FINAL TRANSCRIPT

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DPM - Q1 2009 DCP MIDSTREAM PARTNERS LP Earnings Conference Call

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CORPORATE PARTICIPANTS

Karen Taylor
DCP Midstream Partners - Director, IR

Mark Borer
DCP Midstream Partners - President & CEO

Angela Minas
DCP Midstream Partners - CFO

CONFERENCE CALL PARTICIPANTS

Gabe Moreen
Bank of America - Analyst

Stephen Maresca
Morgan Stanley - Analyst

Michael Blum
Wachovia - Analyst

Helen Royou
Barclays Capital - Analyst

Jessica Chipman
Tudor Pickering Holt & Co. - Analyst

Yves Siegel
Aurora Capital - Analyst

PRESENTATION

Operator

Hello and welcome to the DCP Midstream Partners First Quarter 2009 Earnings Conference Call. (Operator instructions.) Now, I would like to turn the conference over to Ms. Karen Taylor, Director of Investor Relations. Ms. Taylor?

Karen Taylor - *DCP Midstream Partners - Director, IR*

Thanks, Nicki. Good morning, and welcome to the DCP Midstream Partners First Quarter 2009 Earnings Release Conference Call. As always, we want to thank you for your interest in the partnership. Today you will hear from Mark Borer, President and Chief Executive Officer, and Angela Minas, Vice President and Chief Financial Officer. Before turning it over to Mark, I'll mention a couple of items. First, all of the slides we'll be talking from today are available on our website at www.dcppartners.com in PDF format. You may access them by clicking on the Investor page and then the webcast icon. Next, I'd like to remind you that our discussion today may contain forward-looking statements.

Actual results may differ due to certain risk factors that affect our business. Please review the second slide in the deck that describes our use of forward-looking statements. For a complete listing of the risk factors that may impact our business results, please review our SEC filings, including our Form 10-K for the year ended December 31, 2008, as filed with the SEC on March 5, 2009. In addition, during our discussion, we will use various non-GAAP measures, including distributable cash flow, adjusted EBITDA, and adjusted gross margins. These measures are reconciled to the nearest GAAP measure in schedules at the end of the presentation starting with Slide 28. We ask that you read those slides as well.

And now, I'll turn it over to Mark Borer.

Mark Borer - *DCP Midstream Partners - President & CEO*

Thanks, Karen. Good morning, everyone, and thanks for joining us today. Thank you also for your investment and interest in the partnership. On Slide 4 you will see our agenda for this morning. We are off to a good start in 2009 with strong first quarter results. We've made great progress on our 2009 business plans, so we'll provide an update to that, including closing the East Texas dropdown transaction. Angela will follow with a review of first quarter results where record earnings in our wholesale propane segment helped to provide very attractive coverage of our quarterly distribution. She will also update our 2009 and 2010 DCF forecast with the impact of the dropdown. As we go through our prepared remarks, we will highlight strengths of our diversified business model, which we believe position us to be successful.

Now, if you will turn to Slide 5 for an update on our 2009 business plan. In December, we laid out a plan to support our distribution and we've kept you informed of our progress along the way. Recently, we completed several significant elements of our plan. Notably, during March, the final repairs to Discovery's offshore gathering system, which was damaged during Hurricane Ike and the third and final phase of system upgrades to our Wyoming gathering system were completed.

We also returned our East Texas assets to normal operation following the February third party pipeline rupture occurring just outside of our property line. The processing complex resumed partial operations after approximately two weeks and both the processing complex and residue delivery system known as the Carthage Hub returned to full service after approximately four weeks. Our employees did a fantastic job of returning this asset to service safely and quickly, so our customers could resume gas flows. We are actively pursuing full reimbursement of our costs and lost margin associated with the incident from the responsible third party.

Next, we are continuing to execute on our two organic growth projects in the Piceance Basin and East Texas. I will provide an update on these projects when we discuss the segments. We've always kept and will continue to keep a strong focus on maintaining solid credit metrics and preserving liquidity. We are pleased to report our first quarter distributable cash flow provided 1.4 times coverage of our distribution.

