

THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

DPM - Q2 2015 DCP Midstream Partners LP Earnings Call

EVENT DATE/TIME: AUGUST 06, 2015 / 2:00PM GMT



CORPORATE PARTICIPANTS

Andrea Attel *DCP Midstream Partners, LP - Director of IR*

Wouter van Kempen *DCP Midstream, LLC & DCP Midstream Partners, LP - Chairman & CEO*

Sean O'Brien *DCP Midstream, LLC & DCP Midstream Partners, LP - CFO*

CONFERENCE CALL PARTICIPANTS

Faisal Khan *Citigroup - Analyst*

Shneur Gershuni *UBS - Analyst*

Helen Ryoo *Barclays Capital - Analyst*

Selman Akyol *Stifel Nicolaus - Analyst*

Jeff Birnbaum *Wunderlich Securities, Inc. - Analyst*

James Carreker *USCA Securities LLC - Analyst*

Becca Followill *USCA Securities LLC - Analyst*

Derek Walker *BofA Merrill Lynch - Analyst*

Chris Sighinolfi *Jefferies LLC - Analyst*

PRESENTATION

Operator

Good day ladies and gentlemen, and welcome to the DCP Midstream Partners' second quarter 2015 earnings call.

(Operator Instructions)

As a reminder this conference is being recorded. I'd now like to introduce your host for today's conference Ms. Andrea Attel. Ma'am, please begin.

Andrea Attel - *DCP Midstream Partners, LP - Director of IR*

Thank you, Liz. Good morning everyone and welcome to the DCP Midstream Partners' second quarter 2015 earnings call. Today you'll hear from Wouter van Kempen, Chairman and CEO of both DCP Midstream and the Partnership; and Sean O'Brien, CFO of both companies. This call is being webcast and the slides are available on our website at dcppartners.com.

Our discussion today may include forward-looking statements. Actual results may differ due to certain factors that affect our business. Please review the second slide in the deck that describes forward-looking statements. For a complete listing of the risk factors, please refer to the Partnership's most recently filed 10-K and 10-Q. We will also use various non-GAAP measures which are reconciled to the nearest GAAP measure in the schedule in the appendix section of the earnings slides. Now I will turn the call over to Wouter.

Wouter van Kempen - *DCP Midstream, LLC & DCP Midstream Partners, LP - Chairman & CEO*

Thanks Andrea and good morning everyone. Thanks for joining us. On today's call Sean and I will talk about what I believe was a great quarter for DPM and towards the production how we are executing on our long term strategy. So first, I will jump right into the earnings. Against the backdrop lower commodity prices and reduced drilling activity that's affecting the entire industry we reported another successful quarter, strong EBITDA and volume growth stemming from a geographically diverse asset base.



In the second quarter 2015 we reported adjusted EBITDA of \$150 million up 36% and we generated DCF of \$141 million up 52% from 2014 resulting in a distribution coverage ratio of 1.17 for the quarter marking the strongest second quarter coverage ratio in our ten year history. These strong results were driven by a diversified asset portfolio and by fee-based growth from the start up of Keathley Canyon in the first quarter and a continued ramp up of our NGL pipeline. And we are executing on our growth projects which also support a distributable cash flow.

Our Lucerne 2 Plant in the DJ Basin came online at the end of the June and our Sand Hills laterals are either in service or in the process of starting up. So, let's move on to slide 4, during the second quarter we announced the distribution of \$0.78 which is flat to last quarter and up 3% over the second quarter of 2014. If you can take a look at our distribution history, you will appreciate we have never made a cut. Our goal is sustainable distribution which means that once it's announced our intention is to maintain it and ultimately grow it overtime.

And we are very proud of that record of sustainable value. On watching the current environment closely and with continued low commodity prices and uncertainty around drilling we feel that it's prudent to hold our distribution flat at \$3.12 per unit annualized. Again RI is making financial decision in the near term that will be sustainable in the long term.

Now let's move on to our growth project on slide 5. With many of our larger projects complete, much of our capital forecast was frontend loaded during the first half of the year. Through June we have completed approximately \$225 million of a \$300 million of growth forecast. Our 2015 capital projects include several predominantly fee based projects many of which are now in service and contributing to DCF and several are near completion.

So let's begin with our gas service segment. In the DJ basin our Lucerne 2 Plant was placed into service on time and on budget in the second quarter. Volumes are quickly ramping up from the pent up demand in the Wattenberg Field. The plant is averaging about 50% utilization in its first month and under the terms of the processing agreement fees for DPM ticked in at the end of July. Also on the DJ construction is underway on our 100% fee based \$57 million Grand Parkway gathering project. This project is progressing nicely and we are on track to meet the year end in service.

Now let's move over to our NGL logistic segment. First, Sand Hills lateral expansions, the Red Bluff Lake project which connects Sands Hills to its third party plants in the Delaware area of the Permian went into service at the end of the second quarter and is already moving volumes. Now, Lea County lateral connects DCP Midstream Zia II plant in South Eastern Mexico to Sands Hills in West Texas and this expansion has been filled up and I expect to move volumes this week.

You may remember Zia II is a great addition into DCP Midstream's portfolio in the Permian. So, 200 million a day power gas plant and DCP Midstream is the largest power gas processor in the Permian basin. This plant will significantly increase the DCP enterprise gathering and processing capacity in the area and improve overall system reliability and I am very pleased to report that the plant has started up and are selling gas and producing liquids.

And as we mentioned last quarter we are into the process of expanding capacity on Sands Hills which now stands at 250,000 barrels per day up 25% from our initial 200,000 barrels per day capacity. And we did that just by managing hydraulics and pressure flows in the pipeline. And we are not done yet, work is underway to install additional pump station first of which will add about 30,000 barrels per day of capacity and is targeted to come online in the middle of 2016. We are also actively looking at when to install the remaining five pump stations to take Sands Hills to its full 350,000 barrel per day capacity. So it's pretty exciting developments here.

And lastly in East Texas the Panola NGL pipeline expansion project is underway and this project includes the installation of an additional 60 miles of pipe and will increase capacity by 50,000 barrels per day. Again all of these are great fee based growth projects. While our industry remains in challenging commodity environment, we continue to see organic growth opportunities around our footprint at good materialized depending on producer activity.

