million a day Midway plant that we aim to bring online in the first half of 2014. So stay tuned for a formal announcement on this plant in the next few months.

Between Rawhide and Midway, will bring 150 million a day of much needed capacity to satisfy producer growth in the Wolfberry area and in the adjacent Wolfcamp and Cline shale developments, but it wont end there. We'll have two more plants permitted. We have 2 additional plants on the drawing board to expand our capacity for the Avalon, for the Bone Spring and the Wolfberry areas both in Southeast New Mexico and in West Texas.

All this new growth will ship barrels on the Sand Hills pipeline, which will provide much needed capacity to bring our own and out of producers NGLs from the Permian to Mont Belvieu. With all of our assets in the Permian region, we are very well positioned so you will continue to see us accelerating system enhancement and expansions in this region.

Now, I'd like to discuss our Southern business unit. In this area, we had great success with the development and the growth in the Eagle Ford shale. In the Eagle Ford development area, our growth projects have allowed us to provide safe and reliable operations through our 5-plant super system.

Looking back at the end of 2010, we processed about 10 million a day of Eagle Ford gas. But since we were very quick to anticipate producer commitment to this basin, today our plants are processing 250 million a day of Eagle Ford gas, and expect to exit this year north of 300 million a day. That's 30-fold increase in 2 years.

The production that feeds these volumes is back by almost 900,000 acres from multiple large E&P companies, up from around 500,000 acres around 2011. We see tremendous opportunity for continued growth in the Eagle Ford, which has led to the construction of our new 200 million a day Eagle plant that we started earlier this year. We expect this plant to be in service towards the back end of this year, and making this our 6th plant in our Eagle Ford super system.

Our next step is to sanction the construction of the 200 million a day Pettus plant. And we anticipate Pettus to be in service by late 2013, early 2014. You can expect to hear formal announcement of this plant by end of this year.

A key factor in our overall Eagle Ford success is the ability to offer integrated NGL takeaway solutions to our producers which comes by Sand Hills NGL pipeline. Our producers like the certainty and the one-stop offering that we provide them.

So, in summary, over the last 2 years we've created an Eagle Ford super system by building over 350 miles of large diameter gathering pipelines. We connected 6 plants together and we upgraded 3 of our existing plants. Our overall processing capacity in the South Texas basin is now approximately 1 Bcf per day.

So, let's move on to the north region, where the DJ Basin is really -- it's the superstar in our portfolio. We're extremely excited about the opportunities that we see in this area. The DJ Basin continues to reinvent itself. And in this new phase of oil driven development in the DJ, volume and infrastructure needs are accelerating.

450 to 600 new drilling permits per quarter are being issued here in Weld County alone. Our producers are excited about what's happening. They're telling us that the additional infrastructure is quickly needed.

So over the past years, we've grown steadily in the DJ. We've brought 140 million a day, Mewbourn Plant online in May 2011. We built the plant up in less than 6 months. Since then, we've re-permitted this plant to 160 million a day. We're running at capacity today.

As I mentioned, we're moving into a phase of tremendous growth in the DJ basin and we believe our investment opportunities can be up, up to or even north of $1 billion through 2015. So, let me talk a little bit about how we're going to satisfy that growth.

This summer, DCP broke ground on the previously announced LaSalle Plant with a capacity of 110 million a day. We expect this plant to come online in the late summer of 2013. Based from all the interests that we're seeing from our producers to-date, we already know we need more capacity for this plant.

So by the second half of 2013, we will have expanded some of the equipment to enable the LaSalle plant to have a throughput of 160 million a day, an increase of 50 million a day. But we're looking well beyond 2013 to satisfy the producer needs. We recently announced that we're pursuing the new 200 million-a-day Lucerne II Plant. We're targeting that plant to be on line in the second half of 2014.

We're also starting additional processing capacity for beyond Lucerne II. We may be in a place where we need 1 Bcf a day of processing capacity by the end of 2015, more than doubling our current installed base in DJ Basin. Another example of our integrated G&P and NGL strategy is that all of the associated barrels that are coming from this growth will flow into our new Front Range NGL pipeline.

The last region that I want to discuss is our Mid-Continent business. We have three-pronged strategy in the Mid-Continent. First, we captured significant producer commitments by utilizing the wide reach, the available capacity from our 29,000-mile gathering system and our 13-plant 2 Bcf-a-day super system. This system allowed us to expand our footprint into new areas like the Granite Wash in the Woodford Cana on the south and the Mississippi Lime on the north of our current business.

Secondly, we're investing in upgrading our existing assets, both plants and pipe, bringing low cost existing capacity to bear like we did in the Eagle Ford. An example of this is the previously announced upgrade of our 600 million a day National Helium plant in Kansas, allowing us to process Mississippi Lime and Granite Wash production.

And after the upgrade of National Helium is complete in 2013, we expect to produce an additional 30,000 barrels of NGLs at this plant. And these types of investment and upgrades increase our reach our competitiveness in the Mid-Continent, with special focus on liquid rich areas like the Woodford Cana, the Granite Wash, and the Mississippi Lime.

Thirdly, we believe it's imperative to get our Mid-Con NGLs to the most attractive market center, which benefits our producers. The key for us to do this is our Southern Hills NGL pipeline.

Southern Hills will extend to the northwest to connect the National Helium plant, as well as multiple other DCP-owned and third party gas processing plants, and we'll provide producers with direct connectivity to the Mont Belvieu market by the middle of 2013, creating real value for our customers.

So this leads us to the growth portfolio that we have in hand. So let me put it to perspective our size and our skill in the key liquid rich areas of the Permian, the DJ Basin, the Mid-Continent, and the Eagle Ford. In the aggregate, we are the leading midstream company in total processing capacity in these liquid rich areas. Over the past 18 months, we placed in service numerous products adding 350 million a day of capacity, but that was really just the start.

Our in-flight projects will add or upgrade an additional 1 Bcf of capacity, and on top of that we expect to move forward with a number of other expansions, which can bring our new capacity additions to 10 or more plants and an overall investment of $3 billion to $4 billion. I said it before, but I think it's important to mention this again, we are seeing growth in all of our regions which is a great testament to the strength of our overall asset portfolio.

In summary, we are excited -- we're very excited about all the opportunities within the Gathering and the Processing business unit. We've told you in the past that we would focus on the DJ, on the Permian, the Eagle Ford and that we would extend in the Mississippi Lime, the Granite Wash, and the Woodford Cana. We're following through on that strategy and we're seeing great success. We have the opportunity to grow our footprint, our volumes, the liquid we produce and shape how we will compete in future years.

The G&P business will remain springboard and the engine for growth of the entire DCP enterprise. And just as DCP has created plant super systems within our G&P business unit, DCP has now created NGL super systems, tying together all of DCP's producing basins to the premium Gulf Coast NGL market.

The DCP of tomorrow is a large integrated energy company with a very compelling offering to our customers, to our owners, and to our investors.

Thank you for your attention, and let me hand it over to Bill Waldheim to talk about our Marketing Logistics business.

Bill Waldheim - *DCP Midstream Partners - President*

Thanks, Wouter. And I would like to thank everyone for joining us today to hear the opportunity for us to share the growth story of DCP. My name is Bill Waldheim. I'm President of the DCP Midstream Partners. Most recently I held the position of President of DCP Midstream's Marketing and Logistics business unit, which will be the topic of my presentation today.

I will be telling a story about how DCP is transforming itself from a leading G&P company to an integrated full-service midstream provider in just a few short years. In fact, just a few years ago DCP made the strategic decision to embark on expanding into the downstream NGL logistics business.

We decided that expansion into the NGL pipelines was critical to competitively position DCP enterprise for future growth and success. First, by vertically integrating, DCP is able to offer wellhead to market services to our G&P customers and ensure the reliability of our NGL takeaway. It also provides insight into market dynamics where additional profit opportunities can be found.

Second, with the technology gains in the E&P industry we saw a need for additional NGL infrastructure and the desire to control the transportation of our own volumes to the premium priced Mont Belvieu market center.

And, finally, DCP is able to generate additional earnings and growth on long-life pipeline assets. The execution of this strategy will improve our competitive position in the marketplace, and generate significant earnings for DCP and our owners. DCP has a scale and scope to be successful in this endeavor.

We see incredible growth opportunities for our Marketing and Logistics business in the years ahead. But before I begin discussing our downstream pipeline projects and infrastructure projects, I'd like to take a few minutes to talk about the NGL market fundamentals.

As I begin my discussion, I'll parse my thoughts into a view of the short term as well as longer-term fundamentals. I want you to understand our perspective on our current and longer-term pricing environment and how that integrates into our strategy. I think the best way to discuss this topic will be to discuss the 2 most important products, ethane and propane, which comprise over 70% of the NGL's volumes total.

The fact is if you look at NGL's volumetrically, ethane is approximately 40% of the NGL barrel, but at today's prices it's only 15% of the economic value. So, keep in mind propane, butane, and natural gasoline comprised the remaining 85% of the value. Therefore, the heavier NGL products have greater weight when discussing the overall composite NGL value.

Let's talk about propane. For a short-term perspective, as I'm sure you're all aware, last year's warm winter cut into heating season propane demand by almost 20 million barrels. That's about a third of the typical winter inventory. The result was an end-of-season inventory nearly double the normal volume, and the propane to crude price correlation dropped to 30% to 40%.

With this as our starting point, one would expect propane inventories to top out over 80 million barrels this summer, but in fact are estimated to reach only the lower 70 million barrels. Why is that?

Well, propane market had begun to correct to supply overhang. NGL components seek their best alternative use, and will price themselves into those markets accordingly. In this case, propane priced itself into the chemical cracking market, where utilization is up 25% to 440,000 barrels per day, and propane became more heavily exported where the US in an all-time high exporting over 5.5 million barrels in July. That's 180,000 barrels per day.

The export quantity of propane could more than double as industry participants bring on new refrigeration capabilities later this year and early next.

One very important data point is the international price for propane is almost $1 per gallon higher than the US price. So with excess propane export capabilities on the horizon, US prices should rise closer to the international price. In the short term, as exports increase and inventories are reduced, we believe propane prices have significant room to move higher. We believe that when normal weather patterns return, plus increases in export volumes, propane prices should return to the more historic range of 50% to 60% of crude value.

In the longer term, as the chart on this slide indicates, we see the growth of PDH, that's propane dehydrogenation facilities, consuming much of the increased propane supply in the outer years to balance the supply.

Let's turn now our discussion to ethane. Ethane competes with propane as a preferred chemical feedstock and the warm winter affected not only propane inventories and prices but ethane as well. Couple that with an extraordinarily heavy 2012 planned and unplanned chemical turnaround season, and you also have high ethane inventories. Once again, the market adjusts and has begun to clear the excess supply.

As the result of the near term, we see ethane prices recovering due to; one, ethane rejection; two, higher propane prices; and three, increased chemical cracking which translates into higher demand, and as we have seen recently reduced inventories.