As we announced on April 1, we closed on the purchase of an additional 25.1% interest in the East Texas joint venture providing us 50.1% ownership with DCP Midstream holding the remaining interest. This was an all equity transaction with attractive terms that clearly show support from our sponsors.

Now, if you turn to the next slide, I'll touch on some highlights for the quarter. On Slide 6, you can see we generated distributable cash flow of 27.6 million for the quarter, supported by record results at our wholesale propane business. This quarter represents our highest adjusted EBITDA for the partnership since the IPO. Our first quarter results were impacted by downtime at Discovery, our Douglas system in Wyoming, and East Texas. Nevertheless, our favorable wholesale propane results allowed us to achieve attractive DCF coverage for the quarter. While there are ongoing challenging in this business environment, we believe our first quarter results provide a solid foundation to achieve our 2009 distributable cash flow forecast. We believe our diversified business model, geographic footprint, balanced portfolio of fee and commodity based contracts, and multi-year hedging program, serves us well in this environment.

Moving to Slide 7, let's spend a few minutes updating you on our segment operations, starting with natural gas services. We view our diverse geographic footprint as a strong positive as it provides us with access to multiple resource plays, contract types, and customers. Our intrastate pipeline assets complement our gathering and processing assets and provide the ability to profit from market dislocations. Current commodity prices and capital market conditions are putting pressure on drilling activity across some of our assets. We are experiencing some volume pressure in North Louisiana and a reduced level of drilling activity in the Piceance, but we expect this to be partially offset by the completion of our East Texas gathering system expansion and the expected ramp-up of offshore volumes at Discovery.

Early in the first quarter, the weaker processing environment resulted in reduced extraction of natural gas liquids, as some of our facilities were in ethane rejection. Later in the quarter as processing margins improved our plants began processing ethane and have remained in recovery. Additionally, April was the fourth consecutive month that we've seen utilization rates in the petrochemical business improve. We believe the higher utilization rates lead to improved NGL pricing.

Let me provide a little more color on our volumes around some of our key systems. At our Discovery system we expect volumes to be supported by new additions, including the Tahiti production. Chevron announced earlier this week they have commenced production at Tahiti, one of the largest oil and gas deals in the Gulf of Mexico and expects gas flows of approximately 70 million cubic feet per day by year end. As we press released earlier this week, we commenced service on our East Texas gathering system expansions. Initial volumes are coming from production that was flowing to third parties. We expect the system to continue to grow from drilling in the area.

We continue to see Haynesville shale drilling activity near our East Texas assets and have recently connected a couple of Haynesville wells. There are several additional Haynesville wells currently planned to be drilled in our footprint.

In the Piceance Basin, the construction of our 24-inch pipeline is substantially complete. We are in the process of installing the compression. We anticipate cash flow contributions from this project to commence in the fourth quarter.

Let's move now to Slide 8. We had an outstanding quarter at our wholesale propane segment, culminating in record results on a heating season basis. This business contributes fee like earnings and provides diversification for our portfolio. As a reminder, this segment has some seasonality with the majority of its earnings coming during the winter season in the fourth and first quarters. This business continues to have a key competitive advantage with its diversity of supply options and the ability to supply both term and spot sales during peak demand periods.

In the first quarter, the synergies of having multiple supply sources provided us with options under tight supply conditions, which allowed us to profitably meet the demands of the market place. Total volumes for the quarter were up over 9% compared to the first quarter of last year. The market continues to respond well to our business model and we feel we are well positioned for the 2009 and 2010 heating season.

Now moving to Slide 9 for our NGL logistics segment. These assets complement our gathering and processing business and provide broader exposure to the NGL value chain. All of our contracts in this segment are fee-based. Early in the first quarter, our pipelines had some reduced throughput due to ethane rejection at certain plants. However, the plants returning to--however, plants returned to full recovery later in the quarter.

And now, I'll turn it over to Angela to review the financial results.