For example, with Lucerne 2 ramping up we are currently working closely with producers to evaluate the need and timing of the next plant in the DJ basin. With the great long-term outlook for the basin we are seeing the need for additional processing capacity which will also drive higher throughput volumes on our gathering system and our front range NGL pipeline. All of these would add to DPM's fee based margins.



Next on slide 6, I will provide an operational update on our three segments. We feel our adverse geographic footprint as a strong positive as it provides us with access to multiple resource place, on track guides and customers. The natural gas service segment, the fee based Keathley Canyon connector went into service in Q1 averaging about 80% utilization during the second quarter and today is approaching its 440 million a day gathering capacity and the DJ basin continues to be a great story for setting new volume records.

We set new volume records in five past seven months which is keeping the O'Connor and Lucerne 1 plants full and is contributing to the great ramp-up of Lucerne 2. And if you listen to our DJ producers earnings call, multiple have reference significantly lower fuel pressure with Lucerne 2 plant coming on line. This is a very strong benefit to our producers driving greater reliability, higher volumes, increased profitability and operational efficiency all making the Wattenberg Field even more competitive for future capital and volume growth.

Next the Eagle Ford system it continues to another great area for us due to the economic cost of drilling and location relatively to the Mont Belvieu markets. Our Eagle Ford system volumes are made up of both legacy South Central Texas volumes and the Eagle Ford Shale volumes. And this is an important distinction when analyzing how our volumes effect our overall margins. Our higher margin Eagle Ford shale volumes are up compared to the second quarter of 2014.

These higher Eagle Ford shale volumes are offsetting declines in the lower margin legacy South Central Texas area. Additionally last year we saw some one time interruptible volumes come our way due to the King Ranch gas plant fire. Lastly, in East Texas throughput volumes remain strong we are expecting some growth from current volume rates. In the NGL logistics segment, volumes are up 81,000 barrels per day or 46% from the second quarter of last year. The volume ramp up of Sands Hills Front Range pipeline big contributor to that increase.

Sands Hills volumes are up 75% from the second quarter of 2014 and average approximately 85% with current 250,000 barrels per day capacity and volumes from the Front Range pipeline servicing our DJ production have more than doubled from the second quarter of 2014 and are expected to grow further with the start-up and ramp-up of Lucerne 2.

Finally, our wholesale propane segment had a good quarter as well with conversion of Chesapeake terminal from propane imports to butane exports we have been actively loading ships at the facility for butane exports making for a great fee based revenue stream for DPM.

In summary, all of our business segments are doing well and if look ahead we can expect to continue to feel newly constructed capacity across our systems. Building on our strong footprint and growing fee based assets located in the core areas of the key base. And with that I will turn over to Sean to review the financials.

Sean O'Brien - DCP Midstream, LLC & DCP Midstream Partners, LP - CFO

Thanks Wouter. Good morning. I appreciate everyone taking the time to join us today. On slide 7, I'll discuss our second quarter 2015 results. Building off of Wouter's earlier comment despite this difficult period for the industry with extended low commodity prices, the partnership delivered strong second quarter result continuing our track record of delivering on our commitments.

Adjusted EBITDA was up \$40 million or 36% to \$150 million, this increase was driven largely by solid execution on organic opportunities resulting in strong results in each of our business segments which was partially offset by higher G&A expenses as a result of an increase in the annual fee under our services agreement. We generated \$141 million of DCF during the quarter delivering our strongest second quarter coverage ratio ever at 1.17 times.

DCF is up 52% from the second quarter of 2014 driven by the strong cash flow from our portfolio, lower maintenance capital and from strong execution on cost controls. Now I will spend a moment on each of our business segment. In our natural gas services segment adjusted EBITDA of \$124 million was up 29% from the second quarter of 2014 driven largely by the completion of Keathley Canyon in the first quarter, the positive impact of commodities hedges which reduced the effects of lower commodities prices and higher value product mix associated with our efforts and higher condensate.



Now focusing on our NGL logistics segment. Adjusted EBITDA was up \$11 million or 34% to \$43 million driven largely by growth from the ramp-up of Sands Hills and front range NGL pipeline partially offset by maintenance cost at NGL storage facility. And finally, in our wholesale propane segment adjusted EBITDA of \$4 million was up \$6 million primarily due to higher unit margins and higher fees from converting out Chesapeake facility to a butane export terminal.

Now moving on to slide 8, I will recap our financial position at the end of the quarter. Despite the uncertain environment we continue to maintain strong liquidity and credit metrics. DPM's average cost of debt was 3.7% and we have ample liquidity of \$1.15 billion available under our credit facility. The partnership has solid leverage in coverage metrics with debt to EBITDA at the end of the quarter of 3.1 times on the low end of our target range and the lowest has been since 2007.

And as mentioned earlier our coverage ratio was 1.17 times for the second and 1.14 times for the trailing 12 months well within our target range. So, DPM's balance sheet continues to be strong providing the DCP Enterprise a solid platform for growth. And now as it pertains to DCP Midstream, the owner of our GP we are confident that our owners will execute on their strategy to strengthen the balance sheet of DCP Midstream and allow those assets to continue to deliver long term value from the premium portfolio positions.

And as this quarter shows regarding DPM as our track record is demonstrated we firmly believe that the partnership diversified and growing fee-based revenue stream supports our DCF targets and we will continue to have sufficient access to capital to fund our growth even in the current challenging industry environment as we look out into 2016.

Now moving to slide 9, I'll hit some highlights and developments regarding our margin portfolio and commodity sensitivity. We manage our commodity sensitivities on a portfolio basis with the multi-year hedging program. During the run up of crude prices early in the second quarter we layered on additional 2015 and 2016 crude hedges resulting in all of our estimated crude length in the majority of our C5 plus length being hedged at average crude prices of about \$82 in 2015 and \$76 in 2016.

These additional hedges increased our 2015 hedge position to 80% of our non-fee-based margin resulting in a 92% of our 2015 margin being either fee-based or hedged. And we increased DPM's 2016 hedge position to 45% resulting in a fee-based or hedged margin of about 80% in 2016. So we continue to have limited exposure to commodity prices in 2015 and 2016, we will proactively manage our commodity sensitivities through continued fee-based investments and our strong multi-year hedging strategy.

We are very successful in adding fee-based investment in contract to DPM's portfolio and we expect DPM's fee-based revenue stream to grow demonstrating our track records and highlighting our commitment to driving and growing sustainable cash flows. With that I will hand it back over to Wouter to wrap things up.

