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PRESENTATION

Operator

Good day, ladies and gentlemen. Thank you for standing by, and welcome to DCP Midstream?s Second Quarter 2022 Conference Call. At this time, all participants are in a listen-only mode. After the speaker's presentation, there will be a question and answer session. (Operator Instructions.] I would now like to hand the conference over to your speaker host for today, Mike Fullman, Director of Investor Relations.

Michael Fullman - *DCP Midstream, LP - Director, Investor Relations*

Thank you, Livia, and welcome, everyone, to the DCP Midstream Second Quarter 2022 Earnings Call. Today's call is being webcast, and I encourage those listening on the phone to view the supporting slides, which are available on our website at dcpmidstream.com. Before we begin, I'd like to point out that our discussion today includes 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, and for a complete listing of risk factors, please refer to the partnership's latest SEC filings. We will also use various non-GAAP financial measures, which are reconciled to the most comparable GAAP financial measure in schedules in the appendix section of the slide. Wouter van Kapan, CEO and Sean O'Brien, CFO, will be our speakers today. And after their remarks, we'll take your questions.

With that, I'll turn the call over to Wouter.

Wouter T. van Kempen - *DCP Midstream, LP - Chairman, President & CEO of DCP Midstream GP, LLC*

Thank you, Mike, and we appreciate you all joining us. On today's call, we'll look at our Q2 financial performance and highlight the benefits and value being created through the hard work and execution of the DCP team. A little over two years ago, at the start of the COVID-19 pandemic, DCP faced a rapidly changing external environment with unprecedented demand destruction and extreme commodity pricing volatility. In response, we focused our efforts on strengthening our balance sheet and prioritizing debt reduction. We set out to build a business that delivers reliable earnings during a low cycle and that excels and outperforms through the high cycles. That said, I'm proud to announce that we delivered another record quarter for adjusted EBITDA, DCF and excess free cash flow. For the quarter, we realized adjusted EBITDA of $477 million and DCF of $369 million, and our excess free cash flow, which we define as free cash flow after paying our distributions and funding our gross capital program was $254 million.

This quarter's result, coupled with our strong Q1 performance, have generated a record start to the year as our year-to-date adjusted EBITDA is over $900 million. Our DCF is over $700 million, and our excess free cash flow is already at the midpoint of our full year guidance range, only six months into the year. This performance has enabled us to reduce our absolute debt by over $300 million, delevering at a rapid pace, going from 4.2x to 2.9x over the last 12 months. And our efforts have resulted in upgrades from Fitch to investment grade and from S&P to positive outlook.

Our investment-grade balance sheet and the earnings power of the DCP portfolio have created financial flexibility and allowed us to expand our Permian G&P business with the James Lake acquisition, announced a 10% distribution increase to return incremental capital to our unitholders. The DCP team has accomplished a lot over the last six months as our performance has surpassed our original expectations, and we have great momentum going into the second half of the year. This strong start and our outlook for the rest of 2022 will result in us significantly exceeding the high end of our full year guidance for adjusted EBITDA and DCF.

Before we dive into detailed financial results and review our second half outlook, I'd like to take some time to discuss our third annual sustainability report and the progress that we've made on our ESG efforts. On Monday, we released our annual sustainability report titled fundamentally sustainable. And on Slide 4, you'll see some of the highlights from that report. As a reminder, at this time last year, we announced a number of environmental and social goals aimed at proactively meeting the needs of our employees, our customers, our investors and our communities. We're proud to announce significant progress towards these goals with an 8% reduction in Scope 1 and Scope 2 emissions in 2021, bringing us to a total 23% reduction in 2018.

Additionally, on the environmental front, we've accomplished an 80% reduction in volume of hydrocarbon spills and we continue to be recognized as a leader among our peers with our sixth Environmental Excellence Award from the GPA Midstream Association. The report also details our progress on inclusion and diversity outcomes, including improvements in our employee satisfaction and employee belonging scores, which increased in the last year by four points and six points, respectively. Our goal here is to maintain scores above the industry benchmark. And not only have we continued to meet this goal, but we've seen significant improvement, reporting an employee satisfaction score of 80%; 7% above benchmark and an employee belonging score of 81%; 8% above the industry benchmark. These increases are especially impressive as they were achieved while facing headwinds such as COVID and the great resignation.