Angela Minas - *DCP Midstream Partners - CFO*

Thank you, Mark, and thank you for joining us today. On Slide 11, we begin with the consolidated financial results, which are adjusted to remove the impact of non-cash mark-to-market activities of our commodity hedges. Adjusted EBITDA of 39.4 million for the quarter represents our highest quarterly results to date. The 7% increase over 2008 reflects strong results for our wholesale propane segment and the addition of the Michigan acquisition to our portfolio. These increases were partially offset by the impact of operational downtime at our Discovery, Wyoming, and East Texas assets. Our distributable cash flow for the quarter of 27.6 million, which resulted in a 1.4 times coverage ratio, also represents one of our strongest quarters to date. These results were achieved despite the maintenance capital expenditures for our recently completed pipeline integrity and system enhancement projects in Wyoming.

Total revenues and derivative activity for the quarter included a non-cash gain of .3 million and current period hedge settlements received of 6.2 million. This compares to the first quarter of '08 with a non-cash loss of 28.3 million and hedge settlement payments of 9.1 million. Adjusted net income attributable to partners, which is essentially flat to 2008, reflects new accounting rules that have changed the format of the income statement and the balance sheet in the way we calculate earnings per unit.

Operating and maintenance expenses indicate a reduction of 1.4 million from the prior year. Additions to operating expense from our Michigan acquisition were more than offset by realized--lower realized operating expenses, which have been positively impacted by our cost reduction efforts. We reduced discretionary spending during the quarter and also began to realize lower costs related to chemical and other items where costs are more directly tied to commodity prices.

G&A depreciation and interest expense reflect the addition of the Michigan acquisition. Our strong results for this quarter provides a solid foundation to achieve the '09 forecast we provided in December.

Moving to Slide 12 for a review of natural gas services. Adjusted gross margin was 30.6 million for the quarter, compared to 28.5 million for the same period in '08. Adjusted segment EBITDA was 20.9 million, compared to 37 million for the same period in '08. Results were positively impacted by the addition of our Michigan acquisition and volume growth in the Piceance Basin. Nonrecurring impacts offsetting that included downtime at Discovery related to the hurricane, curtailed volumes at our Douglas system as we completed the final phase of the system enhancement work, and downtime and costs related to the third party pipeline rupture near our East Texas facility.

Additionally, we experienced somewhat lower gas throughput volumes due to reduced drilling, particularly in North Louisiana. Our NGL production is largely driven by East Texas and Discovery, so those volumes are impacted by the downtime there.

Also related to Discovery in East Texas, which comprise our equity investment, our 2008 results reflected a much stronger commodity and processing environment. Average crude price for Q1 of '09 was $43 a barrel compared to an average price of $98 a barrel during the same period in '08. As a reminder, hedge settlements for these assets reside in the adjusted segment gross margin line.

Slide 13 indicates the results from our wholesale propane segment. The record quarterly results reflect a 9% increase in volume driven by an increase in spot sales and a substantial increase in unit margins. Approximately 6 million of the 20 million increase in adjusted EBITDA for Q1 2008 was attributable to the sale of inventory that was written down at the end of the fourth quarter. We continue to be pleased with the performance of this business and the diversity it adds to our cash flows.

For the NGL logistics segment on Slide 14, segment EBITDA of 1.4 million for the quarter reflects decreased throughput volumes primarily due to ethane rejection at certain connected processing plants early in the quarter. Those plants have since resumed ethane extraction.

Now, let's move on to Slide 15 for our forecast of distributable cash flow. In our December call, we introduced our forecast for '09 and '10. We have not made any changes to the underlying assumptions on our base business. What these numbers reflect is the addition of the East Texas transaction, which equates to approximately 10 to 15 million of DCF per year, depending on the commodity price assumptions.

For comparison purposes, our annualized distribution at the current per unit distribution level is 88 million in 2009, 90 million in 2010. Given the current business environment, we continue to anticipate future challenges. However, our Q1 results do provide a solid foundation to achieve our '09 forecast. From a quarterly cash flow standpoint, I will remind you about the seasonality related to the wholesale propane business.

Our 2010 forecast benefits from the restoration of operations and a full year of cash flows from our organic projects. As indicated, given the various commodity price scenarios in the table, the combination of our significant fee-based business, our highly hedged position, and minimum fees in certain contracts, provide downside protection to our cash flows.