Wouter van Kempen - DCP Midstream, LLC & DCP Midstream Partners, LP - Chairman & CEO

Thanks, Sean. As you know, DPM is an integral contributor to the overall DCP Enterprise. And while we are experiencing headwind from commodity prices at DCP we are very confident in a long term fundamentals for the DCP Enterprise and the industry as a whole. I noted the topic on everyone's mind is the restructuring of the DCP Midstream LLC balance sheet. You have already heard from DCP's owners, Phillips 66 and Spectra Energy.

So, I can only echo what they have said. Both owners like the business. They believe in our great assets and in our long term value and Phillips 66 and Spectra Energy management teams are working to resolve the balance sheet concerns of DCP Midstream. The focus of me and my management team continuous to be where it should be committed to running this business reliably and safely before we roll for our customers and delivering value for our unit holders and shareholders.

And we are doing that as evidenced by our strong results. I repeat this every quarter. We are a must run business and the DCP Enterprise has phenomenal assets with some if not the best positions in this industry. So, we should be looking at DPM unit price today we do not believe it's appropriately reflecting the value and risk profile of DPM and we know that well some of the decline is due to overall industry sentiment much of it stems from the uncertainty around the restructuring discussions of DCP Midstream which our owners will resolve in the coming months.



So again, my focus and that of my management team is on our long term strategy which I shared with you last quarter which internally we call DCP 2020, so all about operational excellence are performing well each and every day being focused on efficiency reliability and risk management and with this focus we are seeing great progress. So, let me provide a couple of examples of our execution. So beginning with efficiency, after right sizing and streamlining our organization earlier this year we have reduced our cost space and are rationalizing our systems to ensure their profitable through any commodity environment.

All at a goal driving sustainable cost reductions for example already this year DCP Midstream has divested multiple small plants and gather assets that were noncore to the DCP footprint. To sell these assets will result in reduced operating and maintenance cost and increase operating efficiencies of our existing systems. We estimate cash flow of about \$200 million in proceeds this year from divestitures with DCP Midstream more used to strengthen the balance sheet. Additionally, Zia II has study run rate it will provide us with the opportunity to idle some older less efficient plant in South Eastern Mexico.

Next reliability, which really drives profitability and gives us the right to grow. Reliability is a must have our customers demand it and we invest a lot of resources to optimize asset performance and drive efficiencies. Not only have we seen our current fleet operating better and more reliable, in addition projects like Lucerne 2 and Grand Parkway both increase our operational efficiency and reliability of the DJ system for DCP and our producers due to reduced field pressures.

And lastly, risk management. Not only does this cover safety and I am very proud that we rank as one of the top leaders in the industry for safety performance, it also looks at financial risk, environmental risk and anything in between. So, as an example an area we are specifically managing is our commodity exposure, so work is underway to de-risk the DCP Enterprise and provide stable cash flows in all commodity environments.

As we discussed before we renegotiated many of our contract and found an opportunities to increase margins and convert certain of our POP contracts to fee. Through these efforts we have already seen sustainable margin improvements of more than \$50 million annualized across the DCP Enterprise. Our focus in operational excellence will ensure the DCP Enterprise delivers value to our shareholders and unit holders in all commodity cycles in all business environments. So that means making smart capital positions, being disciplined, and controlling what we can control.

So all in all, we feel that DCP Enterprise will be a stronger, fitter company in the future and DPM continues to be very well positioned in the current industry environment of 2015 and beyond. With that I would like to thank you for your interest in the partnership and Sean and I are available to take your questions. Liz?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Our first question comes from the line of Faisal Khan with Citigroup. Your line is now open.

Faisal Khan - Citigroup - Analyst

Hi, good morning. Can you talk a little bit about the butane export facility> How big is this facility, what's the contribution, how it's going t be expanded going forward?



Sean O'Brien - *DCP Midstream, LLC & DCP Midstream Partners, LP - CFO*

Faisel, this is Sean, good morning. It's a relatively small contribution obviously it drove, it's fee-based we like the fee nature of the facility. It drove relatively minor in terms of the grand scheme of things that EBITDA contribution but we do have the ability to expand that facility. I think we are running a couple two or three export ships a month out of the facility. You saw that deliver some pretty good results in Q2 but again the grand scheme of things not a big driver of our earnings but again fee-based solid performer and happy that we did that expansion.

Wouter van Kempen - *DCP Midstream, LLC & DCP Midstream Partners, LP - Chairman & CEO*

And Faisel, this is Wouter. Maybe to add to that as you know location is very important in this industry and there's only so much dock space that is available. So especially in the Northeast we've got a lot of land there and so we're actively looking at opportunities to see what we can do with that facility and potentially expand it from where we're sitting today.

Faisel Khan - *Citigroup - Analyst*

Okay, got you. And then, looking at the October time line for when your senior notes are due and believe when the revolver used to be either refinanced or extended, I guess is the idea that you need to wait for the restructuring credit at the parent to get rectified first before even think about doing that or can you think proactively about how you plan to refinance those securities?

Sean O'Brien - *DCP Midstream, LLC & DCP Midstream Partners, LP - CFO*

Yes, couple of things, Faisel, I will talk about what the proactive side of the equation. We did put \$1.8 billion and I want to be clear we are talking about LLC, the company at the top. So, we put \$1.8 billion facility in place earlier this year that you are referring to, we have liquidity under that facility. We do have at the top a \$200 million maturity that matures in October. We feel very comfortable that we have got the liquidity to take out that maturity going forward.

But, having said that, as you alluded, our owners -- and I believe they alluded to this on their calls -- are working a restructuring. We are confident that they will come to the right solution there to help us stabilize the balance sheet at the top and keep those assets performing the way they are. So at the end of the day proactive nature we are fine on liquidity at the top, the \$1.8 billion. It's a two year facility and we will be able to take out that \$200 million. More to come from the owners though.

Faisel Khan - *Citigroup - Analyst*

Okay, got you. If I think about the parent here because it is, again, a credit, right? And figuring out how this is going to resolve this and obviously critical as you've talked about to the underlying security at DPM. If you look at the volumes that are still being processed at the parent it's like 5 BCF a day or something 4.5 BCF a day in volumes and you still have decent amount of fee-based volumes being processed at the parent as well.

Just trying to understand like why is the level of profitability so low. Is it that these contracts are that old that they are just highly unfavorable, or is it -- does it have to do with the cost structure? If I look at the operating costs of the LLC as that cost structure [below there] too high -- that's easy to do because that's the math in terms of taking what else your report versus minus what DPM reports, right?