Looking forward to the longer term outlook, as the chart on the slide shows, we actually see a case where supply and demand are virtually balanced through 2014, as we tend to see chemical businesses surprise to the upside in their ethane consumption. Numerous chemical industry debottlenecks and expansions you keep demand balanced with the increasing supply and crackers will be incentivized to maximize throughput.

In the 2015 to '16 time period, we see a market where supply exceeds demand, which will cause disadvantage ethane which we define as ethane produced in regions with high transportation cost to Mont Belvieu being rejected such as the Bakken, the Marcellus, and Wyoming-producing regions to balance the market.

These regions have high transportation cost -- higher transportation cost that producing regions where existing infrastructures are already established. However, in the longer term with the almost doubling those new cracker capacities being built and increasing ethane demand, we demand exceeding supply and the result being a market supporting ethane prices.

And, finally, I'd like to address the extraordinarily wide Conway to Mont Belvieu basis spread. As one of the Mid-Continent's largest producers of NGL generating over 100,000 barrels per day, DCP is motivated to ensure adequate transportation to the premium price of Mont Belvieu market. Certainly, that is one of several motivations behind Southern Hills pipeline, which I will discuss in a minute.

With the start of Southern Hills pipeline, by increasing the transportation between these two markets not only with DCP earn fee income on Southern Hills pipeline, but the DCP enterprise will competitively price its Mid-Continent production into the premium priced Gulf Coast markets. We expect the Conway to Belvieu spreads to narrow to around $0.10 per gallon which equates to the approximately transportation cost between these two markets. This is a win/win for DCP and our producers no matter how you look at it.

Now, I'd like to discuss the Marketing and Logistics business and spend a couple of minutes talking about DCP's current position in the industry, and explain why DCP is able to execute on this ambitious downstream strategy.

First, as the chart you are viewing indicates, and Tom and Wouter previously discussed, DCP is the nation's largest producer of NGLs generating over 400,000 barrels per day of NGL production. However, if you take a look at the map, you'll see that DCP of today is primarily G&P-centric with limited NGL infrastructure.

Our current NGL transportation capacity can only handle about 25% of our NGL production. As such, with the continuing growth of our G&P business and increasing NGL production, DCP saw a need for additional NGL transportation. When we considered our expanding needs and the expanding needs of third party customers, we saw this incredible opportunity.

As the first mover in the market, we see this is a strategic shift and direction to transforming ourselves to integrated, full-service midstream provider. So what a difference a few years makes? In a short time, DCP will have connected all of our major producing regions into what might be called an NGL super system, transporting a significant portion of our production as well as third party volumes.

DCP is executing on its strategic push into the downstream by leveraging its substantial position in the most attractive shale developments, and by committing the portion of our growth own and controlled volumes to anchor its pipeline projects. These pipelines will also enhance our G&P systems reliability by relieving bottlenecks, which translates into improved value to DCP and our customers.

Another benefit of becoming a downstream infrastructure player is that we have created another platform for growth capturing high return, incremental or bolt-on opportunities from both DCP and third-party producers. Projects such as Rawhide, LaSalle, Eagle, and other third-party projects only serve to increase our pipeline returns.

So, let me provide an overview of our Sand Hills pipeline project. Sand Hills is an approximately $1 billion 720-mile 20-inch pipeline project with initial capacity of approximately 200,000 barrels per day. Viewing the map, you see how Sand Hills pipeline lies close to many of our Permian and Eagle Ford plants. We expect DCP to contribute approximately 50% to 70% of system volumes.

I'm happy to report the first phase of Sand Hills pipeline is on budget and on schedule. We anticipate Sand Hills will have first flows from the Eagle Ford in the next 2 weeks with flows into Mont Belvieu by year end. The timing of the second phase which is the Permian portion of the pipeline, however, has advanced and now is expected to be in service by the second quarter of 2013.

Sand Hills is currently almost 95% complete from the Eagle Ford to Mont Belvieu with 100% of the right of way acquired and all permits in hand. From the Permian to the Eagle Ford, we are more than 35% complete, and with 3 constructions spreads working on the mainline, we should see excellent progress through the winter months.

Additionally, I'd like to report that as the result of DCP growth projects and other third-party bolt-on opportunities we have ordered additional pumps to increase Sand Hills pipeline capacity above the 200,000 barrel-per-day initial capacity. The original plan was to ramp up Sand Hills over 3-year period to over 200,000 barrels per day.

Obviously, with the fact that we are ordering additional pumps, we see the opportunity to accelerate this timeframe with the addition of DCP volumes and third-party volumes. The pipeline project is exceeding our original project expectation and will be an integral part in debottlenecking the prolific Permian and Eagle Ford Basins.

Let's turn to our Southern Hills pipeline project. This project is an 800-mile pipeline with initial projected capacity of 150,000 barrels per day. Once again, notice how this pipeline runs right through our Mid-Continent G&P footprint. This pipeline project significantly increases the NGL transportation capacity between the Mid-Continent and Mont Belvieu. As noted earlier, this should significantly reduce the price basis between these 2 market centers benefiting our Mid-Continent region.

Based on rehab work completed to-date, we now expect the initial Southern Hills pipeline capacity to increase to 175,000 barrels per day. Our original expectation, similar to Sand Hills pipeline, was that Southern Hills would be full within the 3-year period of operation. We are now expecting volumes to come on quicker based on deals completed to-date and other we are expecting to complete. The original expectation of ramping up the line over a 3-year period now has been accelerated including this additional capacity.

This project is also on budget and ahead of schedule. We now anticipate first flow to occur on the southern portion of the line from the Oklahoma region in the first quarter of 2013.

Construction of pipeline from Oklahoma City to our National Helium plant is also underway and is proceeding on schedule for a mid-2013 start. Like Sand Hills, 50% to 70% of the product flow will be DCP owned and controlled barrels. We are also seeing a lot of commercial success, as we've signed additional third-party contracts with producer's desiring excess -- direct access to the premium Gulf Coast markets.

And, finally, DCP has entered into joint ownership positions on both Front Range and Texas Express pipelines. As you heard from Wouter in his presentation, the DJ Basin is significantly ramping up production, so DCP will now control strategic transportation from this important geographic area. Front Range pipeline is a 435-mile 16-inch pipeline connecting Well County and the prolific DJ Basin to the Texas Panhandle and ultimately to the premium priced Gulf Coast markets. This is a jointly online and DCP Midstream has a one-third interest.

With an expected initial capacity of 150,000 barrels per day, this pipeline will allow DJ producers the ability to develop acreage without concern for product takeaway issues. We expect this pipeline to be in service in the fourth quarter of 2013.

Texas Express. on the other hand. is a 580-mile 20-inch pipeline from the Texas Panhandle to Mont Belvieu costing approximately $850 million. Our 10% ownership interest in this pipeline is owned by DPM. We expect Texas Express to be in service by the second quarter of 2013, and this project is also on time and on budget. We are excited about both pipelines as they add additional fee-based income to the DCP enterprise, and provide access to the premium priced Mont Belvieu markets.

So, what's next? With DCP's leadership position in NGL production nationwide, we can see where additional fractionation ownership would be a natural extension further into the downstream value chain. With existing DCP facilities already in the Beaumont area, this location appears to be a suitable spot to pursue new fractionation facility. We are evaluating our option on whether to contract or build additional frac capacity.

Additionally, with the ownership of several long-haul NGL pipelines comes the opportunity for high-return bolt-on projects. We believe our extensive pipeline network will provide for capital investment opportunities in the coming years. We are excited about the opportunity for the continual build out of our NGL super system.

So, in conclusion, DCP made a strategic choice a couple of years ago to leverage scale and scope in the G&P business into the downstream value chain. This was done to competitively position DCP to become a full-service midstream provider. In doing so, we will control approximately 70% of our own barrels through own and control -- through owned systems generally not only margin in our G&P business, but fee income throughout the entire downstream value chain.

In just a few short years, DCP will be a major player and have built an NGL super system to gather and potentially fractionate DCP and third party volumes providing value back to DCP, its customers and owners.

Thanks again for your interest in our companies. And with that, I will turn it over to Mark Borer, who will address DPM's role in supporting the enterprise's growth.

Mark Borer - *DCP Midstream Partners - CEO*

Thanks, Bill. Good afternoon, and thank you for joining us today. I am Mark Borer, CEO of DCP Midstream Partners. It's my pleasure to share with you more about the role that DPM plays in the DCP enterprise's growth story.

Tom led off with an overview of the key themes for today and the investor proposition for the DCP enterprise. Wouter provided an overview of the G&P business and the growth opportunities that will provide the springboard and engine for growth of our entire enterprise. Bill laid out how DCP is transforming itself from a large G&P company to a full-service midstream provider from wellhead to end-use customer in a short period of time. My goal is to ground you on the role that DPM plays in this transformational era for the DCP enterprise.

Simply stated, DPM is a funding vehicle for the growth of their overall enterprise. By the end of today's presentations, I believe you will see that the accelerated enterprise growth is providing a unique value creation opportunity for DPM, DCP Midstream and its owners.

In terms of funding growth alternatives, DCP Midstream utilizes operating cash flow after distributions to its owners and debt financing while maintaining an investment grade balance sheet. As you know, DCP Midstream which owns our general partner and over 25% of DPM, is a non-public company. As such, when one thinks about funding our enterprise growth, it's important to note that DPM as the public entity provides the access to the public equity markets.

In late 2010, the DCP enterprise embarked on a co-investment strategy with DPM to fund material amounts of the accelerated growth you've heard about today. I will discuss shortly the nature and amount of co-investments we have made as we've implemented this strategy.

The use of DPM as a funding vehicle for the enterprise's growth provides a number of benefits. First, DPM's access the equity capital markets provides for a self-funding option through the DCP enterprise. This, in turn, allows for earnings growth that DCP Midstream and continued cash distributions by DCP Midstream to Phillips 66 and Spectra.

Second, we believe that as the DPM grows into a larger public entity, it will provide a more visible marker for the value of DCP Midstream to the Phillips 66 and Spectra shareholders. And, finally, this level of growth will be supportive to our target of top quartile total shareholder returns for DPM unitholders.

This slide illustrates how we think about co-investment alternatives in the numerous forms that it can take effectively utilizing DPM to finance enterprise growth. The first is a dropdown with the redeployment of the cash proceeds by DCP Midstream into other capital projects.

Our initial joint ventures in East Texas and Southeast Texas and the series of dropdowns which resulted in DPM owning a 100% of these businesses are examples of this alternative. Our most recent dropdown example is the $200 million contribution by DCP Midstream to DPM of the Mont Belvieu fractionators.

The second alternative is an organic build project, in which we provide the capital to construct all part of an asset just as we are executing our soon to be completed Eagle plant, a new 200 million a day processing plant we're constructing in the Eagle Ford shale.

A third alternative is direct investment or acquisition, in which we invest capital and assets with MLP-friendly characteristics where those assets are really part of a larger strategic investment for the DCP enterprise. A couple of examples are acquisitions of the Wattenberg natural gas liquids pipeline and the DJ Basin fractionators, both of which are 100% fee-based assets in a core area of DCP Midstream's footprint. In each of these co-investment alternatives, we target transactions and investments with MLP-friendly characteristics.