Turning to Slide 16, our contract mix and commodity sensitivities shown on this slide reflect our forecast updated to include the East Texas dropdown transaction and related hedging activities. Of our commodity sensitive margins, we have hedged approximately 85% of our equity position in natural gas liquids, condensate, and natural gas for 2009. Therefore, over 90% of 2009 margins are fee based or supported by commodity hedges. Given our current contract mix and the commodity hedges we have in place, we have updated our commodity sensitivities for 2009 as shown on this slide.

As shown on Slide 17, our 2009 hedge position is part of a multi-year hedging program providing cash flow stability through 2014. The objective of our commodity risk management program is to protect downside risk in our distributable cash flow. For the 2009 to 2010 period, approximately 80% of our total equity volumes on a crude oil equivalent basis are hedged. Consistent with our multi-year strategy, we have added hedges in 2013 and 2014 at favorable prices. In addition to our highly hedged position, our significant fee-based business and minimum fees in certain contracts provide further downside protection to our cash flows.

Let's move to Slide 18 to review our liquidity position, which fully supports the business plan that we have laid out. We have an excellent $825 million credit facility comprised of 17 financial institutions that extends through June 2012. As of the end of the first quarter, we had drawn 585 million. Our available capacity under that facility at the end of the first quarter was approximately 240 million. Estimated remaining expansion capital for our Piceance Basin and East Texas projects is approximately 50 million. In calculating our liquidity excluding cash, we have estimated a range at the end of '09 of approximately 170 to 190 million. The range factors in any other capital or cash needs that may occur over the period.

Our cost of debt is highly competitive with the interest rate on our revolver currently at LIBOR plus 50 basis points. Similar to our view on commodity risk management, we utilize interest rate hedges to provide cash flow stability. Our current hedge position on 575 million of our revolver provides us with an effective pre-spread borrowing rate of 4.2% for '09 and '10 and 3.8% for '11 and '12. We are comfortably within our debt covenant. At the end of the quarter, our leverage ratio was 3.8 times compared to the maximum allowable of five times.

Interest coverage ratio was 5.1 times compared to a minimum allowable of 2.5. Footnote 3 of this slide provides detail on the calculation of our credit metrics for bank purposes, specifically the definitions used for long-term debt and EBITDA.

In summary, we have continued to maintain solid credit metrics and liquidity and have a plan that supports continuing to do so despite the challenges of the current environment. Our longer term goal remains to become investment grade and we believe we are managing our business appropriately to achieve this goal.

And now, I will turn it back over to Mark.

Mark Borer - *DCP Midstream Partners - President & CEO*

Thanks, Angela. In closing this morning, I'd like to recap some key points. First, we are very pleased with our results for the quarter, especially with the record results from our wholesale propane segment. Second, we laid out a plan in December in support of maintaining our distribution. We are successfully executing each element of that plan. Third, our results in business outlook supports our current distribution. We believe our diverse business model and operating footprint, attractive contract mix, and long dated hedging program, distinguishes our model and provides a solid foundation for the future. Finally, we believe our strong sponsorship in DCP Midstream, Spectra Energy, and ConocoPhillips positions the partnership for long-term success.

That is the conclusion of our prepared remarks, so I'll turn it back over to the operator and we'll be happy to take your questions.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator instructions.) Our first question comes from Gabe Moreen of Bank of America.

Gabe Moreen - *Bank of America - Analyst*

Hey, good morning, everyone.

Mark Borer - *DCP Midstream Partners - President & CEO*

Good morning, Gabe.

Gabe Moreen - *Bank of America - Analyst*

Terrific quarter. Glad to see a lot of the results. A couple questions on propane. First, if I heard Angela correctly, it sounds like the updated DCF forecast is only being adjusted for the incremental East Texas dropdown. But does that mean that you are expecting I guess results--wholesale propane results like you reported in the first quarter? And if you weren't, how come you didn't adjust the DCF forecast a little bit higher for first quarter results?

Mark Borer - *DCP Midstream Partners - President & CEO*

Gabe, this is Mark. And good morning. Thanks for the compliment. We remain committed to our forecast for the year. Obviously, any forecast has risks and opportunities. We've clearly benefited from upside opportunities in the first quarter, but given the current uncertain economic environment, there may be future challenges that we obviously are very--remain very committed to achieving the forecast we've laid out and have a good start here.