Sean O'Brien - *DCP Midstream, LLC & DCP Midstream Partners, LP - CFO*

Sure. Let me hit a couple of things I am going to start with, you're referring to the assets at the top and just want to make sure everyone realizes that the earnings power, the cash generation of those assets has been incredibly strong. I am going to give a quick stat here over the last decade those assets we have been able to distribute in excess of \$10 billion up to the owners directly tied to those assets that's in excess of the earnings that we generated.

So strong cash generation I think you are asking the question they seemed to be impacted a little more in the current period or impacted more than what we are seeing at DPM. And although there is some fee at those assets they are still, there is still commodity exposure. We're more commodity exposed at the top so in the current environment that we are in, this extended period of lower commodity you will see the top -- the assets at the top have more revenue impact than we think clearly we would have at DPM and we have done a great job at DPM of taking the commodity out.

In terms of cost, Wouter alluded to the DCP 2020, we have been really focused on it for quite some time. So, the good news is the assets at the top clearly were performing very well, we have got cost controls, we have got efficiencies in place. The one thing I would point out to maybe you are going there in terms of maintenance capital we have said this in the past that DPM we've got have got more logistics assets they are a little bit newer. So you tend to see on ratio basis less maintenance to EBITDA type numbers down below but we are making a lot of great progress at the top. I don't worry about the cost structure per se. It's really more about the impacts with the commodity and what that has done over the last seven or eight months.

Wouter van Kempen - DCP Midstream, LLC & DCP Midstream Partners, LP - Chairman & CEO

And Faisal, maybe to add one small item to what Sean is saying, unlike in the end the POP contract base that you have very significant portion on top and around Mid-Continent and the Permian a lot of those were not set up with the expectation of the current commodity environment. So that's the effort that are going through about making sure that we get a fair return for what we, the services that we're performing. Already mentioned in the prepared remarks that we have more than \$50 million of renegotiations that we are doing and we are renegotiating some very, very significant contracts as we speak to make sure that we do get that fair return and I think that is an important piece to add.

Faisal Khan - Citigroup - Analyst

Okay. Thank you for your time.

Sean O'Brien - DCP Midstream, LLC & DCP Midstream Partners, LP - CFO

Thanks.

Operator

Our next question comes from line of Shneur Gershuni with UBS. Your line is now open.

Shneur Gershuni - UBS - Analyst

Hi good morning guys. I have two questions. First, there has been a lot of discussions from some of your peers about changes in market share, some of them talking about market share gains in some of the same service territories that you operate in.

I was wondering if you've seen some market share changes? You talked about restructuring some of the contracts moving more to fee-based and so forth. Can you talk about where your market share is right now as you think across the footprint that you currently operate in and how that's changed from last year?

Wouter van Kempen - DCP Midstream, LLC & DCP Midstream Partners, LP - Chairman & CEO

Yes, I'm like not looking everyday at -- what are the exact market share numbers, continue to look at we're the largest gas processor in the Permian basin, the largest processor in the DJ basin, largest in the Mid-Continent. For us it's not as much always about market share. I think what you've

seen recently you've seen people gain market share doing deals that are not economical and I don't think will be economical in the current environment.

So for us it's about making sure that we can get profitable and good returns on the contracts and the volumes that we have. I like that we're the largest gas processor in the country, I like that we are the largest NGL producer in the country, I like we are the third largest operator of NGL pipelines in the country, but that's not the first and foremost goal. And like in the end, we have in recent times and especially this is outside of the DPM footprint, but in the Permian we have purposely walked away from certain deals that we believe too lucrative for the producer and would not give us an adequate return.

If that means we are losing a little bit of market share, I don't have a problem around that. I much rather then focus on continuing to serve customers around like a Southeast New Mexico area that we do with Zia II or continue to focus on our customer base here in the DJ Basin. So, not all about market share, it's got to be profitable market share.

Shneur Gershuni - *UBS - Analyst*

Yes, that's fair to focus on profitable market share. You talked about the restructuring in your prepared remarks, as you basically said the owners are driving that bus there, but at the same time LLC is the owner of DPM and it appears the timeline for the restructuring is being driven by the maturity deadlines and so forth but the length of this process is clearly having negative impact on DPM's units and so forth.

You've definitely made some operational improvements, we have bought that. But it's interesting there was a comment on Spectra's call yesterday that DCP is doing a lot of self help, highlighted some asset sales and so forth. Is that where we are leaning here? I was wondering if you can expand on this self help comment, is that basically the plan that is going to be oriented around self help does that mean there is a review of the distribution at DPM going on? I am just wondering if you can provide investors with a little bit more color because this is just been a massive question mark on the DPM units and this has been running for close to seven, eight months at this stage right now?

Wouter van Kempen - *DCP Midstream, LLC & DCP Midstream Partners, LP - Chairman & CEO*

Yes, lot of questions in there. Let me take a couple. Like you mentioned October and is that linked to the maturity deadline that was absolutely not the case. So there is no link and Sean has spoken about the liquidity that we have no linkage between the timeframe of October and our maturities at DCP Midstream LLC.

In the end, I spoke about the things that we can control. Myself, the management team here we control running this business every day. We control making sure that we are making the right choices, the right capital allocations and additions and things like that. So self help when we talk about it is looking at are there parts in our system that we don't like that we believe other people can attribute greater value to and that's why we have been selling a number of smaller assets, plants and gathering systems and take those proceeds to deleverage the balance sheet at LLC.

The same for looking at cost and like we were the first one out at the gate in the industry looking at okay, we need to do a reduction in force and we executed that in January well ahead of anybody else in the industry. So those are the self help things that we are doing and I think Greg Ebel or Pat Reddy was referring to yesterday. Then there is the part around the balance sheet and in the end, the balance sheet is controlled by the two owners, Phillips 66 and Spectra Energy. We are working closely with them to try to come to the right resolution how do we de-lever and how we make sure that the balance sheet is setup to run the business in the long run.

And in the end that process is controlled by the two owners and that's -- from a timing point of view you spoke about how long this has taken, I think the owners are looking at all of their options that they have. And I heard you asking questions yesterday at the Spectra call and I am sure you have heard Greg Maxwell and Greg Garland talk at the Phillips call as well, they are looking all their options. In the end, they are confident that we have this thing solved here over the next couple of months.