Let me now give you an update on our co-investment activity with DCP Midstream. As midstream's capital spending has ramped up over the past couple of years, DPM's co-investment opportunities have likewise increased. As you can see on this table with the investments in the Mont Belvieu fractionators and the Texas Express pipeline that we announced in the second quarter, the accumulative amount of co-investments now stand at $525 million for 2012 and a total of approximately $1 billion since late 2010.

Turning now to DPM's capital and distribution outlook. Tom mentioned earlier today the discussions with Spectra and Phillips 66 regarding partial ownership in the Sand Hills and Southern Hills pipelines. He also relayed that we remained committed to the distribution targets DPM laid out earlier this year of 6% to 8% in 2012 and 6% to 10% annual growth target in 2013 and 2014. And, finally, we remained committed to the $3 billion DPM capital-spending outlook for the 2012 through 2014 timeframe, with this spending outlook underpinned by the DCP enterprise's inventory of investment opportunities.

We believe the effective execution of our co-investment strategy will translate into significant value creation for both Spectra and Phillips 66 shareholders and the DPM unitholders. While we are in this elevated growth period, we expect DPM to fund a significant portion of the capital needs for the DCP enterprise.

With over $3 billion of investment opportunities for DPM over the 2012 to 2014 period, we have the potential of more than doubling the size of DPM. We expect this growth of DPM to translate into 6% to 10% annual distribution growth for unitholders.

On the left side of this table, we show an illustrative case of $3 billion in growth capital investments by DPM. From a DCP Midstream perspective, this investment could increase annual cash flows from its ownership of the general partner and limited partner units to approximately $200 million per year by 2015.

If you would apply MLP and public company GP valuation multiples, one could see a valuation for DCP Midstream's general partner and limited partner holdings of $3.5 billion to $4.5 billion. DCP Midstream's ownership of 100% of the general partner incentive distribution rights and approximately 25% of the limited partner units, provides significant value creation for DCP Midstream and its owners.

And, finally, as we consider our growth outlook, a key element of our financial strategy is for DPM to provide an attractive source of capital for both debt and equity. Our investment grade ratings and demonstrated access to the term bond markets position us well for future growth. Our leverage ratio at the end of the second quarter was 3.4 times well within our targeted range of 3 to 4 times. We've termed out more than 60% of our debt and our overall debt rate of 3.7% is extremely competitive.

On the equity side of the equation, we recognize the importance of providing attractive returns to our unitholders so that we can continue to access equity markets to fund our future growth. We've targeted top quartile total shareholder returns for unitholders, as you can see on the lower right of this graph, since the IPO in 2005, we have delivered on that long-term goal.

Our track record is a seasoned frequent issue of equity coupled with our proven access to investment grade debt markets positions us well to fund future growth for the DCP enterprise.

So, in summary, I'll end where I started. The use of DPM as a funding vehicle for the enterprise's growth provides a number of benefits. First, DPM's access to the capital markets provides a self-funding option to the DCP enterprise. This, in turn, allows for earnings growth of DCP Midstream and continued cash distributions to Phillips 66 and Spectra.

Second, we believe as DPM grows into a larger public entity it will provide a more visible and attractive marker for the value of DCP Midstream to the Phillips 66 and Spectra shareholders. And, finally, this level of growth will be supportive to our target of top quartile total shareholder returns for DPM unitholders.

Thanks, again, for joining us today. And I believe we'll now take a 15-minute break and then Sean O'Brien will come back and provide a financial outlook for the DCP enterprise. Thank you.

(Break)

Sean O'Brien - *DCP Midstream, LLC - CFO*

Good afternoon. I'm Sean O'Brien, CFO of DCP Midstream and I'd like to thank all of you for your interest in DCP, Phillips 66, and Spectra and for taking the time to be with us here today. I'm very excited to be here and we ordered in one of our 300 sunny days in Denver here for all of you guys that are going to hang around.

As the leadership team has shared with you this afternoon, we are in the midst of what is truly an exciting and transformational period for our company and our owners. We're in the unique period of leveraging our gathering and processing presence through organic, low-risk projects, coupled with a strategic investment in downstream NGL pipeline and logistics assets giving our customers a full midstream service product offering and taking the DCP of tomorrow to a large integrated energy company.

You've heard about our exciting outlook from Tom, Wouter and Bill. Now, I'll be covering how we drive value for our owners and investors, describing our financial objectives and key financial metrics, providing a history of our strong financial performance, and finally discussing how we're going to support and fund these great opportunities.

So, Tom covered our structure earlier. I want to call attention, if you look at this slide, specifically to the strong and investment grade ratings of both the DCP enterprise and our owners. We have demonstrated a disciplined and balanced financial approach focused on maintaining our metrics while funding these organic growth opportunities. Together, all of our companies have an accumulated enterprise value of approximately $70 billion.

The DCP enterprise adds earning diversity to our owners, delivering a strong return on capital employed and significant cash distributions. This is also coupled with an impressive $5 billion to $7 billion investment outlook, driven by a pipeline of organic opportunities. The combination of our strong returns and of visibility to growth will drive value for our owners and our investors.

Now, let me talk a little bit about our financial objectives. As I've said, we are keenly focused on maintaining our investment grade ratings and strong liquidity. We are proud that earlier this year, we achieved investment grade ratings at DPM at all 3 rating agencies. We also put in place $4 billion of liquidity to help fund our growth programs. Both of these are key elements in supporting this period of growth.

Our disciplined financial strategy focused on maintaining our investment grade ratings and strong balance sheet has not changed during this period of high growth. Through our co-investment execution and solid capital markets transactions, we have been able to support our current unprecedented growth opportunities. This is something I'll cover in a little more detail later.

However, when DCP wins, our owners win and our investors win. Therefore, we are focused on growing our earnings and cash flows over the long term by running and optimizing our core based business. This then earns us the right to leverage our in-flight and on-deck organic capital opportunities.

I'll turn now to the impressive financial performance of DCP Midstream over the past few years, specifically our returns which have averaged 20% since 2007. During this same time period, we paid approximately $5 billion in cash distributions to our owners, all while maintaining industry low-debt metrics. Our commodity exposure at DCP Midstream is unhedged, which we believe has and will continue to add value in the long run. As Tom discussed earlier, our returns have been exceptional.

Due to our commodity exposure, we steer toward very conservative debt metric levels which reserves dry powder to manage our commodity variability, particularly as we execute on our substantial growth projects. Here, you can see that we have $5 billion to $7 billion of in-flight and potential opportunities over the 5-year period.

We see a good -- I'm sorry. Now, I'd like to give a little detail around organic growth projects. Historically, we've invested approximately $500 million annually, of which $300 million was spent on growth and the balance on maintenance and well connects. With the resurgence in crude and liquids-rich based drilling as well as about $18 billion of expected annual investment in the midstream sector, our organic growth opportunity is not close to $1.5 billion to $2 billion annually.

As a matter of fact, this year we expect our capital spend to be about $2.5 billion with over $1 billion of this spend driven by our pipeline projects.

Here, you can see that we have $5 billion to $7 billion of in-flight and potential opportunities over the 5-year period. We see a good cross section of opportunities in all of our G&P regions, coupled with a significant investment in our Logistics business unit. These projects are driving our company to the next level, as we leverage and strengthen our G&P competitive position while extending down the value chain through our Logistics business unit.

This slide illustrates the significant amount of projects that we have coming online over the next few years, driving growth in our cash flows. As I previously discussed, these organic projects deliver attractive returns. Our G&P projects typically see returns on capital employed in the mid to high teens, while our pipeline projects see returns on capital employed in the low double digits.

As we have shown though 2014, we will have an incremental $4 billion of capital projects in service and generating cash. First full year cash flows from these projects are expected to be over $500 million. The G&P projects listed on this slide have relatively short build lead times leading to solid cash generation. This is driven by our ability to leverage our unmatched existing footprint that Wouter covered earlier.

Additionally, this slide shows the significant amount of NGL pipeline projects we currently have in execution. While these projects have longer lead times than our G&P projects, they are adding strong fee-based cash flows.

Now, I want to spend some time on how we manage through commodity cycles. This slide shows our 2012 annualized commodity price sensitivities and our historical debt-to-EBITDA ratios. You can see that our largest sensitivity is tied to NGL at $13 million per $0.01 moved, with gas at $6 million per $0.10 move, and crude at $5 million per $1 move.

As I discussed earlier, DCP Midstream LLC does not hedge our commodity exposure. Therefore, we must be very diligent as we manage through our commodity cycles. With the increasing capital growth opportunities coupled with near-term commodity weakness, we have seen our leverage metrics increase.

First of all, let me say that we and our financial partners had planned on our metrics rising during this period of high-capital deployment. However, we have utilized and deployed several levers to keep leverage within acceptable balance during this period. First, we started from a very low leverage level due to our strong base cash generation in must-run business.

We also have completed over $500 million of co-investment with DPM just this year. And we have very supportive owners who are invested in our success. Tom touched earlier on some of the discussion we are having with our owners regarding the Sand Hills and Southern Hills funding.

Going forward, we will continue to utilize these levers to balance the growth opportunities we are seeing with near-term price weakness so that the Company can continue to stay on this trajectory.

DCP Midstream LLC has a strategy to fund growth where all of our stakeholders win. This strategy utilizes DCP's strong liquidity and ability to execute on co-investment transactions with our solid investment grade ratings across all of our companies. DCP Midstream originates, develops, and builds out new growth projects initially utilizing our liquidity and solid access to the markets to do so.

Upon completion, we then co-invest a portion of these projects with DPM. Also, as I mentioned earlier, we are currently looking to utilize owner support via joint venture opportunities in regards to the Sand Hills and Southern Hills projects. We've been very active in executing on this strategy. We have increased our liquidity from $1 billion to $4 billion across DCP Midstream and DPM.

And as Mark discussed earlier, we have executed 7 co-investment transactions over the past 18 months, bringing in approximately $1 billion composed of cash and benefits to DCP Midstream. We plan to continue to utilize and expand our co-investment model to help fund our significant growth opportunities. We have also been very active in the capital markets with 4 recent transactions; 2 bond transactions and 2 equity transactions all helping support our growth.

We're proud of our full suite of investment grade ratings, with DPM receiving its final investment grade rating from Moody's earlier this year, reflecting their confidence in our growth plan and financial strategy.

In closing, how do we bring all these together and demonstrate value to all our owners and investors? We believe the catalyst is our strong unmatched footprint and impressive $5 billion to $7 billion pipeline of projects offering clear visibility to long-term growth.

We have the ability to fund this growth through our strong investment grade balance sheet, co-investment model, and owner support, utilizing the full capacity of DCP Midstream, DPM and our owners. These opportunities offer strong return on capital earnings and cash flow growth to all stakeholders.

In summary, we're very excited about the great opportunities we have in front of us, and our strategy and ability to fund them. Thanks, again, for your interest in our companies. And with that, I'll turn it over to Greg and Pat for the Owner's Perspective.