Gabe Moreen - *Bank of America - Analyst*

Okay, I'll take that. And then, on--if you could go into a little bit more detail in terms of the upside of propane and just it's clearly much better. Even outside of the inventory write-down that you had in the fourth quarter, it's much better than you've had in previous first quarters. Can you just talk about some of the stuff you talked about - sourcing propane from different areas? Was there a benefit from possibly declining commodity prices where you had prices being a little sticky relative to what you were actually--your supply cost? Just trying to get some more understanding about how sustainable some of these results might be going forward.

Mark Borer - *DCP Midstream Partners - President & CEO*

Sure. Gabe, you might recall when we originally acquired this business back in late '06 we had provided original guidance at a segment level of about 10 or 11 million a year. We have--we built--we added the Midland terminal a little bit over a year ago, a year and a half ago. We've continued to improve our supply contracts and portfolio. As we look at this on a fiscal year basis, we've trended up from the low teens from a segment viewpoint from an EBITDA to the mid-teens and obviously you could have these type of upside opportunities. We also--we've seen--not withstanding some of the challenges in the economic conditions, we continue to see propane offset fuel oil in certain places. But we feel good about the business. We feel good about future opportunities. We've had a very good recontracting season that sets us up well for the '09 and '10 year as well.

Gabe Moreen - *Bank of America - Analyst*

Okay. And then, just a final question from me for now is on the O&M side on gas services. It looks like you came in lower than last year, significantly lower even with the Michigan acquisition. Just wondering kind of what your expectations are for quarterly run rate there and kind of what you're doing to save so much on the O&M side.

Angela Minas - *DCP Midstream Partners - CFO*

In terms of thinking about that run rate there, we had probably half of that I would classify as deferrals or one-time items where we were able to reduce costs. I would say that the other half is the items that we think are more sustainable and you can use for a go-forward projection. And those would be things like chemicals and such that are more tied to the decline we've seen in commodity prices. So assuming the current commodity price scenario, I would take about half of that savings and extrapolate forward.

Gabe Moreen - *Bank of America - Analyst*

Okay, great. Thanks, Angela. Thanks, everyone.

Mark Borer - *DCP Midstream Partners - President & CEO*

Thanks, Gabe.

Operator

Our next question comes from Stephen Maresca of Morgan Stanley.

Stephen Maresca - *Morgan Stanley - Analyst*

Good morning, everyone. Very nice quarter. Just a couple questions. My propane questions were asked by Gabe. But in terms of you had very healthy distribution coverage for the quarter obviously. And while that may not rate exactly throughout the year, Mark, maybe, what do you think about in terms of coverage that you need to be at before you start thinking about--on an annual basis before you start thinking about raising the distribution again?

Mark Borer - *DCP Midstream Partners - President & CEO*

We've stated in the past that we would manage this business, Stephen, to a range of 11 to 12. Obviously, at this point, we're in a pretty uncertain overall economic environment, so I think we will be conservative as we move through this economic recovery. But we would anticipate that to be an appropriate range going forward and probably be to the higher end of that range.

Stephen Maresca - *Morgan Stanley - Analyst*

Okay.

Mark Borer - *DCP Midstream Partners - President & CEO*

And as far as timing, I think it remains to be seen just what happens from an economic recovery viewpoint.

Stephen Maresca - *Morgan Stanley - Analyst*

Right. Okay. Second question is in relation to an investment grade rating, we've certainly seen the bifurcation in terms of access to capital and how important that is. I guess where do you think you need to be in terms of ratios to get that investment grade rating and then, what would your goal be in terms of timing to potentially have something like that?

Angela Minas - *DCP Midstream Partners - CFO*

We have talked about managing our business at a three to four times leverage ratio and we're continuing to view that as a key parameter with respect to investment grade. Our parent, DCP Midstream is investment grade itself, so that does help us with respect to the halo effect and the fact that the banks tend to view us as an enterprise. So that has been our goal. Our credit facility is--matures in June of 2012, so our plan has been to become investment grade prior to that. We continue to move down that path. Specific timing would depend upon where the credit markets come out over the next few months.