Shneur Gershuni - *UBS - Analyst*

Great. I got to really appreciate the color. Thank you very much.

Operator

Our next question comes from line of Helen Ryoo with Barclays. Your line is now open.

Helen Ryoo - *Barclays Capital - Analyst*

Yes. Thank you. I'll start with a hedge question. So it looks like you have added to some of your hedge position now. You are talking about 2016 being 80% fee-based or hedged. If I look at the hedge price it looks like the NGL and gas hedge price hasn't really changed, the crude came down and, understandably in this environment, you probably had to hedge it at a lower price than what your original hedge book had. But is it fair to assume it's just you have added some crude hedges and not really much on the gas or NGL?

Sean O'Brien - *DCP Midstream, LLC & DCP Midstream Partners, LP - CFO*

Yes Helen, good morning. Appreciate the question. Yes, around hedges and I may elaborate a little on your question but the answer the first part directly, you are right. Obviously we mentioned that in Q2, early Q2 we saw the opportunity to get in and get some crude hedges on the books and it was also C5 plus. As you know that correlates with crude but it was also a little bit the NGL position.

And that's what you are seeing so, still strong pricing in the mid to high 70s on average when you look at 2016. Maybe I will elaborate so that you're spot on in terms of your analysis there. I thought maybe we would take a minute here and talk a little bit about 2016 in terms of the hedge cash flows. Obviously if you look in our appendix you can see we generated about \$45 million of cash flows this quarter on the hedges. If you want to annualize that next year you can get to about \$200 billion.

Just to give you some high level math you guys can work with, 25% of that is covered because as you know we are fully hedged in Q1. In relation to the question you just asked, we extended out crude C5 plus and we have gas hedges that go beyond Q1. Say that takes you another 25% of that cash flow is covered. So now you are down to about 50% if you looking at delta from 2015 to 2016, the delta in cash flow is about 50% if you will.

One thing I do want to point out, we have been very clear on this in terms of how we are offsetting that. We have got full year of Lucerne 2, the DJ basin growth is helping us, seven more months of Lucerne 2, Grand Parkway comes on line, these are great return projects. As I think about our NGL pipeline business we have got some really good growth that Wouter alluded to on all four pipelines that's contributing next year. We are happy about that.

Keathley Canyon will get an extra quarter, will get more ramp-up next year, again a big driver of cash flows, fee-based cash flows next year. And then there is even some smaller things like Panola and the contract work that Wouter referenced earlier that will continue to drive value. So yes to your question, you are seeing a little dip in the crude pricing for 2015 to 2016 because we did take advantage of the markets but in the long run we feel very comfortable that we are covered with 16.

So again, as you think about the hedge cash flows this year, 50% is covered, 25% by Q1, 25% by the fact that we have crude C5 and gas hedges that go over the remainder of the year, then you can get 25% of that cash flow covered by DJ, growth in the DJ and then the remaining 25% plus is covered by the growth in Keathley in the pipelines. So just want to throw that out there, make sure everyone had that concept. That's how Wouter and I think about it over here.



Helen Ryoo - *Barclays Capital - Analyst*

That's very helpful. Thanks Sean. The other question was you mentioned in a previous question that there is a lot of progress at the top and you alluded to the maintenance CapEx, top progress there. Just is there -- in the past I think you guys talked about 2015 maintenance CapEx at the LLC being about 195 and you seemed to have made some good progress there, so is there a good run rate that you are looking at now that's significantly lower than the 195 you put out previously?

Sean O'Brien - *DCP Midstream, LLC & DCP Midstream Partners, LP - CFO*

What I would say is and I think you are thinking about it right, the 195, we have improved on the 195. I want to start by saying this company we are doing the maintenance, we are doing the compliance work, we are not in, we are not going to jeopardize -- Wouter spoke about the great safety record we have. So, we were spending the money we need to spend on our assets to keep them safe, to keep them reliable.

In terms of improving on the run rate I think there is a couple of things you need to factor in. Number one, Wouter mentioned we restructured this company at the beginning of the year from the business units to really to be functional. So, we have a lead person that runs, the President that runs our ops and our businesses and our assets and all of that is under his control. Some of what you are seeing in improved run rate is the fact that they are prioritizing the spend, the cash flow and really getting more bang for the buck on what we spend on the maintenance at the assets at the top. So you are absolutely right on that we are able to do that.

The other thing and Wouter alluded to it and it's a strategy is that we divest assets they are non-core, non strategic obviously there is maintenance capital and OpEx that we shed during that process. So, I don't know if I am -- I would tell you, you are accurate the 195 we are driving towards a smaller run rate. We were focused on spending the money, getting the most bang for the buck and those are all good things for the assets at the top and obviously good things if those assets at some point become part of the DPM portfolio.

Helen Ryoo - *Barclays Capital - Analyst*

All right. Thanks for that and lastly and then it's a question for Wouter, I guess and this is related to the restructuring. In the past, Wouter, you have emphasized that you don't expect, after the outcome of the restructuring is finalized, you don't expect that DPM's current distribution is at risk, you also don't expect big equity issuance needed at DPM. Does that thought still hold today versus couple of months ago when you made those statements?

Wouter van Kempen - *DCP Midstream, LLC & DCP Midstream Partners, LP - Chairman & CEO*

Yes. The statements that we made isn't like we look at the \$3.12, we look at that as something that is tremendously important to DPM. And that's why Sean went through the hedges for instance because I know that there is a lot of people and I think there is a bit of a misconception around what are these hedges doing once they fall off. We've known this for years and years and we're working towards those and we're very comfortable that \$200 million that Sean described that we've got that covered.

So, if you take a look at that and you know those are not from projects that are going to come in on the build it and they will come, those are projects that are running right now today and delivering cash flows to this company. I think that is a huge part that people got to look at and say, okay, that makes that \$3.12 fairly comfortable.

The other thing that you got to take a look at and I think this is a broader way to look at this, Helen, and like in the end we're a sponsored MLP and in a sponsored MLP you have a governance model that has a special committee that in the end will need to make decisions. We've I think followed a pristine process, have a great track record of our drop downs over the last ten years, I think that's evidenced by the results that we're printing here today.



So, you can't just do and take a set of assets or tell from the top to go issue a bunch of equity or take assets without having that arms length governance process in play with an independent special committee with outside advisors and things like that. So, there is no way to unilaterally just push assets down or make changes to distributions and things like that. I think that's an important piece to think through because I think there are some misconceptions around that one as well.

