

DCP Midstream Partners, LP  
Form 10-Q  
August 06, 2015  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2015

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-32678

DCP MIDSTREAM PARTNERS, LP  
(Exact name of registrant as specified in its charter)

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

370 17th Street, Suite 2500 80202  
Denver, Colorado  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (303) 633-2900

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of July 31, 2015, there were outstanding 114,738,148 common units representing limited partner interests.

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DCP MIDSTREAM PARTNERS, LP  
 FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2015  
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## GLOSSARY OF TERMS

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

Bbl	barrel
Bbls/d	barrels per day
Bcf	billion cubic feet
Bcf/d	billion cubic feet per day
Btu	British thermal unit, a measurement of energy
Fractionation	the process by which natural gas liquids are separated into individual components
MBbls	thousand barrels
MBbls/d	thousand barrels per day
MMBtu	million Btus
MMBtu/d	million Btus per day
MMcf	million cubic feet
MMcf/d	million cubic feet per day
NGLs	natural gas liquids
Throughput	the volume of product transported or passing through a pipeline or other facility

## CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

Our reports, filings and other public announcements may from time to time contain statements that do not directly or exclusively relate to historical facts. Such statements are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. You can typically identify forward-looking statements by the use of forward-looking words, such as “may,” “could,” “should,” “intend,” “assume,” “project,” “believe,” “anticipate,” “expect,” “es,” “potential,” “plan,” “forecast” and other similar words.

All statements that are not statements of historical facts, including, but not limited to, statements regarding our future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements.

These forward-looking statements reflect our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside our control. Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks. Known risks and uncertainties include, but are not limited to, the risks set forth in Item 1A. “Risk Factors” in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2014, including the following risks and uncertainties:

- the extent of changes in commodity prices and the demand for our products and services, our ability to effectively limit a portion of the adverse impact of potential changes in commodity prices through derivative financial instruments, and the potential impact of price and of producers’ access to capital on natural gas drilling, demand for our services, and the volume of NGLs and condensate extracted;
- the demand for crude oil, residue gas and NGL products;
- our ability to access the debt and equity markets and the resulting cost of capital, which will depend on general market conditions, our financial and operating results, inflation rates, interest rates, our ability to comply with the covenants in our loan agreements and our debt securities, as well as our ability to maintain our credit ratings;
- the amount of collateral we may be required to post from time to time in our transactions;
- volatility in the price of our common units;
- the level and success of drilling and quality of production volumes around our assets and our ability to connect supplies to our gathering and processing systems, as well as our residue gas and NGL infrastructure;
- our ability to hire, train, and retain qualified personnel and key management to execute our business strategy;
- general economic, market and business conditions;
- our ability to execute our risk management programs to continue the safe and reliable operation of our assets;
- new, additions to and changes in laws and regulations, particularly with regard to taxes, safety and protection of the environment, including, but not limited to, climate change legislation, regulation of over-the-counter derivatives market and entities, and hydraulic fracturing regulations, or the increased regulation of our industry, and their impact on producers and customers served by our systems;
- our ability to grow through organic growth projects, contributions from affiliates, or acquisitions, and the successful integration and future performance of such assets;
- our ability to construct and start up facilities on budget and in a timely fashion, which is partially dependent on obtaining required construction, environmental and other permits issued by federal, state and municipal governments, or agencies thereof, the availability of specialized contractors and laborers, and the price of and demand for materials;
- the creditworthiness of our customers and the counterparties to our transactions;
- weather, weather-related conditions and other natural phenomena, including, but not limited to, their potential impact on demand for the commodities we sell and the operation of company-owned and third party-owned infrastructure;
- security threats such as military campaigns, terrorist attacks, and cybersecurity breaches, against, or otherwise impacting, our facilities and systems;
- our ability to purchase propane from our suppliers and make associated profitable sales transactions for our wholesale propane logistics business;
- our ability to obtain insurance on commercially reasonable terms, if at all, as well as the adequacy of insurance to cover our losses;
- the amount of gas we gather, compress, treat, process, transport, sell and store, or the NGLs we produce, fractionate, transport and store, may be reduced if the pipelines and storage and fractionation facilities to which we deliver the

natural gas or NGLs are capacity constrained and cannot, or will not, accept the gas or NGLs; and industry changes, including the impact of consolidations, alternative energy sources, technological advances and changes in competition.