Stephen Maresca - *Morgan Stanley - Analyst*

Okay. Well, thanks, and nice quarter, again.

Mark Borer - *DCP Midstream Partners - President & CEO*

Thanks, Steve.

Operator

Our next question comes from Michael Blum of Wachovia.

Michael Blum - *Wachovia - Analyst*

Hi, good morning.

Mark Borer - *DCP Midstream Partners - President & CEO*

Good morning, Michael.

Michael Blum - *Wachovia - Analyst*

Maybe just continuing along this line of questioning. Angela, would you need to achieve a certain size from an EBITDA or otherwise perspective to get to investment grade, or would they just--would the rating agencies just view you guys as one entity with your parent? That was the first question. And then, related, how are you thinking about--or are you thinking about terming out some of that debt before 2012 and how do you think about that right now?

Angela Minas - *DCP Midstream Partners - CFO*

In terms of size, as we think about the three primary credit rating agencies, two of them probably have more of a sized parameter restriction. The other one would look at us as an overall enterprise. And really to issue investment grade debt, you only need one of the rating agencies to give you that investment grade rating. In terms of terming out, we would - depending upon market conditions, right, those sorts of things - we may look at that before 2012, but that's not in our short-term horizon.

Michael Blum - *Wachovia - Analyst*

Okay. And then, just a modeling question. Can you just remind us, in terms of Discovery and the distributions you will receive from that now that it's back in service, there's a one quarter delay on that, so we shouldn't expect a cash distribution till the third quarter?

Angela Minas - *DCP Midstream Partners - CFO*

That's the way Discovery is currently set up, yes.

Michael Blum - *Wachovia - Analyst*

Okay, thank you.

Operator

Our next question comes from Helen Royou of Barclays Capital.

Helen Royou - *Barclays Capital - Analyst*

Yes. Hi. Good morning. My first question is regarding your liquidity estimate for the year end. I noticed that the number has gone up 25 to 30 million. The high end is now 190 versus 160. I'm just wondering is that just from Q1 performance being so much better that's driving the difference there, or could you walk us through those numbers.

Angela Minas - *DCP Midstream Partners - CFO*

Yes, Helen. It's the combination really of Q1 being better than what we would've expected. And then, we've also done some cash optimization and then there's been some timing with respect to the capital expenditures.

Helen Royou - *Barclays Capital - Analyst*

Okay. But your total CapEx budget, 65, hasn't really changed and it seems like it's been 15 for the quarter so far.

Angela Minas - *DCP Midstream Partners - CFO*

Yes, we have.

Helen Royou - *Barclays Capital - Analyst*

Okay. And then, second question is regarding your hedge. Your comment was--I guess you have been saying that 80% of your NGL volume is hedged. And I assume excluding the East Texas--some of East Texas dropdown volume being hedged by the parent, the majority of your NGL is hedged with your crude oil contracts. And if you're using volume being the 80%, I was just wondering, since your ethane volume is I guess maybe close to 50% of that, are some of your ethane volumes being hedged with crude as well at this point?

Angela Minas - *DCP Midstream Partners - CFO*

We do not hedge ethane. As part of the volumes that you see that are hedged, those equity volumes do include the East Texas dropdown and the NGL hedge in which DCP Midstream, the parent, is the counterparty.

Helen Royou - *Barclays Capital - Analyst*

Okay, so that's including both, right?

Angela Minas - *DCP Midstream Partners - CFO*

That would include both, yes.

Helen Royou - *Barclays Capital - Analyst*

Okay. And since you are using crude to hedge your NGL, in your hedge model is there an NGL to crude price ratio that you're assuming when you put in these hedges? Is there a certain price assumption being put into your hedges for the hedges to work effectively?

Angela Minas - *DCP Midstream Partners - CFO*

Yes. We're assuming the current forward curve with respect to the hedges that we have in place.

Helen Royou - *Barclays Capital - Analyst*

Okay. So is it like 60% NGL to crude ratio?