In the end and I've already spoken about this around how the entity works together. DPM has, I call it always call option on great assets on the top and the DCP Midstream assets as evidenced by all the assets that used to be in LLC and are now sitting in DPM and providing great cash flow, great coverage for the unit holders. So, I think that's the way I would look at it overall.

Helen Ryoo - *Barclays Capital - Analyst*

Okay, thank you very much, Wouter.

Wouter van Kempen - *DCP Midstream, LLC & DCP Midstream Partners, LP - Chairman & CEO*

Thanks, Helen.

Operator

Our next question comes from the line of Selman Akyol with Stifel. Your line is now open.

Selman Akyol - *Stifel Nicolaus - Analyst*

Thank you, good morning.

Wouter van Kempen - *DCP Midstream, LLC & DCP Midstream Partners, LP - Chairman & CEO*

Good morning.

Selman Akyol - *Stifel Nicolaus - Analyst*

Couple of quick questions. First of all, just on Lucerne 2, how quickly do you see that plant fill in?

Wouter van Kempen - *DCP Midstream, LLC & DCP Midstream Partners, LP - Chairman & CEO*

It's -- we are not a build it and they will come type of company, always talk about that. And like you, I am sure if you may have listened to some of our producers earnings calls and each of them have been pointing specifically out how good the plant is working for them in the short time period that it has been up. We are right now I think I gave about 50% full in the first month. We are working on filling that capacity up here somewhere in the 2016 timeframe. There are other ways that we can process gas and to continue to flow additional gas through our overall system.

And then, we are working on the next plant and we tend to talk about that as plant 10. A lot of the producers here in the DJ Basin in their earnings calls they've already named that plant; it's the Mountain View plant. We're working on getting permits for that plant as we speak. I think we are fairly close in getting those permits. We have long lead time equipment for that plant. So, we are working closely with the producers trying to figure out how fast we need to put that plant into service. But we'll continue to be greatly, greatly satisfied with what we are seeing in the DJ Basin. We are setting record volumes pretty much every day, I think mentioned five out of the last seven months, record volumes. And I think the producers



if you listen to them they continue to really like this area and focus on that. So, long answer to say, we think it's going to fill up somewhere in 2016 timeframe and as always we are looking ahead and say what's the next log of capacity that we need to build in that part of the world.

Selman Akyol - *Stifel Nicolaus - Analyst*

Okay, thank you. And then just another question, and I think you alluded to it in several different ways, but I'm just going to ask this directly. When I take a look at slide 9 you got 65% fee-base and I take a look at the slide 5 and you got all these project update and then you went on to add some further color that you could add some pumps to drive additional volumes over your pipelines, I am just wondering how much of all that is built into your 65% fee-base for next year?

Sean O'Brien - *DCP Midstream, LLC & DCP Midstream Partners, LP - CFO*

Yes, Selman, that growth is baked in, so we obviously as we forecast out the capital deployment around, and I think you are referring to our pipeline assets in particular, that works its way into our forecast. That volume growth would be baked-in. Obviously if we see things happen a little bit quicker than what we forecasted which we've been fortunate enough to see that over the last few years, exceeding on the forecast, then that can improve. But we feel, as we've indicated, we feel very, very strong about that fee-base growth into the next couple of years. So it is some of that's baked in, if we can exceed it great it will go up even more.

Wouter van Kempen - *DCP Midstream, LLC & DCP Midstream Partners, LP - Chairman & CEO*

More importantly it's not kind of on the come. So it's not, hey, we need to do all kinds of things to get to that unlike, Lucerne 2 is in and Keathley Canyon is in, Sand Hills expansions where we are working on. Grand Parkway we are working on, so one of those is all coming in and identified already.

Selman Akyol - *Stifel Nicolaus - Analyst*

Great, thank you very much.

Wouter van Kempen - *DCP Midstream, LLC & DCP Midstream Partners, LP - Chairman & CEO*

Thanks.

Operator

Our next question comes from the line of Jeff Birnbaum with Wunderlich Security. Your line is now open.

Jeff Birnbaum - *Wunderlich Securities, Inc. - Analyst*

Good morning, everyone. Thanks for all the details today. Just a couple of quick questions. I wanted follow up on earlier question on the hedges. The crude hedges that have been added, are you viewing those really just hedges against crude and condensate or some also being hedged against some of the heavier ends of the NGL barrel?

Sean O'Brien - *DCP Midstream, LLC & DCP Midstream Partners, LP - CFO*

Yes, the answer is yes, those were hedges against crude, condensate and the C5 plus portion of the barrel. We have not utilized -- in the past the company, maybe this is what you're alluding Jeff, has utilized crude hedges against even some form of the NGL barrel. We haven't done that yet. These are direct hedges against our positions, our crude positions, condensate and C5 plus.

Jeff Birnbaum - *Wunderlich Securities, Inc. - Analyst*

Okay thanks, Sean. And I just wanted to -- Wouter, I appreciate the comments this morning on the distribution and some of the processes in place I guess to evaluate that going forward. I just wanted to follow up as well on your comments about, you made some strong comments about DPM [narrowing] cut the distribution in [some of the] management valuing the 312 number at the same time decisions going forward need to be made at a Board level.

I guess, given the complex nature of the DCP Enterprise, DCP's board obviously is not without representation from your parent companies and so I just wanted to be clear is, is the decision on the distribution going forward, going to be made among the full Board in your view, just among the independent Directors? Do you view that as a balance sheet issue on -- among the sponsors as you referenced earlier? Just any color there would be helpful.

Wouter van Kempen - *DCP Midstream, LLC & DCP Midstream Partners, LP - Chairman & CEO*

No okay, great, Jeff, and let me clarify, when I talk about special committee and governance and things around those, those is when it happens to things like drop downs, arms length transactions and things alike. So that's one when Helen asked the question, okay can you just take a set of assets and put them down and know the governance would work by an arms length transaction for related party deals.

As it pertains to the overall distribution that is a full Board's decision at the DPM level. Again, I look at -- I think what's important is today, if you look at the overall coverage that we have, 1.17 coverage. We are building coverage in this environment, strongest coverage that we have had in the 10 years existence of this enterprise. So I think that is a pretty important thing to take a look at.