And while we're proud of the work being done internally at DCP, we're also committed to sustainability, transparency and standardization. This year's report includes initial alignment with the recommendations of the task force on climate-related financial disclosures, or TCFD. It provides enhanced description of some internal management practices around sustainability and climate-related risks and opportunities. And this alignment drives transparency for our investors and supports long-term accountability. I'm proud that our team continues to make progress on those three strategic horizons of our comprehensive energy transition plan. While we actively clean the core, we also have resources dedicated to advancing adjacent to the core initiatives like carbon capture and electrification. And we're looking beyond the core to ensure we're on track in meeting our long-term ESG goals. I encourage you to access the full report on our website, and I look forward to a continued conversation.

And with that, I'll turn it over to Sean to give us further insight into our financial results.

Sean P. O'Brien - *DCP Midstream, LP - Group VP & CFO of DCP Midstream GP, LLC*

Thanks, Wouter. On Slide 5, I'll walk you through the key drivers that led to our strong second quarter performance, with DCF up nearly 10% versus last year and 64% versus Q2 2021 and adjusted EBITDA up 9% versus last quarter and 43% versus Q2 2021. Our second quarter earnings were driven by the strength of our G&P business, which significantly outperformed Q1s margin by $93 million. This increase was driven by excellent operating performance as our team utilized our integrated collaboration center to run assets extremely well and maximize the value of every molecule entering the system. Our balanced fee and hedge position allowed us to leverage the full earnings potential of our G&P assets in this strong commodity environment.

For the quarter, we also saw increased volumes in all regions as we recovered from the weather in Q1, it saw an uptick in activity throughout the portfolio. In the DJ Basin, we realized modest growth of 2%, which provided incremental supply to our downstream assets. In the Mid-Continent, we've been able to successfully offset base volume declines and realized 5% volume growth versus the first quarter. This region is benefiting from smaller independent producers ramping up activity and reworking existing legacy wells. In the South, we saw a 26% uptick as we captured increasing lean gas from the Haynesville and Eagle Ford and saw growth in the Permian that was driven by accelerated activity from key Delaware Basin customers. Our increased G&P volumes, along with increased third-party ethane recovery and growth in the Permian drove higher volumes on

Southern Hills and Sand Hills, which partially offset the decline in earnings from our gas storage business. During the quarter, as previously guided, we did realize an increase in cost and sustaining capital compared to our first quarter results. However, both were in line with expectations.

In addition, we were able to continue our absolute debt reduction, eliminating over $200 million during the quarter and over $300 million year-to-date. This left us exiting the quarter with leverage at 2.9x, nearly a half turn improvement from the 3.3x we reported exiting Q1. As a result, our balance sheet was further reinforced by an investment-grade rating from Fitch and S&P revised our outlook to positive.

On Slide 6, looking ahead to the second half, we're forecasting continued volume growth in the Permian and DJ keeping us on track to meet our growth targets for the year. We've seen a recent uptick in permitting approvals in the DJ, which will benefit us in the second half of the year and provide a good line of sight to 2023 volumes. And we are confident we will see improved asset performance and volume growth in our West Texas business as we expand our Midland Basin gathering system and add the recently closed James Lake acquisition to the portfolio. On the pipelines, our Southern Hills outlook remains strong, driven by our DJ and MidCon G&P business. And on Sand Hills, we're optimistic that we will continue to see some level of ethane recovery from third-party customers and are positioned to participate in overall growth in the Permian. During the second half, cost and capital spend will increase as we ramp up planned maintenance and investments in our assets. However, our first half results have us on track to meet our full year commitments as we work to manage through the inflationary environment and supply chain constraints that we will expect to persist through the second half of this year and into 2023.