Greg Maxwell - *Phillips 66 - CFO and EVP Finance*

Thanks, Sean. I'm Greg Maxwell. I'm the CFO of Phillips 66, and I'm joined here with Pat Reddy. Want to give you just some brief overview of how we see DCP and DPM from an owner's perspective.

You know, if you look at it from owner's perspective in the midstream space, DCP is an important part, not only of our portfolio, but also for our respective company's growth strategy. And from a Phillips 66 perspective, we also had a long-standing customer relationship with DCP over the years from a commercial perspective. Phillips 66, along with Chevron Phillips Chemical Company in which we own an equity interest, has purchased about 30% to 40% of the NGL feedstocks that are product by DCP.

Now, if we look at it from a people perspective, I hope you've seen the day that there is a very strong management team in place, they have a good bench, and also they have the support of a very talented group of employees, some 3,000 employees. Now we also are very supportive of the growth programs that you've seen outlined today. And from an owner's perspective, we believe they've earned the right for this growth by demonstrated a history of strong project execution.

And then, finally, from a JV perspective or an owner's perspective, the JV as you guys know has been in place for some 12 to 13 years and it has really stood the test of time. Us, Phillips 66, along with our partners Spectra, have had a good working relationship. We've shown a lot of good alignment throughout the years, and we fully expect that working relationship and that good relationship to continue into the future.

So, I'll turn it over to Pat.

Pat Reddy - *Spectra Energy - Chief Financial Officer*

Well, thank you, Greg. I thought when Tom invited us, it was just for Greg and I had to be eye-candy, but I just hope that you come away today with the same degree of excitement that Spectra Energy and Phillips 66 have in DCP's -- the enterprise's growth prospects. It's really never been stronger, in my experience with the business.

If you think back, just a few years ago, we were looking and really outlining for you a flat outlook in the business as conventional supplies were in decline. And you fast forward now and just, in the last few months, we've up the growth prospects from $4 billion to $6 billion and now to $5 billion to $7 billion, and I don't think that'll be the end of it.

You saw in one of Wouter's slides the high GPM content of the gas that we process -- we're just fortunate to be in the basins that we're in. And so, we are privileged to have a strong partner and a very compatible partner in Phillips 66. And the objective, collectively when you think about it is to bring the strength of this combined enterprise to keep all the balls in the air.

When you think about what happened in the downturn from 2008 to 2009 in commodity prices and the weak economy, we saw our growth customer -- or, our customers involved in our growth projects has to move it sideways for a while, and have moved out in time. That's not happening now in midstream.

And so, we're very interested collectively in being able to pursue that growth. We think a little bit about our partnership as being tantamount to a private GP, where Phillips 66 and Spectra get dividends back from that partnership. We're also willing to step-in in periods of need, as we currently have with low commodity prices to help fund some of that growth.

And then, we're also excited to have Partners to help with the co-funding. We haven't changed that philosophy at all that between Midstream and Partners, it will largely be self-funding going forward. So, it's a fun time to be in this business, and as Greg said, it's a very important part of the growth story for Spectra Energy. So, we look forward to answering questions.

And now, I would like to turn it back over to Tom O'Connor for his closing remarks.

Tom O'Connor - *DCP Midstream, LLC - CEO*

Well, thanks, guys. And, hopefully, with these two standing up here, both board members of mine, by the way, you get a sense of how committed they are to the business, and how they understand what is going on the DCP business and are able to contribute through their participation on the Board to our success.

Also, I hope you have a better feel now for how we're going to create value and deliver value to our owners and the unitholders through the story that you heard today. And I'm really happy that you were able to hear it directly from the people on the management team who are making it happen. I feel incredibly privileged to be leading these folks.

Before we go to questions, let me just summarize some of what you heard today because we gave you a lot of information, there's a lot in the books. But our growth capital expenditures have climbed to $5 billion to $7 billion through 2015, and I really do expect that we'll be at the high-end of that range.

$3 billion of projects will be in service by the third quarter of 2013. 4 new processing plants will come online in the next 12 months, and we could build as many as 10 new plants through 2015, and that's on a base of 60 plants right now. 1,900 miles of new NGL pipelines will be in service by the end of 2013, creating an NGL super system to complement our top-tier G&P processing position.

Sand Hills, you heard [is] complete to Mont Belvieu by the end of the year. You'll [heard] it started taking NGLs in another week or so in the Permian connection as well ahead of schedule. Southern Hills starts accepting products in the first quarter of 2013 and we will be complete on Sand Hills by the middle of next year. And with us starting to take barrels early in '13, we think that'll bring that spread together between Conway and Belvieu.

And we're not done with NGL opportunities. We're building laterals. We're adding pumps. We're filling them faster than we had originally planned, and beyond that we're getting serious consideration to the building of our own fractionator.

We figured out how to fund all of the opportunities that are in front of us by using the many options that are available through our ownership structure. DPM has invested close to $1 billion with us through co-investment over the last 18 months, and we expect to do much more with them as we grow the Company. The owners may step up in a very meaningful way and help us fund Sand Hills and Southern Hills.

And all of this activity is translating into value creation for the owners, the unitholders, and we're growing earnings, we're growing distributions and we're growing cash to the owners as we go forward. And as we move forward and the general partner contribution to cash flows grow, we think that can provide a very valuable valuation kicker for the owners, and Mark showed you what we think some of those numbers might look like.

So, with that, I'm going to ask the team to come on up and gather, and then we'll open it up for your questions.

QUESTIONS AND ANSWERS

Rose Robeson - *DCP Midstream Partners - CFO*

So, thanks, Tom. You've heard from our team. So, now we're anxious to hear from you on what's on your mind. So, I'll remind those of you in the room here that we are webcasting so, please wait you have a microphone before you ask your question, and it would also be very helpful if you could state your name and who you are with as well.

So, thank you and I'll turn it back to Tom.

Tom O'Connor - *DCP Midstream, LLC - CEO*

Okay, who will get us kicked off here? And we have one down in front.

Matt?

Ross Payne - *Wells Fargo - Analyst*

Hi, Ross Payne with Wells Fargo. First of all, for Greg and Pat. So, when you said that your participation in Sand Hills and the others might be done through your MLP at Spectra and I guess with Phillips proposed MLP? And second of all, for DPM, what percentage can we expect their participation to be going forward?

Greg Maxwell - *Phillips 66 - CFO and EVP Finance*

I'll just say from our perspective what we're interested in doing here is making sure the DCP enterprise has the wherewithal between Midstream and Partners to pursue all the profitable growth that's in front of it, and not have to turn away growth opportunities in a time of lower commodity prices. And so, that's really what spawned the conversation with Tom.

And as Tom said, we haven't come to any final conclusion so it would be premature to presuppose what we do with our investment. I'd just say that -- what we've said as a company about the characteristics of assets that would sit well in our own MLP and you could think about that.

Tom O'Connor - *DCP Midstream, LLC - CEO*

: Yes, I think what I would to the second half of the question is just, also what Pat said that is that we're in discussions regarding a transaction so details are still evolving at this point, but certainly we've thought about it from an equal ownership standpoint amongst the DPM and the 2 owners of the LLC.

John Devir - *PIMCO - Analyst*

John Devir, PIMCO. This is a question for Rose. As you embark on this expansion, can you give us a sense of the range that you're targeting for credit metrics, debt-to-EBITDA as well as target distribution covered ratio in a low commodity environment as you're expanding your CapEx, would it serve like a threshold that you're targeting?

Rose Robeson - *DCP Midstream Partners - CFO*

Yes, in terms of our credit metrics, this is for DPM specifically, we've targeted 3 to 4 times on our debt-to-EBITDA so we would expect to be in that range probably maybe a little bit on the higher side of the range with some of the organic growth.

And then in terms of our distribution coverage, again, with the amount of organic growth that we have, it may be running a little bit tighter than what our target is. Our target is about 1.1 to 1.2 but, again, that is our long-term target but we may be running a little bit tighter than that in the near future.

Tom O'Connor - *DCP Midstream, LLC - CEO*

We have a question there. Yves?

Yves Siegel - *Credit Suisse - Analyst*

Yes, thanks. Two questions; the first question is, if you look at the enterprise going out to 2015, how [does] the commodity exposure look? Or perhaps, do you think you will see a material difference in fee-based versus commodity base revenue?

Tom O'Connor - *DCP Midstream, LLC - CEO*

Okay. I would say -- and we tried to show the map there of 2011 to 2015 and the -- what you're seeing in the story and what we expect the reality to be in 2015 is a pretty significant growth in the G&P side of the business evolving from maybe a 60-plant footprint to 70-plant footprint, and G&P will always be the engine of this company.

And because of that growth in G&P and because of the way that engine is moving forward, we see significant opportunities to later on fee-based to assets, and that includes of course the NGL pipelines but we're also looking, as we've mentioned, at things like fractionation.

I think we're always going to be predominantly a G&P company, but you'll now see us include a significant, as we mentioned, $2 billion to $3 billion of investment through that period in NGL infrastructure.

The only thing I would mention is we are seeing an evolution in some of the basins towards more of a fee-based processing model. We've always been of mindset is -- how do we work with our customers, and how do we structure contracts in a way that they find attractive and acceptable?

And we've been predominantly a POP-based company. And as you've seen from the returns in our business that we showed you, POP contracts have been very, very good to this company and it has allowed us to enjoy mid-teens type returns.

But we are seeing a slight shift I would say that's more towards some fee-based contract in some of the basins we're operating in. It's pretty hard to give you a split on EBITDA between the two, a lot of moving parts, but I think in general you can assume that we will always be a predominantly G&P-based company now with an incredible ability to layer on some fee-based assets.

Yves Siegel - *Credit Suisse - Analyst*

And the second question is, is it operationally, when you look at all your plans, are some of the plants inefficient that it makes sense to perhaps to retire and maybe -- can you just talk about the efficiency of the plants? Does it make sense to retire some plants? Does it make sense to look for some consolidation to look forward?

Tom O'Connor - *DCP Midstream, LLC - CEO*

I'll give you my perspective, and then I'll ask Wouter to add on. We're actually been going is towards a more modernization of the plants, and the Eagle Ford is a pretty good example. The Eagle Ford plants, we had I think 5 or 6 plants in the super system, but very few of them were set up to handle the Eagle Ford-type gas of 5 to 6 gallon gas.

So, as part of our build out of the infrastructure around that, we went in a modernized, if you will, or upgraded those plants to have the ability to get high recovery of liquids but also handle that type of liquids-rich gas.

And it's proven to us to be a tremendous, competitive advantage because we are able to move quickly. The plants were there, we could modernize them over a 9 to 12 months' period of time and get the gas flowing very quickly.

And I'll ask Wouter to comment on what he's doing on National Helium which is a very similar type of story.

Wouter van Kempen - *DCP Midstream, LLC - President and COO*

I think Tom's right. We look at it from a number of different areas. We have restarted a number of plants. I mentioned the plants that we restarted in the Permian Basin. Those are plants that were historically mothballed and we see that because of new capacity coming on line. We've done with the Eagle Ford system. We've upgraded 3 of our plants there.