Sean O'Brien - *DCP Midstream, LLC & DCP Midstream Partners, LP - CFO*

Hey Jeff, this is Sean. The other thing I would add is, as I know you are analyzing and thinking about the equation is that, in terms of the GP, Wouter talked about the process of how distributions are set. And then I know you know this, but I just want to reiterate that in terms of the GP and obviously the LP unit holders, there is direct pure alignment on distributions.

Obviously there is significant amount of distributions that are paid up to the GP and the LP that is held by LLC. So once you think through that you know that correlation is very strong so steady, steady distributions, growth in distributions, everyone is on the same page and correlated there.

Jeff Birnbaum - *Wunderlich Securities, Inc. - Analyst*

Okay. Thanks very much, guys.

Sean O'Brien - *DCP Midstream, LLC & DCP Midstream Partners, LP - CFO*

Thanks, Jeff.



Wouter van Kempen - DCP Midstream, LLC & DCP Midstream Partners, LP - Chairman & CEO

Thank you.

Operator

Our next question comes from the line of James Carreker with US Capital Advisors. Your line is now open.

James Carreker - USCA Securities LLC - Analyst

Thank you. Wanted to touch on the 65% fee-based margin that you talked about for 2016. I think the market struggles with that number given that 75%-ish of your business is traditional gathering and processing, so I was wondering if you could provide some additional color on how you think about that 65% fee number in 2016?

Sean O'Brien - DCP Midstream, LLC & DCP Midstream Partners, LP - CFO

Yes, a couple of things James. Number one, I think you've got to consider the assets that are held by the partnership where they sit. They are in -- as we think about some of the areas we are in like the Eagle Ford is, even though it's gathering and processing type of a business, the Eagle Ford has gone predominantly fee-based in nature. So, I think that's one way to think about it. And then, as you think about a lot of the growth projects, contractually the processing agreements that DPM has in place are fee-base sometimes with -- even with demand payments. So, when you look at the contract structure of that GMP business, either through the fact that their region has gone more fee-based and that's happening throughout our industry, either through the fact that's been a goal of the company i.e., the structure fee-based contracts in areas like the DJ, that's how we are getting there.

And then obviously you have the significant growth in the pipelines that are included in that. And we don't want to forget Keathley Canyon which is growing significantly of the Gulf Coast, that's a fee-based contract as well. So, G&P assets in many regions have gone very much fee-based and obviously it's been our goal at DPM where we don't have those opportunities to take the contracts to fee-based.

James Carreker - USCA Securities LLC - Analyst

Yes, thanks for that color. I guess I understand that but you've mentioned that you don't think the market price of your units is reflective of the value in your enterprise. So just wondering if you guys would be willing and may be not on this call but in the future provide quantitative details behind some of those numbers so that and we can get more comfortable with the truly largely fee-based aspects of your business?

Wouter van Kempen - DCP Midstream, LLC & DCP Midstream Partners, LP - Chairman & CEO

Yes, I think, James, we may be able to do in the future but I think you can take a look at -- just take our overall volume portfolios. Take Lucerne 1, Lucerne 2, O'Connor Plant, there you are sitting on call it at 400 million a day of fee-based that's already in the DJ Basin and we can probably lay this out in other areas as well, but that should start to help you.

Sean O'Brien - DCP Midstream, LLC & DCP Midstream Partners, LP - CFO

And then may be one other way to go at it, it's one way, James, that I go at it is, because we have a private company at the top that obviously is less fee-based and we have the public company that's very fee-based. One way that -- is simple way to look at is when you look at the movements in the commodity that we've seen in this year and when you look at the cash flow stability that we've had at DPM, sort of a backwards litmus test to test how fee-based is this cash flow stream and it proves out in the numbers that we deliver every quarter.



James Carreker - USCA Securities LLC - Analyst

Well, I wouldn't say that those are also largely helping -- helped by the hedges and you see the fact that your hedges, you used to be basically neutral cash settled hedges and now you are settling \$50 million gains in the hedges. That doesn't seem to indicate to me largely fee-based?

Sean O'Brien - DCP Midstream, LLC & DCP Midstream Partners, LP - CFO

That's on -- the hedges are on the component that is not fee-based so obviously that hedge settlement is helping the 35% it's not fee-based, but if we were moving around a lot on a 100% or the 65% wasn't in line you would see much more volatility even beyond the hedges.

James Carreker - USCA Securities LLC - Analyst

Okay, I think it would be great if you could give more color exactly where other volumes, either region or by plant, I think that would be fantastic.

Wouter van Kempen - DCP Midstream, LLC & DCP Midstream Partners, LP - Chairman & CEO

Yes, we can think --

James Carreker - USCA Securities LLC - Analyst

That's all I have. Thank you.

Sean O'Brien - DCP Midstream, LLC & DCP Midstream Partners, LP - CFO

Thanks, James.

Wouter van Kempen - DCP Midstream, LLC & DCP Midstream Partners, LP - Chairman & CEO

Thanks, James.

Operator

Our next question comes from the line of Becca Followill with US Capital Advisors. Your line is now open.

Becca Followill - USCA Securities LLC - Analyst

Hey guys, you get all kinds of US Capital questions today. For modeling purposes, can you help us out with what percent or volumes of contracts that you have converted from POP to fee? Give us an idea of magnitude?

Wouter van Kempen - DCP Midstream, LLC & DCP Midstream Partners, LP - Chairman & CEO

Well, we have not given out underlying volumes and like I think what we did give out this and what I mentioned is an annualized run rate and is for the enterprise as whole, roughly a little over \$50 million as where we're sitting today. But I think the way you got to look at, a lot of those are fairly low volume type of contracts.



Becca Followill - *USCA Securities LLC - Analyst*

Okay. Thank you. And then as you walk through that \$200 million of hedge roll offs and the 50 million bucket for Q1 covered, the \$50 million traditional hedges and then the \$100 million that you think you're covered by the growth projects, are there any negative offsets to that from plants sold or volumes down or anything like that?

Sean O'Brien - *DCP Midstream, LLC & DCP Midstream Partners, LP - CFO*

Yes, not from plant sold, the divestitures that Wouter alluded to, Becca, earlier were all at the private company, all at LLC. In terms of volumes down there are some declines as we model, we have been modeling a long time here so obviously in some of these areas, some of the drier gas areas you do have some volume declines that would be predicated. When I did that math I didn't factor that in, I always trying to factor in the growth in the fee-based assets as it correlates to the hedges.