With our record first half and our positive outlook for the second half, we are on track to deliver earnings that will significantly exceed the high end of our adjusted EBITDA and DCF guidance ranges. Given the extreme volatility we've seen across all three commodities, the pricing outlook for the second half of the year continues to shift daily. Year-to-date, we've already banked pricing uplift of $150 million. And using the midpoint of our guidance and the current forward curve, we would expect to have full year upside to adjusted EBITDA of about $300 million. To help you with our outlook during this period of volatility for every 10% move up or down in the commodity, there would be a $50 million impact over the second half of the year. Our business is performing well, and we're controlling what we can control, which allows us to fully maximize the earnings power of the DCP portfolio during this high cycle.

Now I'll pass it back to Wouter for an update on our capital allocation priorities.

Wouter T. van Kempen - *DCP Midstream, LP - Chairman, President & CEO of DCP Midstream GP, LLC*

Thanks, Sean. As we exit Q2, our performance has resulted in the generation of over $0.5 billion of excess free cash flow. And I'm proud to say DCP is once again an investment-grade company. We made the commitment to strengthen our balance sheet and our hard work and focus have paid off. With leverage at 2.9x, which is well below our 2022 annual guidance, we've executed on several items within our capital allocation plan. First, we reduced absolute debt by over $300 million. Second, we announced a distribution increase of 10% to immediately return incremental cash to investors. And lastly, we have committed additional capital to expand our Permian Basin G&P business via the James Lake acquisition.

Going forward, our expectation is to continue to pay down debt and use the strong commodity environment to fortify the balance sheet, but we're also in a position to shift priorities and commit incremental capital to strategically grow our business or optimize our capital structure through targeted retirements or repurchases. When we talk about growing and investing in our business, the James Lake acquisition is a great example of the type of opportunity that fits within DCP's strategy, which brings me to Slide 8. Previously, I outlined our vision to create a wellhead-to-water gas and NGL network and a key component to achieving that is aggregating incremental wellhead and NGL supply. So, we were excited to announce our acquisition of the James Lake system. The deal just closed on August 1 for $160 million at an attractive 5.5x 2023 EBITDA multiple. The purchase includes 120 million a day processing facility along with 230 miles of gathering pipeline and approximately 250,000 dedicated acres from a diverse customer base that includes investment-grade public companies and pure-play Permian operators. The geography of these assets is complementary to our existing footprint with connectivity to our Sand Hills NGL pipeline and the new plant sitting only three miles from our Goldsmith facility.

This acquisition also enhances our gathering footprint by adding newer, large diameter pipeline that provides strategic reach into the Southern Delaware Basin and greater connectivity in the Midland Basin. In the near term, we've secured incremental NGL supply and added capacity in the Permian that will improve reliability while benefiting our customers and positioning DCP for growth. And in the long term, we will leverage our DCP 2.0 operating model to drive additional efficiencies and provide capital deployment optionality. All of this sets up well for us to realize operational and commercial synergies, which we expect to improve earnings and ultimately drive down that 5.5x multiple. Overall, we're excited to have expanded our portfolio through the strategic growth acquisition. More to come. But for now, we'd like to welcome the James Lake team to DCP and look forward to successful operations together.

Moving to Slide 9. Let me review some key takeaways. It's been an impressive first half, and I am very proud of what the team has accomplished. Creating a strong balance sheet has been a priority for DCP, and we now have one. We've accomplished this by paying down over $300 million in absolute debt so far this year, which has us exiting Q2 at 2.9x leverage. With this improved financial strength, we've been able to further execute on our capital allocation plan, announcing a 10% distribution raise and investing in growing our Permian footprint through the acquisition of the James Lake system. In the second half, we'll manage throw continued inflationary pressures, supply chain constraints and commodity volatility. But the outlook for the company remains very, very strong with favorable supply forecasts from our customers and commodity pricing benefiting us through the second half of the year. We're confident in our ability to close the year strong and deliver record results that will significantly exceed the high end of our adjusted EBITDA and DCF guidance ranges.

And with that, I look forward to taking your questions. Livia?