Then, if you look at National Helium, it's another example. National Helium, really, that's our largest plant that we have anywhere on our fleet -- 600 million a day. For us, converting that plant 600 million a day into a [deep-cut cryo] for $200 million to $250 million is very inexpensive to get that much capacity online.

So, that's really what you see us do is upgrading the system, restarting plants where we can, and then on top of that, we are at a position where our plants' utilization is so high in a number of our areas that we are building new plants. So, Mewbourn is a good example of that here in the north. The other plants in the north here, the LaSalle plant, we know we have to expand immediately when it comes online and we're thinking beyond that plant with the Lucerne plant and another plant in 2015.

Paul Sankey - *Deutsche Bank - Analyst*

Thank you. Paul Sankey from Deutsche Bank. Forgive my ignorance but I'm not clear how these project to contracted or even how you base business as contracted, that's to say how long contracts typically on how firm they are. I guess one of my concerns, the extent to which all these projects are subject to the pricing particularly of NGLs and the extent to which there's risk that if NGL prices remain under sustained pressure, activity will slow, and then you'll end up with a lot of [medal].

Tom O'Connor - *DCP Midstream, LLC - CEO*

Great question. In terms of our contracts, they vary around the system. If you look to the area north of the town here in the DJ, we have life of lease contracts and we've had those for several years and those will go on and continue. In the Eagle Ford, we've been signing new contracts to support the infrastructure that we're building there, and those generally tend to run around a 10-year term. And so, that helps us underpin the new infrastructure that we're building.

You take the Permian, we have several million acres dedicated to us under term contracts there, and what we're seeing there is not only the existing production but the producers exploiting the various formations within the acreage that we already controlled.

So, the contracts vary around the system but we're pretty disciplined before we'll make the bet on putting a new plant in line. And what we're seeing now is that the producers are very, very focused on the areas where it has been our legacy areas, and so we're seeing a lot of activity at the drill there.

The other thing that I would tell you is our number is big. The $5 billion to $7 billion is a big number. This company was spending about $500 million and now it's ramped up to that level. But it's the $5 billion to $7 billion is spread around the footprint. So, the individual bets in aggregate are large but the bets individually are not all that large.

And we look at -- when we approve a capital project, we look at a multitude of various NGL and crude oil pricing as well as various volume scenarios, and we look at it pretty hard. So far, we've proven ourselves right on these things. But they get looked at pretty hard. The bets aren't huge that we're making individually and so far, even under today's pricing, we're not unhappy with what we've done.

Paul Sankey - *Deutsche Bank - Analyst*

So, if low prices cause a significant slowdown in activity, the risk you would have would be the credit of the contractual counterparty, not just the loss of volume?

Tom O'Connor - *DCP Midstream, LLC - CEO*

You know, it's an interesting question because all through the 2008 and 2009 credit downturn, this company lost no money. In fact, we find ourselves because of our contract structures for the most part, is we owe our customers money at the end of the month because we're taking possession of the liquids, possession of the gas, and monetizing that and then paying that back.

So, we actually get paid in kind but we're taking control of the liquids and monetizing it and then paying our customers, for the majority of our customers.

Paul Sankey - *Deutsche Bank - Analyst*

thanks. And on contracts there is just one of the things I wanted to cover. My friends at [PSX] have indicated that you were changing more away from POP and leaving yourself less exposed to NGL pricing. I think I just picked up at the end kind of the opposite impression.

Tom O'Connor - *DCP Midstream, LLC - CEO*

No, I think if you look back at our numbers over time, at one time we were about 70% POP. We're showing about 50% this year. So, there has been some evolution and as I mentioned in some of the newer areas, we're starting to see more fee-based contracts trying to creep into the mix.

But I did want to say, and as I did mention is, POP contract have been pretty good to the Company. We've enjoyed 20% average returns over the last 5 years. A good portion of that has been the fact that we structured contracts in alignment with our customers and it's worked for us.

Paul Sankey - *Deutsche Bank - Analyst*

Great. And then, finally, from me, there was a mention that you may have to turn to your or you may want to turn to your owners, your -- what do you call them? Partners I guess -- owners.

Tom O'Connor - *DCP Midstream, LLC - CEO*

Owners.

Paul Sankey - *Deutsche Bank - Analyst*

For an injection of capital for investment, that was just kind of mentioned in passing. Could you indicate how much and what the dynamic there would be of how much you would we be asking for them to -- I mean, I understand that typically, you self-finance but --.

Tom O'Connor - *DCP Midstream, LLC - CEO*

Yes, we are, and as I mentioned what we're seeing now is a continuing growth in our capital needs and now we've upped our number to $5 billion to $7 billion with an expectation that we'll be at the high end of that range. You couple that with a near-term weakness in commodity prices, and we looked at that and said, how can we continue to go forward and continue to grow the company, and not pass up what we think are some pretty wonderful opportunities that we're seeing ready to come over the line?

And so, we approached and said that we would like you to invest in these pipelines and take a portion of these pipelines because in fact, the pipelines are causing us the most stress. Those discussions are ongoing. We think it's a wonderful show of owner support. The owners do not want us to back off on the growth that's available to us. They want us to be disciplined. They want us to be looking at all of the things that you mentioned around pricing et cetera and what the future outlook is.

But if the opportunities are there and they look good, and the returns are there, they want us to follow through on them. So, their willingness to do this and step in, we think is a great show of supports. Details to be worked out but as I mentioned, we're looking at something that could be a third, a third, a third or equal ownership interest in the pipelines and I think we told you that or we showed you that the total capital for the pipeline is around $2 billion.

Paul Sankey - *Deutsche Bank - Analyst*

Thanks very much.

Tom O'Connor - *DCP Midstream, LLC - CEO*

Back there, or over there first. Matt?

Matthew Akman - *Scotiabank - Analyst*

Matthew Akman from Scotiabank. Questions on the pipelines and I guess on the economics of them, and I'm just wondering when DCP takes a lot of capacity on these pipelines, does the company consider that kind of a marketing investment to maximize the value of the NGL that it owns or takes custody of it or is that an infrastructure investment or you think more of a steady fixed return?

And part of the reason I'm asking and I guess where I'm going with this, I think someone said that the target returns in the pipelines are lower than on some of the G&P assets upstream of them. And I'm just wondering whether that's an appropriate hurdle rate.

Tom O'Connor - *DCP Midstream, LLC - CEO*

Okay. The answer to your question I think is that with the growth that we're seeing in the G&P business or let me back up a little bit. As we got to an evolution on the pipelines back in 2010, what we were looking at is the potential for a significant growth in our G&P business and a significant growth in the NGL volumes that we in fact don't have control.

We've seen that growth over the last couple of years. I think our owned and controlled barrels are probably at 40,000 to 50,000 barrels a day. So, what we saw is a need for incremental capacity on pipelines and the other thing we saw is that, there was an extreme tightening of NGL capacity from the basins that we were most active in and we were having to curtail barrels on a regular basis and that affect us with our customers.

So, new capacity was going to need to be built. We were going to in fact, have to contract long term to help get new capacity built. And so, in looking at that, we decided that we could sponsor some of these pipelines. We were going to have to sign up anyway, and these would be good investments for us. And in the case of Southern Hills, it was about how do we get Conway unlocked and get barrels from Conway down to Mont Belvieu.

They are lower returns than what we typically see in our G&P business. As you know, they're primarily fee-based returns. There are other third parties, a significant amount of third party shippers who've joined up with us. If I say joined up with us, they've signed contracts for us to ship barrels on these pipelines.

And the outlook for growth in our own barrels as well as third-party barrels as you heard from Bill is pretty good. So, for us who came down, we're going to have to support the construction of the infrastructure through a long-term contracting anyway. And now, we have the ability not only to do that but to participate and help direct the unlocking of these basins through some pretty attractive investments, and that all made sense to us.

Matthew Akman - *Scotiabank - Analyst*

Just as a follow up. They look very compelling as an investment to unlock Conway and Belvieu. I'm just more thinking about the return hurdles and whether in light of the fact the Company has capacity on them, so much capacity whether they should be the same as for example, and maybe this is a question for Pat.

Should the returns be the same as you know, when you guys built an extension of Texas Eastern and you're getting double digit returns there but it's all third party and long-term contracted, how does Spectra feel about making these investments for the longer term in these NGL pipelines? Do they have as good a risk profile as some of the other investments you guys are making?

Pat Reddy - *Spectra Energy - Chief Financial Officer*

I think they do, Matt. We've given this a lot of thought and, as Tom said, in essence we're paying ourselves because the transport fees that are paid to the pipelines, the net amount comes back to the 2 owners in the form of distributions of net income. So, that's helpful.

And then, while they're not quite take-or-pay in the same sense as a natural gas pipeline, as long as the volumes are there and show up, they have that aspect to it. And then the nice thing about the business that Tom and his team are in is that it's much run, as you know.

So, unless production gets shut in which is a tough proposition because that damages formations, and with all the petchem capacity that is planned to be constructed in the gulf, we don't think from a risk perspective that it is that different than an interstate gas pipeline or a petroleum products pipeline that's fee-based or toll-based.

Tom O'Connor - *DCP Midstream, LLC - CEO*

Yes?

Becca Followill - *US Capital Advisors - Analyst*

Becca Followill, US Capital Advisors. As you transition from being a gatherer and processor to the more integrated service provider, have you guys thought about adding that next leg which is the crude oil system especially in light of one of your owners having substantial assets? Is there anything that's in your plan that might involve, like with that $3 billion that involves anything outside of your core areas that you've listed today?

Tom O'Connor - *DCP Midstream, LLC - CEO*

I'll answer the second question first. Nothing in our plan right now around in particular crude oil infrastructure. The numbers we put out today are things that in the $5 billion to $7 billion, we feel pretty good about or we can see that it come over the line pretty quickly but more around our core business gathering and processing in the NGL infrastructure which is now part of our core business.

With regard to crude oil, it's something we're looking at and it's something we're thinking pretty hard about. We would view us, for us as being something attractive primarily around the basins that we're involved in right now.

And if we could go to a producer, as we're now going and offering an integrated gathering, processing NGL takeaway and potential fractionation offering, if we could add crude oil infrastructure services to that, we think that would be pretty attractive bundled service. Others have done it. It seems to be working. We think there could be some pretty good opportunity in some of the basins -- think, for example, the Permian where we have a very, very strong position.

Beyond that, I wouldn't see us wondering too far outside of that fairway because I'm not sure what value we could bring, but I think we could compete pretty well around the footprints that we have right now.

Becca Followill - *US Capital Advisors - Analyst*

Thanks. And the other question is back to the co-investment on Sand Hills and Southern Hills. Is this something that you see as being a long-term investment for the owners for Spectra and for Phillips 66, or is this more of an interim they fund it and maybe down the road, they'll resell it back to you or is it a long-term investment?

Tom O'Connor - *DCP Midstream, LLC - CEO*

You know, again with the caveat that things are in the discussion stage right now, I think we're looking at it as being done once it's done, and we're not setting this up in a way that it could come back.