In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. The forward-looking statements in this report speak as of the filing date of this report. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

DCP MIDSTREAM PARTNERS, LP  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited)

	June 30, 2015 (Millions)	December 31, 2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$24	\$25
Accounts receivable:		
Trade, net of allowance for doubtful accounts of \$1 million	74	106
Affiliates	91	164
Inventories	39	63
Unrealized gains on derivative instruments	131	230
Other	2	2
Total current assets	361	590
Property, plant and equipment, net	3,474	3,347
Goodwill	105	154
Intangible assets, net	115	120
Investments in unconsolidated affiliates	1,485	1,459
Unrealized gains on derivative instruments	15	39
Other long-term assets	28	30
Total assets	\$5,583	\$5,739
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable:		
Trade	109	\$196
Affiliates	19	27
Current maturities of long-term debt	250	250
Unrealized losses on derivative instruments	18	43
Other	94	85
Total current liabilities	490	601
Long-term debt	2,162	2,061
Other long-term liabilities	48	51
Total liabilities	2,700	2,713
Commitments and contingent liabilities		
Equity:		
Limited partners (114,738,148 and 113,949,868 common units issued and outstanding, respectively)	2,842	2,984
General partner	18	18
Accumulated other comprehensive loss	(8	) (9
Total partners' equity	2,852	2,993
Noncontrolling interests	31	33
Total equity	2,883	3,026
Total liabilities and equity	\$5,583	\$5,739

See accompanying notes to condensed consolidated financial statements.





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

	Three Months Ended		Six Months Ended June		
	June 30,	2014	30,	2014	
	2015		2015		
	(Millions, except per unit amounts)				
Operating revenues:					
Sales of natural gas, propane, NGLs and condensate	\$ 108	\$ 206	\$ 297	\$ 577	
Sales of natural gas, propane, NGLs and condensate to affiliates	244	548	525	1,190	
Transportation, processing and other	59	55	115	106	
Transportation, processing and other to affiliates	25	25	48	57	
Losses from commodity derivative activity, net	(5	) (11	) —	(14	)
(Losses) gains from commodity derivative activity, net — affiliates	(1	) (11	) 13	(23	)
Total operating revenues	430	812	998	1,893	
Operating costs and expenses:					
Purchases of natural gas, propane and NGLs	277	622	644	1,407	
Purchases of natural gas, propane and NGLs from affiliates	29	54	64	154	
Operating and maintenance expense	51	56	98	101	
Depreciation and amortization expense	29	28	58	54	
General and administrative expense	3	3	6	8	
General and administrative expense — affiliates	19	12	37	23	
Goodwill impairment	49	—	49	—	
Other expense	1	—	1	1	
Total operating costs and expenses	458	775	957	1,748	
Operating (loss) income	(28	) 37	41	145	
Interest expense	(22	) (23	) (44	) (42	)
Earnings from unconsolidated affiliates	44	16	67	19	
(Loss) income before income taxes	(6	) 30	64	122	
Income tax benefit (expense)	4	(1	) 3	(4	)
Net (loss) income	(2	) 29	67	118	
Net income attributable to noncontrolling interests	—	—	—	(10	)
Net (loss) income attributable to partners	(2	) 29	67	108	
Net income attributable to predecessor operations	—	—	—	(6	)
General partner's interest in net income	(31	) (27	) (62	) (53	)
Net (loss) income allocable to limited partners	\$(33	) \$2	\$5	\$49	
Net (loss) income per limited partner unit — basic and diluted	\$(0.29	) \$0.02	\$0.04	\$0.49	
Weighted-average limited partner units outstanding — basic and diluted	114.7	108.4	114.5	100.9	

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(Millions)			
Net (loss) income	\$(2	) \$29	\$67	\$118
Other comprehensive income:				
Reclassification of cash flow hedge losses into earnings	—	—	1	2
Total other comprehensive income	—	—	1	2
Total comprehensive (loss) income	(2	) 29	68	120
Total comprehensive income attributable to noncontrolling interests	—	—	—	(10
Total comprehensive (loss) income attributable to partners	\$(2	) \$29	\$68	\$110
See accompanying notes to condensed consolidated financial statements.				

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

	Six Months Ended June 30,	
	2015	2014
	(Millions)	
<b>OPERATING ACTIVITIES:</b>		
Net income	\$67	\$118
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	58	54
Earnings from unconsolidated affiliates	(67	) (19
Distributions from unconsolidated affiliates	87	40
Net unrealized losses on derivative instruments	98	43
Goodwill impairment	49	—
Other, net	2	7
Change in operating assets and liabilities, which provided (used) cash, net of effects of acquisitions:		
Accounts receivable	102	26
Inventories	24	35
Accounts payable	(86	) (19
Accrued interest	—	9
Other current assets and liabilities	12	7
Other long-term assets and liabilities	4	(1
Net cash provided by operating activities	350	300
<b>INVESTING ACTIVITIES:</b>		
Capital expenditures	(194	) (151