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions.] And our first question coming from the line of Michael Blum with Wells Fargo.

Michael Jacob Blum - *Wells Fargo Securities, LLC, Research Division - MD and Senior Analyst*

I wanted to maybe just talk a little bit about M&A. So, you've done this James Lake acquisition, but just wanted to get your thoughts on do you have an appetite for continued either bolt-ons or I could look at the company now and say, arguably never been in a better position, better shape. The industry is ripe for consolidation. Is there any possibility of doing something more transformative right now?

Wouter T. van Kempen - *DCP Midstream, LP - Chairman, President & CEO of DCP Midstream GP, LLC*

Yes, Michael, this is Wouter. Thanks for the comment about the company being in probably a great position, never better. I do agree that the outlook is really good, like the balance sheet looks good. And I think the company -- all the people within DCP did a tremendous job over the last couple of years to really set up the company well for an environment like this.

I think in general, I'm like, M&A activity is clearly ramping up pretty significantly. If you just look to the last 18 months alone, we've seen more deal activity than the four years prior to that combined. I think multiples are getting in a little bit better place. And like you're seeing 6x to 8x. For us, for James Lake, 5.5x to 8x kind of multiple. So, I think that will be -- definitely makes things a little bit more interesting. I think the privates arethe PEs are exiting. You have some motivated sellers, you've got people with better balance sheets like us. So, I think in general, what we would say is, yes, you know, if there's an opportunity for us to do something that makes a lot of sense, either via a smaller transaction or something that may be a little bit larger. We're definitely looking at it. We think there is some opportunity to do things in this environment. At the same time, we're going to be super, super disciplined. We have, I think, you know from us that we're fairly disciplined when it comes to new build, when it comes to M&A. And from that point of view, we're going to stay very disciplined. But we'll take a look at anything that comes by and if it makes sense, we may or may not take a run at it.

Michael Jacob Blum - *Wells Fargo Securities, LLC, Research Division - MD and Senior Analyst*

Great. Second question I had was maybe this is a technical question, but just curious why you're not just raising the guidance outright. Is there something holding you back? Are you less confident in the outlook? I'm just trying to understand that.

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Wouter T. van Kempen - *DCP Midstream, LP - Chairman, President & CEO of DCP Midstream GP, LLC*

Yes. We're very confident about the outlook. And like I think we've used the word significantly multiple times, correct? Like we give you some pretty detailed insight. I think it's just -- Michael, it's a matter of style, I'm like, people -- there are some companies, they like to raise it quarters or other stuff. I'm like -- we just don't do that. We feel we lay out one scenario at the beginning of the year. We give you all of the ins and outs, all the commodity scenarios, volume scenarios, other stuff. And then we just say, hey, this is what we're seeing. This is how we are, in this case, where we sit for the year so far. How much we, for instance, think about pricing, what the upside is, what other upsides are. We give you some insights on, hey, we believe cost is going to move this way. Inflation is going to move a different way. And it's -- I think -- definitely don't read anything into it. I think what you should read into our comments today is that we are very, very comfortable around how things are going, how the balance sheet is going, our debt reduction is going. Our capital allocation, you've seen us pull a number of levers. But at the same time, price is out of our control. We just aren't the type of people who say every quarter, we're going to move things up or down. So that's, I think, how you should think about it. Definitely don't read anything into it.

Sean P. O'Brien - *DCP Midstream, LP - Group VP & CFO of DCP Midstream GP, LLC*

Yes, Michael, and maybe -- this is Sean. To add a few things around the non-pricing portion of the business, we're performing very well. I think even halfway through the year, obviously, price has been very constructive, but we've seen really good results out of the G&P side of the business. We've seen great results out of some of our L&M business. As I said in some of my remarks, we anticipate costs, even though they're more back-end loaded because of a lot of the turnarounds and the maintenance work that's happening in the second half, we expect to be right in line with what we would have thought coming into the year.