The other thing I would mention is that whatever happens and if we go down this road -- DCP Midstream will operate these assets. We're going to be very involved with them. It'll be part of our marketing offering. And this is truly a way for the owners to step in and help us out during what continues to be a very high growth period for us but at a period of temporary commodity price weakness.

And as far as we mentioned with DPM, they're still in the mix. They'll still be involved in these pipelines through significant ownership interest, and that part of the plan hasn't changed. Now, the timing may vary and, again, details to be worked out but we've always contemplated that DPM would take ownership interest in the pipelines once it's up and running, and once they're cash flowing which is pretty important for DPM. And I don't see that changing but again, more details to come as we go forward here.

Yes?

Unidentified Audience Member

(Inaudible) from MSD Capital. In terms of distributions from DCP to the Spectra and Phillips 66 historically, it was paying out about 90% of its net income to its parents in form of cash distributions. Given the period of stress and high growth that you're going through as an enterprise right now, any changes to that level of expectation it contained, do they add the 90% of the net income to the parents?

Tom O'Connor - *DCP Midstream, LLC - CEO*

Let me ask Sean to answer that question.

Sean O'Brien - *DCP Midstream, LLC - CFO*

I'd start out by saying that we paid about $300 million thus far through the first half of this year. The way our structure is set up, it varies with our earnings as a commodity sensitive entity. So, that's already in place and our goal is to continue as Tom alluded earlier the 3 things that we're very focused on are cash returns to our owners, earnings growth, and at the end of day delivering returns.

We're very focused on delivering those returns. They have a mechanism that allows them to flex with the earnings, and we're dedicated to keeping that going in the future with our growth.

Unidentified Audience Member

And just following up on that thing, in terms of the new thought about potentially reducing the capitals spend out of DPM or co-investing as part of these pipelines, can you just elaborate on why that doesn't seem to be as feasible today as it was when you were contemplating those?

What about if the structure is causing the stress that you think you need the parents to come in and potentially contribute that much level of capital instead of using your public market capital vehicle as the fronting mechanism?

Tom O'Connor - *DCP Midstream, LLC - CEO*

Yes, I think what we're saying is we're using both. And the two things that have evolved is one is the opportunities have continued to grow, and some of them are timely. They're right in front of us, and we have to act on them or forgo them. And in discussions with the owners, we're all looking and saying, we don't want to forego these opportunities. We want to continue to grow this company and take advantage of those opportunities.

The other thing is that we have done $500 million of dropdowns, co-investments if you will with DPM this year. We've guided to a higher number. We expect to achieve a higher number this year, and we've indicated that $3 billion is still over the next '12, '13, and '14. It's still something that we feel pretty comfortable with. At the same time, as you know that assets that go to DPM have to be cash flowing in order to really continue to pay our the distributions that they do.

And DPM is simply not in a place where it could take on the size of these pipelines at this particular point in time. But down the road, we expect that they would be able to take an interest in on when they're completing cash flow.

We got one there, and then one here.

David Fleischer - *Chickasaw - Analyst*

David Fleischer, Chickasaw Capital. Bill said in his comments that he believes that ethane would be in balance through 2014. The first part of the question is, why do you think that, are you assuming that a lot of propane is going to be exported and crackers will shift over to consuming more ethane and that will balance the market?

And secondly, really, the real question is what are you assuming for price therefore for propane and ethane as you can guide us looking out over the next few years given your price sensitivity to those commodities?

Bill Waldheim - *DCP Midstream Partners - President*

With regard to your ethane question, I would begin by saying the industry in general has demonstrated the ability to crack 1.1 million barrels of ethane last year, and as we look forward with the turnarounds and the bottleneck that has been occurring at these facilities, their cracking capabilities will significantly improve in the next year and two for that matter. I think we've totaled well over 100,000 barrels maybe even 120,000 barrels per day in 2013 alone of new cracking capabilities that are coming on line.

The ability of the industry to crack ethane and the incentives they have when you look at the price of ethane and where ethane prices are, the incentives are definitely to maximize the cracking capabilities. We see the industry continuing to exceed expectations on what they can crack.

I think we saw just very recently, ethane inventories drop over 5 million barrels in a very short period of time and I think you're going to continue to see ethane inventories to climb as we head into 2013. So, our expectation is that the inventory overhang that's occurred will be mitigated and the prices then returning or moderately being supported.

I'm not sure I can predict prices. Traditionally, we like to see propane in the mid-50% of crude values. I think ones the export facilities are up and running, and when you look at the international price of propane today, there's significant room to move the price of propane higher.

To your point, that's exactly what will happen, then the crackers will tend you shift away from the propane and actually begin to crack more ethane. So, in the near term, 2013 to 2014 at least in that time period, we see the balance of the market fairly keeping up with the supplies that are coming online. Beyond that I think it's true that things do get a little sloppy and certainly, ethane rejection will help balance that market at that point.

Tom O'Connor - *DCP Midstream, LLC - CEO*

And one thing that we will do, as you know, as we get to the end of the year or early into next year, we'll provide an outlook on 2013 and with that, we will include a look at what our estimate is of the NGL barrel that we believe for 2013. And, of course, we always provide our sensitivities around that if you have a different view of where it's going or where you think it's going to end up. You'll be able to dial it in pretty good from the NGL sensitivities that we provide.

There was one down here and then perhaps we'll go back.

Ned Hole - *BlackRock - Analyst*

Hi. Ned Hole, BlackRock. With the new pipeline -- splitting the pipelines between you and your 2 owners as previously indicated or guided to go more -- straight to DPM, does that change your guidance to be closer to 80% fee base to DPM in near term?

Tom O'Connor - *DCP Midstream, LLC - CEO*

Mark, I'll pass that one to you.

Mark Borer - *DCP Midstream Partners - CEO*

We provided guidance early in the year of 65% or 80% by 2015, just kind of how -- I call it the margin outlook maybe that's probably a more appropriate term. Since we've provided that, we've invested in Texas Express, we've moved to Mont Belvieu fractionators in. We closed the crossroads transaction. We have the Eagle plant coming on the fourth quarter -- call that $500 million, $600 million of investments all fee based.

So, I'd say at this point, we feel pretty comfortable with that range. We'll continue to refine that overtime as we move down the road. As indicated, we may have a smaller investment in the pipes that we still see other fee-based transactions and potentially some of the things we do on the NGL logistics side of things allowing us to maintain that range.

Ned Hole - *BlackRock - Analyst*

And one more, can you talk a little bit about your financing LLC? Are you going to -- if most of that can be financed with dropdowns, or how do you guys foresee that going forward?

Tom O'Connor - *DCP Midstream, LLC - CEO*

It's really a combination of things, co-investments which can include investments directly within the footprint and as well as dropdowns and then as Sean shown, Midstream has been pretty active in setting up its liquidity and borrowing long term to fund all of capital plans that we have. But we continue to see co-investment -- if you look back to the numbers, we're talking about $5 billion to $7 billion.

We continue to see co-investment as a very significant part of our financing strategy going forward. And that's why we mentioned again the $3 billion 2012 to 2014, we feel pretty comfortable with that.

We got one down here, and one over there.

Craig Shere - *Tuohy Brothers - Analyst*

Thanks. Craig Shere, Tuohy Brothers. A couple of question, one is kind of a follow-up on the ethane and then hedging. With respect to the ethane, there's a lot of comments about exporting propane, but I think it ranges not just talking about its claim to a couple of agreements to export ethane. And I wonder if you could comment on the capacity for that kind of take out some of the seesawing or fluctuating that you see in the market as we're temporarily over supply perhaps until 2015-plus period.

And then kind of staying on that ethane but thinking about hedging, and I understand I will all see those in hedge. But since it's not a public MLP but kind of a private entity and you do see this as a kind of a -- they're the only part of the NGL structure that's really seeing the seesaw structure in pricing overtime being ethane.

Does it make logical sense to think about operationally neutralizing the ethane within LLC by adding some petrochem operations where it would be short and long ethane, and different operations and basically neutralize the lighter end of the strip?

Tom O'Connor - *DCP Midstream, LLC - CEO*

Bill, can you take on the first part of that question?

Bill Waldheim - *DCP Midstream Partners - President*

Sure. With regard to exporting ethane, well, the US currently is exporting ethane with the pipeline up to Calgary that will be transporting Bakken ethane to the NOVA Chem and others in the Calgary market. And also, limited amounts and not in large quantity but the export of ethane from the Marcellus into the Sarnia market for the crackers there. So, those are 2 export markets.

When you think of exports, I think you're maybe thinking more water borne exports which we've heard about. That's a little more difficult. It sounds as though some of the European crackers are wanting to try to receive ships of ethane and (inaudible) has been working with some of the Marcellus producers.

The product that gets exported -- I don't know if it would be a purity ethane because of the vapor pressure in the ships and those types of things but it might be an EP mix type products. So that, again, it would be more of an export of ethane and propane in an EP mix type product.

So, I think those are possibilities that -- a year ago, I would've said it's a long shot. Nowadays, you know there are some ships that might be able to do that for -- be put in that type of service. And I just don't think it'll be significant in the big scheme of things in the longer term.

Craig Shere - *Tuohy Brothers - Analyst*

Not enough to balance out that over-supply in 2015?

Bill Waldheim - *DCP Midstream Partners - President*

No, I think ethane rejection is probably a better way to balance those markets during that choppy period.

I'd make one other comment to the previous question. A lot of the production that is coming online and when you look at all the capacities of the pipelines and the capacities of the fractionators, it's not all new production. Some of the production is being shifted from one pipeline to another pipeline, from one fractionator to another fractionator. And so, you have to a little careful on just adding up on the new capacity and saying that's all brand new production.

And so, I think you have to watch that with a wary eye and just really run through the numbers carefully as to what is going to be a new production and what is just going to be kind of a shifting of production from area-to-area or from facility-to-facility.

Tom O'Connor - *DCP Midstream, LLC - CEO*

I think to the second half of the question, I don't think you'll see DCP Midstream move downstream into the petchem field or -- we happen to have an affiliate whose got a pretty sizeable position staked out who happens to be a very large customer of ours. We're very excited to see them moving forward on a very large cracker. And we think it's evident that the infrastructure is going to be put in place, and ethane will get consumed.

And I think Bill cover it pretty well, but these folks attended -- they have very strong incentives to use ethane. They tended to surprise on the upside. We are suffering through an unusual cracker turnaround, an unusual downtime related to all those crackers this year. But I don't think you'll see us move down that way. We got quite a bit as we showed you today that we need to execute on. It's stuff that we know how to do. It's stuff that has great returns and that's where we'll be keeping our focus.

The other thing I would say and it sometimes hard to think about these things when you're sitting in periods where we have a significant ethane weaknesses. We're building this business out for the long term. We're not unhappy with the returns that we're seeing in the business today. We like them better when ethane is stronger, absolutely but we're building the company for the long term.

We think if you look out to '17, '18, even later in '16, you're seeing a tremendous amount of market response to the production growth in the US. And we think that bodes very, very well for a logistics company like DCP Midstream that's sitting between phenomenal growth in the supply and what's now looking like tremendous growth in the market and we sit between it. And we think over the long term that's going to mean very, very good days for this company.