Angela Minas - *DCP Midstream Partners - CFO*

It's about 60%, yes.

Helen Royou - *Barclays Capital - Analyst*

Okay, great. Thank you very much.

Operator

Our next question comes from Jessica Chipman of Tudor Pickering Holt.

Jessica Chipman - *Tudor Pickering Holt & Co. - Analyst*

Good morning, guys.

Mark Borer - *DCP Midstream Partners - President & CEO*

Good morning.

Jessica Chipman - *Tudor Pickering Holt & Co. - Analyst*

I just had another question on your propane segment. I'm going to see if I can ask it in a different way. I just kind of want to know how to model going forward, because this quarter was so much different than the ones looking back, so much higher. And typically in the second and third quarter you've posted losses. So should we expect--I know that you're saying there might be some challenges going forward. But how should we kind of think about that when we're looking at modeling going forward?

Angela Minas - *DCP Midstream Partners - CFO*

We look at this business on a heating season basis. So if you go back and look at the results that would be Q2 of a year through Q1 of the following year, that's the way to look at it. And so, there would be a fair amount of fluctuation on a seasonal basis with Q2 and Q3 typically the lower quarters. However, the last quarter, Q4, where we would've typically expected a high quarter, there were some dramatic changes with respect to propane prices and such, and so we had a very large LCM write-down in Q4, which dampened those Q4 results. That was part of the pickup - 6 million of the pickup that you see now in Q1.

So if you look at let's say the business starting Q2 of '06 versus Q1 of '07, you would've had an adjusted gross margin of 21.3 million. The following year, ending in Q1 of '08, you would've had 23.2 million. And then, this year, the heating season ending Q1 of '09, you would've had 28.3. So we have had on a heating season basis continued increases with respect to margins in that business.

Jessica Chipman - *Tudor Pickering Holt & Co. - Analyst*

Okay, thank you.

Operator

(Operator instructions.) Our next question comes from Yves Siegel of Aurora Capital.

Yves Siegel - *Aurora Capital - Analyst*

Thanks. Good morning. I was just curious, do you have any thoughts on Haynesville in terms of opportunities there, or are you revisiting the projects that you have thought about?

Mark Borer - *DCP Midstream Partners - President & CEO*

Good morning, Yves. Obviously due to the proximity of our assets, we are encouraged by the continuing development in the Haynesville and East Texas as well as in North Louisiana. We continue to have--we're connecting--we've connected some wells in our existing footprint and are working producers relative to their '09 drilling plans. Relative to the large diameter project, we continue to have dialogue with the producers that are clearly assessing their plans. We don't see a long haul intrastate project in our '09 plans, but it's something that we continue to assess. But in the meantime, we will benefit from some of the drilling activity going on in our footprint, as well as some of the gathering infrastructure opportunities associated with that.

Yves Siegel - *Aurora Capital - Analyst*

If I could just ask the question a different way, when you look at your gross CapEx for '09, what is the chance that you could see that materially increase?

Mark Borer - *DCP Midstream Partners - President & CEO*

You're saying in a general sense, Yves?

Yves Siegel - *Aurora Capital - Analyst*

General sense, yes.

Mark Borer - *DCP Midstream Partners - President & CEO*

Well, we're constantly assessing growth opportunities. First and foremost, we are executing our business plan. But we do see opportunities in a number of areas emerging, including in Michigan, East Texas, Discovery, capacity expansion of gathering for the Haynesville, and also some propane opportunities. So we have some opportunities for upside, but first and foremost want to make sure we execute our plan.

Yves Siegel - *Aurora Capital - Analyst*

Okay Thank you.

Mark Borer - *DCP Midstream Partners - President & CEO*

Thanks, Yves.

Operator

There are no further questions at this time. I would like to turn the conference back over to Ms. Karen Taylor for any closing comments.

Karen Taylor - *DCP Midstream Partners - Director, IR*

Thanks, Nicki, and thanks to everyone for your interest in the partnership. If you have any further questions, please don't hesitate to give me a call. As a reminder, you can access a replay of this webcast as well as a transcript via our website at www.dcppartners.com.

Thanks and have a great day.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.