So, the company on the things that we control is doing very, very well. We tried to give you a little bit of a road map in terms of second half of the year that it could be really, really strong but pricing has moved around so much. So, there is a pretty big variable than the last eight weeks has gone up and down a couple of different times. We were trying to represent that. But I think we're set up incredibly well. We -- as you heard Wouter say, we're very confident we're going to have a -- we are having a record year, and we're going to close strong. So, I would not read anything into that. And I think the second half is going to be pretty strong.

Operator

One moment for our next question. Our next question coming from the line of Marc Solecitto with Barclays.

Marc Joseph Solecitto - *Barclays Bank PLC, Research Division - Research Analyst*

Maybe just to start on Guadalupe. I was wondering if you can maybe update us on your un-hedged or open capacity outlook for the remainder of this year and next? And then also curious your expectations for Waha basis over the next 12 months or so and whether that could offer upside to your third-party ethane recovery assumptions? Or conversely, if you think that maybe tempers the growth profile in the basin until additional takeaway comes on next year or second half of next year? Just appreciate any color there.

Sean P. O'Brien - *DCP Midstream, LP - Group VP & CFO of DCP Midstream GP, LLC*

Yes, Marc, around Guadalupe, we are fairly well hedged this year. The -- I mean the nice benefit of having that team in Houston that markets product, which I think sets us apart, is they obviously are optimizing. But we are fairly hedged. Some of the -- we typically go into the -- on Guadalupe, our view is the current year, maybe two years out, we try and stay, keep the majority of it hedged and coming out of Uri we layered on some physical contracts at what I think are very good rates. But it leaves us to a little bit of upside. The team obviously is optimizing that around the basis spread there. It's something we've done forever, but we have taken advantage over the last few years of a really strong environment and tried to lock in more of an annuity there.

In terms of upside on the spread, I don't think we have a ton of that baked in. I do think you're -- at the end of the day, there have been some periods where we've seen some volatility there that we have been able to take advantage of. But as far as our forecast is going through the rest of the year, we don't have that baked in. It could be a potential upside for us, to your point until additional infrastructure comes into play.

Marc Joseph Solecitto - *Barclays Bank PLC, Research Division - Research Analyst*

Got it. Appreciate the color there. And then just on capital allocation. I appreciate the updated commentary. I just wanted to clarify. I think you referenced some sort of framework between like debt repayment and share repurchases. Just wondering if you could elaborate on that a bit in terms of how you're thinking about the balance between both and what that framework could look like.

Wouter T. van Kempen - *DCP Midstream, LP - Chairman, President & CEO of DCP Midstream GP, LLC*

Yes. Maybe I kind of take it a little bit from the top, Marc, and talk about just capital allocation in general and then Sean can jump in as well. I think we've been very transparent with people since basically the start of COVID that we want to do, An all of the above approach,? but that the key focus is on the balance sheet. Obviously, you saw us come in with leverage at 2.9x, and leverage is coming down very, very rapidly. We were 12 months ago, we were at 4.2. So, having a 1.3 turn reduction in just 12 months is pretty amazing.

We like the fact that obviously, Fitch gave us a positive upgrade and we're eagerly awaiting S&P and Moody's to do the same. And then you saw this quarter, or last quarter in July, you saw us getting to 10% distribution rate. So that is something that we're going to continue to look at on an annual basis. We'll look at distribution. You saw us use some of the excess free cash flow for strategic growth. That's the James Lake acquisition. So now the question is, okay, what are we doing next? We want to have an ironclad balance sheet. And like this is a time to fortify the balance sheet to get it right. We're in a high price environment. So, we believe in a high price environment, you need to be at 2.5-ish. So, that means we need to do probably about half another turn or so of debt reduction and leverage reduction. We think that is going to happen here, hopefully, over the next couple of quarters. And then what we have after that is a lot of optionality. Additional distribution continue to pay down debt strategic growth, and you may do something around the common or the preferreds.