Yes?

Ethan Bellamy - *R.W. Baird - Analyst*

Hi, Ethan Bellamy from Baird. Two questions for you, first on your slide about Conway/Belvieu spreads for ethane and propane tightening. Does that imply you think that Conway gets lifted to Belvieu or that the [payment] from Conway just gets shifted to Belvieu, or is the answer somewhere in between there?

And then a second question with regard to propane exports, is that real estate so scarce and difficult to enter as (inaudible) would suggest, or that's something you could get involved with as well?

Bill Waldheim - *DCP Midstream Partners - President*

They're all actually to take the first one. As far as the spread between the Conway and Belvieu markets, the big market is certainly the Mont Belvieu US Gulf Coast area, and so that is the market for all intents and purposes.

You do have a lesser market of refining Mid-Con and up in that neck of the woods but I would generally say that Conway prices would be lifted more towards the Mont Belvieu or the Gulf Coast prices just because of the size of that market versus the Mid-Continent but it might be a little somewhere in between but generally lifting to the Mont Belvieu market.

Tom O'Connor - *DCP Midstream, LLC - CEO*

I think on the second question, I don't know exactly what they said about the difficulty of the real estate, but I think what you're seeing with this company is that we are extending down the value chain. We do believe the next step for us and probably the higher value for us would be fractionation and we're taking a very hard look at that as we said today.

Beyond that, we'll have to see -- I'll tell you right now, we're go, go, go on getting those export facilities up. Whatever we can do help them and support them, and get the propane market balanced will be good, will be very good for DCP. So, we're cheering them on. We want them to get it done whether we go down that road over time, and I think that's just chapter that needs to be written. We got some other things we got to do first.

Becca Followill - *US Capital Advisors - Analyst*

It's Becca, again. Two questions, one on -- more minutia, but on the GP ownership stake the 0.7%. Does $120 million on GP distributions by 2015 assuming that you maintain the GP stake, or do you let it to continue to decline over time?

Tom O'Connor - *DCP Midstream, LLC - CEO*

How about Mark you take that one.

Mark Borer - *DCP Midstream Partners - CEO*

Becca, the stake is really different than the incentive distribution rights. The Midstream has a 100% of the incentive distribution rights. They just happen to own a lower amount of GP units overall. They have a substantial size. So, if I understand that your question right, I just want to make sure that's clarified. That does not dilute down their incentive distribution rights.

Becca Followill - *US Capital Advisors - Analyst*

Okay but you would -- that 0.7% just declines over time as you assume more units then?

Mark Borer - *DCP Midstream Partners - CEO*

It can decline over time or it depends if Midstream takes more GP units as part of transactions. Generally, they take an LP unit in conjunction with transactions.

Becca Followill - *US Capital Advisors - Analyst*

And then second, do you guys have enough volumes that if you wanted to build your own fractionator that you could contract it completely for yourselves?

Tom O'Connor - *DCP Midstream, LLC - CEO*

Yes. I mean, I think what you're --

Becca Followill - *US Capital Advisors - Analyst*

Unencumbered volumes that are not already -- where you're not already contracted for the --

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Tom O'Connor - *DCP Midstream, LLC - CEO*

We are looking out as we showed you today at a 25% -- our potential for 25% growth in our owned and controlled volumes is about a half -- or 500,000 barrels a day. That's an increment of 100,000 barrels a day. So, right there you have a pretty good down payment on a fractionator.

Beyond that, we have a portfolio of contracts -- and Bill and his team have done an exceptional job of setting up this portfolio where contracts are constantly rolling off and we're re-contracting and we get flexibility to make decisions about what we'll do with those contracts. We're a good customer for a number of fractionation owners but we have flexibility in our contract.

And the third thing I would mention to you is, as we've shown with the pipelines, we're able to deliver a competitive product to other third party processors in the space, and I think if we were to move down the road of our fractionator, we would attract other third party volumes who are looking for options and outlets for the growth that they're seeing in their own production.

Becca Followill - *US Capital Advisors - Analyst*

By my point is that you wouldn't need them. You could do it yourself.

Tom O'Connor - *DCP Midstream, LLC - CEO*

Like we did on the pipelines, we could get this thing moving and basically do it on our own if we chose to do it.

Yes?

Unidentified Audience Member

Just to elaborate further on that last point, when you think about the economics on the newly built fractionator, and plus you do have Legacy contracts that are rolling over. Would today's pricing make more sense to build for yourself, or would it make more sense to try to renew those contracts which would perhaps not go to market? Does that make sense?

Tom O'Connor - *DCP Midstream, LLC - CEO*

It does make sense and the answer is all of the above. I don't think -- with a company the size of our liquid position, I don't think quite honestly, it's wise for us to put all our barrels, all our eggs in one basket including our own.

We're always going to benefit from having a diversity of locations, a diversity of contracts, some owned, some build, some contracted in the portfolio but the difference in what we're looking at now is many of the pricing on these services is moving very close to new built.

And so, that plus the growth in our volume and the need for incremental facilities is suggesting to us much as it did on the pipelines, that there is an economic case there for us to own -- build and own a portion of the portfolio for these types of services.

But would it make sense for us to go 100% owned on much of this? I don't believe so.

Unidentified Audience Member

And the unrelated question maybe for Bill to talk about the infrastructure as you look at the Rockies, the Wattenberg pipeline as that perhaps -- there's a gap between that and Southern Hills, does it make sense to build a pipeline there? How does it go with that flow?

Bill Waldheim - *DCP Midstream Partners - President*

Well, currently if you have the maps in front of you, the one where our pipeline does head more towards the Conway market, and in the pipeline map, you do see a gap between the end of the Wattenberg system and what would be the beginning of Southern Hills pipeline in that area. There's already connectivity between those locations whether it be through a Phillips 66 pipeline of even an enterprise pipeline that are open access in nature.

We could if we chose to take those lines off the Wattenberg system, bring them on in the -- our system's -- this would be a third party. The more direct route and what we thought would be a better value proposition for the growth volume is certainly Front Range pipeline and Texas Express pipeline to just go direct to the Mont Belvieu Gulf Coast area.

With the size of the development that's being contemplated and you heard Wouter in his presentation, the volumes are pretty significant coming from this area not only from our assets but other assets in this area as well.

Tom O'Connor - *DCP Midstream, LLC - CEO*

We have one over there.

Brett Reilly - *Credit Suisse - Analyst*

Brett Reilly from Credit Suisse. Just two questions for you guys. Bill, you've mentioned that the volumes are ramping a little bit faster than you've previously expected on Sand Hills and Southern Hills. Is that more a function of a faster rate of production from the producers or the liquid content being a little bit higher than you guys have previously expected?

Bill Waldheim - *DCP Midstream Partners - President*

Generally, when we say that the volumes are accelerating, we do have a number of customers that we signed up, third party shippers, if you will, on our systems. And as we talk to them about their plans for the future, we sign those contracts well over a year ago, maybe even 18 months ago. Almost every one of them was talking about needing more capacity on the systems and more volumes, couple that with the activity that we're seeing, I think again Wouter pointed out a number of new and exciting opportunities in our own footprint.

When you couple all of that together, it's apparent that our original premise on these pipelines was conservative and we are looking now at making sure we have capacity for growth volumes that are anticipated in the coming years.

Brett Reilly - *Credit Suisse - Analyst*

Just one more idea. If you look out across your footprint in which areas have the most constraints right now, where are the bottlenecks that you see kind of across the different basins you're in?

Tom O'Connor - *DCP Midstream, LLC - CEO*

I think there's two and I'll ask Bill to talk about NGLs and Wouter can talk about what's going on the G&P side because there are bottlenecks in both areas.

Bill Waldheim - *DCP Midstream Partners - President*

I think starting on the downstream, certainly we can back it up into the G&P business but certainly -- the Permian basin is one of the biggest constricted that was see at this point. However, without the startup of the Sand Hills pipeline from the Eagle Ford, even the volumes that are starting to come online in that market are challenged to find their way to the market centers for fractionation and distribution.

But the pipelines are starting to slowly come online and so we think the ramping up of the plants is marrying up nicely with the startup of the various pipelines.

We also see with the growth in some of the Mid-Continent areas, that Southern Hills pipeline, you still that spread between Continental and Belvieu and that's a nice parameter of the need for transportation capacity to move these volumes south. And so, I think that is an easy way to see that Southern Hills pipeline is needed and when it comes online, we would hope that that spread would contract.

Wouter van Kempen - *DCP Midstream, LLC - President and COO*

That's -- from a gathering and processing point of view here right outside of Denver to DJ Basin is constraint from a processing point of view. As I mentioned the activity is tremendous.

So, we're doing anything and everything to put additional capacity on line. And one of the things that's probably helpful to understand is kind of what our cycle is when you think about new processing plants, and from kind of inception of the idea thinking about, we should build a new processing plant, the engineering that you need to do, then the permitting cycle that you have to go through and then after that, a build cycle.

It's -- you're thinking 2.5 or 3 years (inaudible). That's why we're thinking as I mentioned earlier about 2015 here in the DJ Basin. For other regions to Permian Basin continues to be constrained as well. We are the largest processor in the Permian Basin and we have about 1.3 Bcf a day of capacity our of probably 4 Bcf a day overall capacity in the Permian Basin.

It's a very attractive area. Producers are hitting it tremendously hard. There's a lot of associated gas with the crude production that you see in the Permian so that why we have restarted 2 plants, we've expanded 2 plants over the last kind of 12 to 18 months. We're currently building the Rawhide plant and I told you that we're thinking about sanctioning the Midway plant very, very, very soon most likely this year.

And then after that, we'll continue to think about other plants. We've 2 more plants in the Permian Basin. We have a number of plants on the drawing board. So, you'll continue to see us expand in the Permian.

And then, the last part is really Eagle Ford shale. Bill mentioned that the Eagle Ford has from an NGL point of view really start to get unlocked right now with the Sand Hills pipe coming online. We put a new plant. The Eagle Plant is currently under construction. We hope to have that plant come online here in the next couple of week or the next couple of months later this year. That's an additional 200 million a day if capacity that's going to come online.

And then I mentioned the next plant after that, the Pettus Plant which is another 200 million a day plant that we expect to sanction this year. So, a lot of activity.

Tom O'Connor - *DCP Midstream, LLC - CEO*

Yes?

Ted Durbin - *Goldman Sachs - Analyst*

Yes, hi. It's Ted Durbin with Goldman Sachs. The first question is, do you have comments around basins differentials in NGLs and I'm thinking that maybe Bakken and Marcellus might have an issue. I'm wondering if you can translate that also into maybe with the DJ as well, does it give you pause investment in the DJ if you that further along with the transportation cost is what's going to cause the ethane to get backed up?

Tom O'Connor - *DCP Midstream, LLC - CEO*

That's a good question and I would say, no. I don't take pause. If you look at the tariffs from DJ to Mont Belvieu there are about almost half of what the Marcellus to Mont Belvieu rate would be based upon our interpretation of the tariffs that we're seeing being shopped for those -- for the systems that are being contemplated from the Marcellus. The Front Range to Texas Express is a fairly efficient way to get the barrels from point to point.

Ted Durbin - *Goldman Sachs - Analyst*

Okay, that's helpful. And the other question was can you give us a little more specificity on the fractionation? We've talked a lot about it but I mean, do you have any land that you're looking at specifically in Mont Belvieu as I understand that you usually want to own storage if you're going to own a frac? Can you give us a little more color about what you might actually be doing there?

Tom O'Connor - *DCP Midstream, LLC - CEO*

Yes, great. Bill, why don't you give us an update on where you are in the process?

Bill Waldheim - *DCP Midstream Partners - President*

Sure. Certainly, we have identified a location and there's been engineering done to-date for sure because to have filed a permit, you need to be far enough along to be able to file a permit with the regulators with all the pertinent information.

So, we're moving along as far as that's concerned. We're doing a lot of evaluation to Becca's point. I think we could pretty well do it alone if we had to but I think we're also seeing a lot of interests. There are a lot of producers that want to diversify themselves a little bit that a few ago, there was an incident in Mont Belvieu and that really woke a few folks up.

There's a desire to spread your lines in other facilities. We're evaluating the project and we would hope to come to some conclusions here in the not too distant future.

Tom O'Connor - *DCP Midstream, LLC - CEO*

He is spending money. I can assure you that.

Sam Arnold - *Brookfield - Analyst*

Hi. Sam Arnold with Brookfield. I was wondering if you just walk me through the map trying to reconcile slide 12 as well as slide 26. And when you look at going from 62 to 70 plants, if I look at the other development in construction of those plants, that are new plants not the restarts or expansions, I can come up with the 8 excluding the kind of multiple Permian future.

And then I look at the additions to that it adds, especially if you put National Helium of about 1.7 Bcf a day, so then when I go to the processing volumes, it looks like you're adding about 700. So, does that imply that you're going to have processing new clients over the next couple of years about your Bcf a day on your existing other 62 plants?

Tom O'Connor - *DCP Midstream, LLC - CEO*

I'm not sure. Do you want to try to answer that or --?

Unidentified Company Representative

I'll have to go through the map again but we're certainly not -- you know, we have nameplate capacity of about 7 Bcf a day or so I believe and we're processing about 63 a day now and we're adding -- this processing capacity that we're adding the potential to add 10 new plants will be primarily focused on the areas of growth that we're seeing around the Permian and the DJ, et cetera.

But we're not offsetting that with the clients or any other part of the system. We continue to expect volumes to grow and support those plants. And I'm not sure if I'm necessarily answering your question but we're adding the plants where the growth it.

Sam Arnold - *Brookfield - Analyst*

So, when you start to back it out, and say okay, well if you're really adding and it depends on what you consider National Helium as well but you know, if you consider all those plants and add them up, it's 1.7 Bcf a day [of adds]. So, if you're talking about you're only increasing your throughput by 700 that --

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Tom O'Connor - *DCP Midstream, LLC - CEO*

And part of what we're doing I would tell you is these are indicative numbers of what we think the future could look like. We got 4 of these plants that are in-flight. They're coming. We know they're done. We see the possibility to build 10 new plants and grow the volumes at that kind of level over through 2015 but more of these have to get done and dragged over the line.

But what we're saying is we think there's a pretty high potential for these things to happen. I'll have to go back through the map of what you're saying but certainly, we're on a growth trajectory on our volumes and on NGLs and we're showing you that and we think that will continue and accelerate as we go forward over the next years.

And that's the true measure. It's not necessarily how much plant capacity you put in but are you growing your volumes and in particular, are you growing your NGL liquids at a rate commensurate with those volumes or even higher in our case. And then, what that shows us is we got out plants in the right place and they're providing the right services and we are growing our volumes which are how we grow our earnings, quite honestly.

Sam Arnold - *Brookfield - Analyst*

Okay, thank you.

Wouter van Kempen - *DCP Midstream, LLC - President and COO*

I can take you through the map if you want to a little bit later but I think the biggest component is your double accounting National Helium. National Helium currently is flowing close to 500 million a day. So, there's a lot of kind of dry gas in there so what it really -- what that plant will allow us to do is take rich gas coming from the Mississippi Lime coming out of the Granite Wash to flow through that plant. So that's where the double count I think in your numbers.

Unidentified Audience Member

Yes, that makes sense. Okay, thank you.

Craig Shere - *Tuohy Brothers - Analyst*

Craig Shere of Tuohy Brothers again. A couple of questions. One, with all the debottlenecking, should we be thinking about the liquid shrink in the industry and dry gas rising? It seems like we've been from EIA numbers like 4.5%, 5% for a long time, should that starts creeping up meaningfully?

As you comment you're getting heavier and heavier GPM with the greater associated gas, more liquids rich place, should we be thinking about a reversal of the trend of ethane being an increasing portion of the bucket historically? Because when it's really wet, it's a smaller portion. Right?

Tom O'Connor - *DCP Midstream, LLC - CEO*

I'll take on the second one, and then I'll ask Bill to comment on the first one. You're going to have a variation on ethane composition depending on the formation. We're seeing higher ethane content in the Eagle Ford as compared to say to Permian which is primarily associated gas, so it pretty much varies around the systems.

But the Eagle Ford is intended to be higher, Permian intended to be lower and the Permian primarily because it's associated gas. I don't think you can draw a line between the two and say exactly how that's going to come out.

Bill, I don't know if you have anything to add to that and may be take on the first part.

Bill Waldheim - *DCP Midstream Partners - President*

Yes, the first part and the comment I would make with regards to shrink is in the Permian in particular when you're doing a lot of crude oil production and a lot of low-pressure gathering type of activity, the GPM of the gas is richer and does not have may be as much as ethane. Not all shales are created equal. I think the Marcellus in particular has very high ethane content GPM. So even though they say it's liquids-rich, it's high in ethane and not as much in the propane and heaviers.

Again, the Eagle Ford is probably a little more balanced depending on the window you're at. There's an oily window that is probably a lot richer in the heavier components whereas you go more towards the gas window you get more ethane associated with your production. So you do have to watch and be careful in the different areas and the different producers, what their production likes like. So, that's a good point.

Tom O'Connor - *DCP Midstream, LLC - CEO*

And we model our economics for our new capital investments, we have gas composition analysis for the areas that we're putting the investment in and so we look at that pretty carefully not only at the GPM that we can expect from the gas but also what is the composition in terms of the individual products.

Craig Shere - *Tuohy Brothers - Analyst*

One other question. As you look out say 3 or 4 years, what kind of opportunity do you see in the [Mississippian] extension and more north in the Kansas?

Tom O'Connor - *DCP Midstream, LLC - CEO*

I didn't hear the end -- I didn't hear the location. I heard everything up --

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Craig Shere - *Tuohy Brothers - Analyst*

Kansas, Mississippian, do you see much opportunity for yourselves over 3 or 4 years in terms of the growth there and servicing that potential?

Tom O'Connor - *DCP Midstream, LLC - CEO*

Yes. We see tremendous opportunity there and it's not in 3 and 4 years. It's happening right now. I'll turn it over to Wouter to give you some specifics of what we're doing there.

Wouter van Kempen - *DCP Midstream, LLC - President and COO*

Yes. We've captured a number of very, very significant acreage dedications with producers there. We look at the Mississippi Lime to Kansas as a great opportunity for us. It is one of the drivers for National Helium conversion. We look at the National Helium as a $600 million-a-day plant and things that we can see, we see that plant being full fairly quickly and it has gas in it already but the additional capacity we expect to be full as well.

We're definitely moving further, further north into the lime. This laid a lot of gathering limes there and we're bringing the gas down into our super system. So a lot of acreage under dedication, a lot of activity from our side and it's happening today and we'll continue to see it happen over the next number of years.

Tom O'Connor - *DCP Midstream, LLC - CEO*

The key point is we're laying pipe right now up there and we're also laying pipe in the Eastern Mississippi Lime so it's happening now for us.

John Arensdorf - *Spectra Energy - CCO*

We have, Matt?

Matthew Akman - *Scotiabank - Analyst*

Matthew Akman, Scotiabank. I just want to get back to a couple of growth areas we touched. One is about frac, you talked where you are on the fractionator but I think there was a bit of a follow-up around other group of infrastructure and services around that, whether if you have any plans. Storage was mentioned, but I'm curious also about loading and handling kind of infrastructure and that's something you get into there.

Tom O'Connor - *DCP Midstream, LLC - CEO*

Okay, I'll take that one on. Nothing planned right now. We know others have looked at the railing and various structures around that, not something we've really, really focused on. Quite honestly, when it comes to liquids, we've been really focused on getting these pipelines in service and driving them to a conclusion. We're getting there and we'll get there pretty quick.

But right now, as we look them out, we've got this $5 billion to $7 billion. It's keeping us fairly well occupied. It's within our fairway, it's what we know how to do. If we saw an opportunity that we thought we could bring to our customers something of a portfolio service then it might make sense for us.

There are some things that for me I'd probably rather partner on, because maybe it's not our area of expertise, but if we could bring something to a project we'd be interested. But really right now focused on G&P NGL infrastructure and how do we extend the infrastructure perhaps one more step.

Matthew Akman - *Scotiabank - Analyst*

And then also on growth. One area that was missing on the map is Bakken and obviously it's not a lot of -- it's (inaudible) there are lots of associated gas and some guys are starting to stick straws into the area to pull liquids rich gas out there. Is that an area that is the future target of DCP?

Tom O'Connor - *DCP Midstream, LLC - CEO*

I'll turn that one to Wouter for comment.

Wouter van Kempen - *DCP Midstream, LLC - President and COO*

Our strategy, as we mentioned, really has been to focus around our area of the Permian, the DJ, the Mid-Continent, the Eagle Ford. We have in the aggregate what we mentioned $5 billion to $7 billion of capital opportunities over the next couple of years. Those capital opportunities are low-multiple opportunities. So we really like those and that's where we spend all of our time or almost all of our time.

Now if you think about, can you go into the Marcellus, can you go into the Bakken, are you looking at Utica. We're looking I promise you anything and everything plus probably more that you guys see in the marketplace. We look at and we're very actively looking at it. But there are lots of hokey sticks that are out there, there are lots of dreams out there and they come at multiples that are very significant right now.

So we're going to be very, very pragmatic around how we look at that. We'll continue to look at anything and everything. But for right now we don't have to go there and we do believe if you look at an area like the Bakken for instance, given all the constraint the area has, going in greenfield is a difficult thing to do.

Our focus first and foremost is around those low-multiple kind of investments that we can do around the footprint and then if the right opportunity comes around we'll jump on it.

Tom O'Connor - *DCP Midstream, LLC - CEO*

Okay. Listen, we've run past our time. Great questions. Really appreciate you all coming to Denver to hear our story. Appreciate those folks on the phone also listening to our story.

From here, I think we're going to get back together again at 5 o'clock and then dinner following that for those of who can stay with us. But let me say I'm glad you came. We really appreciate you coming and hearing our story. With that, I think we'll wrap up. Thank you very much.