Sean P. O'Brien - *DCP Midstream, LP - Group VP & CFO of DCP Midstream GP, LLC*

Yes, maybe a couple of things, Marc, to add. We have -- obviously, Wouter laid out very well the improvements in the balance sheet. At some point, our goal is we know we're in the high cycle. You heard Wouter talk about trying to get to that 2.5x. Obviously, we run various scenarios. And the thing that I'm really proud of is the company, you could cut commodity in half and the company is still going to be investment grade in terms of our metrics. So that makes me feel really good. That also gives us a lot of that optionality.

The only thing I would add is that we do have our pref As become callable at the end of this year in mid-December. And that we're going to look at some high-cost instruments and strategically look in the future because the company is generating a significant amount of excess free cash flow. We'll look at things that make sense from a retirement and a buyback. So, we definitely have some of those in our forward modeling, but it's just a really great place to be when you're holding investment-grade metrics even in some really tough cases. So, I'm excited, and I think you'll continue to see us optimize that cash and put it to work.

Operator

And our next question coming from the line of James Carreker with U.S. Capital Advisers.

James Eugene Carreker - *U.S. Capital Advisors LLC, Research Division - Executive Director*

Thanks for the question. Thinking a little bit bigger picture, I appreciate the comments about growing volumes in the back half of the year and the strong performance. When I look at Slide 14 in your presentation, the utilization rates for a lot of your assets are kind of bumping up kind of against

100%. So, I guess what does it take to kind of get you guys comfortable expanding some of these things that are potentially running out of additional running room and I'm thinking in particular maybe about Sand Hills, Southern Hills or some of the DJ Basin capacity.

Wouter T. van Kempen - *DCP Midstream, LP - Chairman, President & CEO of DCP Midstream GP, LLC*

Yes, James, it's Wouter. Why don't I take that one. I think you're right. We run high utilization and that is something we like, that is something we're proud of. You might remember, we've been talking for a couple of years now about our strategy of being supply long and capacity short because there are still places and pockets in different areas of the country where there is significant excess capacity. So, we kind of like to use that. If you think about the gathering and the processing side of the house, the DJ and the Permian and like we're offloading in both. So, we're using someone else's plants -- we're doing that while we have capital avoidance from our side, we clip a coupon over and above of what we are sending to people from a G&P point of view. And then on top of that, we're making money on the NGLs because they come into Sand Hills, and we make it -- like, for instance, in the DJ Basin, the residue gas goes into the pipeline systems that we are owners of as well.

So, we continue really to like that strategy, where we can do it. The most recent offload that we did in the DJ Basin is almost pretty much maximized. So that's pretty interesting. We have spoken about both the DJ and the Permian around, hey, do you need to put new capacity in over time. We're looking at that. We do have a permit here in Colorado. And in Colorado permits are really, really important, and they have some big strategic value because it's very difficult to get permits here. So, if the producers continue to grow, we're going to grow with our producers and you will potentially see us do something here. The same for the Permian. The good thing is we acquired some open capacity with James Lake. So, we hope to fill that up fairly quickly as well.

And then when you go to the marketing and logistics side of the house, you talk about Sand Hills and Southern Hills. Southern Hills, we run pretty high capacity to your point. We have an opportunity to expand that to kind of -- I think it's around 230,000 barrels a day. So, it's about 30,000, 35,000 barrels from where we are today. That's a relatively low-cost expansion. If we feel the need to do that, we will absolutely do that. And that's an option that we have.

And then as it pertains to Sand Hills in the Permian Basin, running pretty high there as well. A number of years we spoke ago, we spoke about there's a potential to loop that system. That system or that optionality is still there for us. And if that is something that makes sense, we will look at it. But we will always come back to being we're not going to do a build it and they will come. We will always be capital efficient, and we like to be just in time. So hopefully, that gives you a little bit of color, James.

James Eugene Carreker - *U.S. Capital Advisors LLC, Research Division - Executive Director*

Yes, that's all very helpful. And then maybe as a second question, just around some of the South volumes in your G&P have been kind of up and down for the last year, so a big increase this quarter. Just any additional color on what's going on there? Does it move the margin? Is it relatively low-margin additions? Or any other color would be great.

Sean P. O'Brien - *DCP Midstream, LP - Group VP & CFO of DCP Midstream GP, LLC*

Yes. Thanks, James. A couple of things. The down we spoke of early in the year as some contracts rolled, and we anticipated that, and I think we tried to show -- be very transparent on that. What you're referring to, and it's terrific with the gas prices, we're seeing some pretty strong volume growth in areas like the Haynesville, the Eagle Ford and things of that nature. Having said that, those are lower margin. Those -- you heard Wouter just talk about areas that have significant contracts or overcapacity, and that's still in a -- these are still areas that have a fair amount of capacity, but they're lower volume, lower margin type -- I mean, lower margin type contracts, but we'll take them. We like seeing the capacity utilization rates go up. And it's a trend that coming into the year, we talked about flat to slightly down in some of these areas, and we're seeing really good growth.

The thing I would add, G&P had a terrific Q2. Some of that was driven by this, but to a larger degree, it was areas like the Permian and the DJ, where our returns are very strong, and we were able to optimize, I mentioned some of that in my talking points. They drove more of the increase, but we'll take areas that are showing that we did anticipate volume growth even if it's relatively low margin.

Operator

[Operator Instructions.] Our next question coming from the line of Gabriel Moreen with Mizuho Group.

Gabriel Philip Moreen - *Mizuho Securities USA LLC, Research Division - MD*

Most every of my questions have been asked, but I wanted to ask a little bit on costs. Can you just talk about maybe where you're seeing most pressures? And I'm just interested in kind of what you think is maybe structural versus cyclical here in terms of kind of your cost outlook?

Sean P. O'Brien - *DCP Midstream, LP - Group VP & CFO of DCP Midstream GP, LLC*

Yes. Gabe, costs year-to-date, and I alluded to it, have been very -- been in line, actually a little bit lower. And we're talking about a lot of the work happening in the second half of the year. And really, what we're seeing is things like outside services, contractors, those rates are going up just like everyone else is seeing. Some of the commodities have been up and down, things like [lube oil] and chemicals that correlate fairly well with high commodity prices. But we've done -- the team has done a pretty good job of managing our supply chain team of trying to get some of those rates locked in. But in the second half, I think what you're going to see is it's taken a while. It's been an interesting thing to get work done, and I think others are seeing this as well, right? There's -- it's been harder to get -- people have a lot of work that needs to be done, but it's just taken a little while to get things up and going even on the growth capital front. So that's kind of kept costs in check. Obviously, when you are doing work because of some of the things I mentioned, you're seeing higher costs.

In terms of how long do these things stay with us, are they cyclical? I definitely think we're going to see it through the second half of the year. We do have a lot of work that needs to be done around the assets that we planned, again, team doing what they can to make sure that they keep those costs in line. And we're kind of keeping an eye on the second half of the year. Obviously, we'll give you more color around '23 next year. But right now, our thought process is that some of this carries for sure into 2023. If I knew exactly when it was going to end, that would be terrific, but I don't. But the key is we have a very good track record of managing costs at DCP, and I would expect that to continue.

Wouter T. van Kempen - *DCP Midstream, LP - Chairman, President & CEO of DCP Midstream GP, LLC*

Yes. And maybe just a couple of small things to add there, in general, Gabe, as you know, inflation tends to not be variable for a commodity-based business like ours. So, there's definitely a lot of benefits that we get from overall inflation. Yes, there are items where we have additional costs, but we do have an opportunity to make that up either by the commodity or the other thing, for instance, is we have rate escalators in our logistics and marketing business, and those rate escalators are fairly significant, and that is something that will kind of be with us for a long time. So that's -- those are a couple of good offsets on the other side.

Operator

Thank you. And I will now turn the call back over to Mike Fullman for closing remarks.

Michael Fullman - *DCP Midstream, LP - Director, Investor Relations*

Thank you all for joining us today. And if you have any other questions, please feel free to reach out. Thank you.

Operator

Ladies and gentlemen, that does conclude our conference for today. Thank you for your participation. You may now disconnect.