Wouter van Kempen - *DCP Midstream, LLC & DCP Midstream Partners, LP - Chairman & CEO*

And some of the volumes that Sean is talking about, these are normal natural declines that you have, a couple of percentage points that you are seeing. If I take a look at Lucerne 2, I am very comfortable that Lucerne 2 would fill up. I am very comfortable we get the Grand Parkway fees, I am very comfortable that pipes will continue to grow that's why we are investing and have already ordered the next pump station. I am very comfortable that Keathley Canyon will fill up to its capacity. So if you take a look at that overall, very, very comfortable right how those volumes and those expectations and those projects are going to offset the hedge impact.

Becca Followill - *USCA Securities LLC - Analyst*

So I guess to put another way if you go into 2016 you guys still like with having the additional hedges and having first quarter and the ramp-ups that if you keep the distribution flat -- in relative to where it is now to 2016 that you will have one times coverage?

Sean O'Brien - *DCP Midstream, LLC & DCP Midstream Partners, LP - CFO*

We feel we have modeled our forecast accordingly and we feel very good about our coverage as well. As you can imagine we are looking at debt metrics and things of that nature as well, so yes.

Becca Followill - *USCA Securities LLC - Analyst*

So feeling good means at least one times?

Sean O'Brien - *DCP Midstream, LLC & DCP Midstream Partners, LP - CFO*

Yes. It is one time.

Becca Followill - *USCA Securities LLC - Analyst*

Okay. Perfect. Thank you guys.

Sean O'Brien - *DCP Midstream, LLC & DCP Midstream Partners, LP - CFO*

Thanks.

Operator

Our next question comes from the line of Derek Walker with Bank of America. Your line is now open.

Derek Walker - *BofA Merrill Lynch - Analyst*

Hey, good morning guys.

Wouter van Kempen - *DCP Midstream, LLC & DCP Midstream Partners, LP - Chairman & CEO*

Morning.

Derek Walker - *BofA Merrill Lynch - Analyst*

Most of my questions have been answered so a couple ones here. Just regarding the growth CapEx, looks like about 75% through that already. How should we think about the rest of that spend over the second half? And you also alluded to some additional growth projects. Is there a chance you might come north that growth CapEx number of 300? And I guess have you started to look at 2016 growth CapEx yet, and is it fair to think to that coming in line with 2015 levels?

Wouter van Kempen - *DCP Midstream, LLC & DCP Midstream Partners, LP - Chairman & CEO*

Derek, if you take a look at the remaining parts, Grand Parkway is probably a significant part of that and then there are some kinds of smaller things that we are doing. For 2016 I think I will take you back to the discussion I had around at DJ Basin, Mountain View plant, additional gathering, Sand Hills expansion, additional pump stations there.

And then we continue to see good things around the Permian and as you have seen pretty recently most of our plants and most of our growth that we are doing at the enterprise is really happening at DPM right now. So, you also got a look at what are the assets involved, be it the Mid-Continent scoop area, be it the Delaware Basin and the Permian that's seeing a lot of growth, those could provide opportunities for the partnership as well for future growth.

Derek Walker - *BofA Merrill Lynch - Analyst*

Got it, and then just quick one the LLC level. I think you mentioned 200 million of divestitures for this year and then some maintenance capital efficiencies. Are the divestitures associated with that maintenance capital efficiency or is it just from the retained assets?

Wouter van Kempen - *DCP Midstream, LLC & DCP Midstream Partners, LP - Chairman & CEO*

It's a little bit of both and like obviously when you get rid of them like what we are trying to do and what we have done is sell some of the gathering systems and plants that we don't like, that were not performing the way we wanted to perform them in our overall portfolio. So those were places where we probably spent a disproportional amount of money trying to keep them flowing. So that is -- that obviously is helping us getting rid of those. But the team is doing a great job around figuring out the rest of the system as well and how we can be more efficient with dollars, with the maintenance capital and things like.

Derek Walker - *BofA Merrill Lynch - Analyst*

Got it. Appreciate it, guys.

Wouter van Kempen - *DCP Midstream, LLC & DCP Midstream Partners, LP - Chairman & CEO*

Thank you.

Operator

Our next question comes from the line of Chris Sighinolfi with Jefferies. Your line is now open.

Chris Sighinolfi - *Jefferies LLC - Analyst*

Hey, good morning guys.

Wouter van Kempen - *DCP Midstream, LLC & DCP Midstream Partners, LP - Chairman & CEO*

Good morning, Chris.

Chris Sighinolfi - *Jefferies LLC - Analyst*

Just a couple follow-up questions from me real quickly. Just trying to think about as we model into 2016, I guess perhaps a follow up to Becca's question. I know when I read through the Q for last quarter it was noted that you guys had read on the services agreement with LLC putting a little bit more of the cost on the DPM and articulated that obviously with the expansion into downstream logistics that there was more of a mix shift there. Is there anything else like that we should be thinking about that could change either through 2H or into 2016?

Sean O'Brien - *DCP Midstream, LLC & DCP Midstream Partners, LP - CFO*

Yes Chris, no. The way I think about it obviously from a status quo what we know about today, the growth projects that are on the table. We said the service agreement was set accordingly with that in mind. The only thing I would point out and this would be obvious if there were large a large acquisition or something like that were to occur in 16, obviously costs come with that. But good news is so does significant EBITDA. So, in terms of a run rate as you are thinking about what we know what's on the table today, I would, I think you are modeling status quo and that's fine. Obviously if there is some incremental growth above and beyond that we haven't talked about there will be some costs will come with it.

Chris Sighinolfi - *Jefferies LLC - Analyst*

Okay. Fantastic. And then I don't know if you said it, I apologize if you did, but the assets sales to-date, are those entirely been LLC are there any contemplated at DPM? Can you just address that?

Wouter van Kempen - *DCP Midstream, LLC & DCP Midstream Partners, LP - Chairman & CEO*

No, those have been entirely at LLC. It was a non-operated plant in the Mid-Continent. It was JV interest in a plant and the gathering system in West Texas and another small plant and gathering system in West Texas all held by LLC.



Chris Sighinolfi - *Jefferies LLC - Analyst*

And so as you think about your portfolio at DPM is there anything within that you think would be involved in this strategy of weeding out the non-core higher cost systems?

Wouter van Kempen - *DCP Midstream, LLC & DCP Midstream Partners, LP - Chairman & CEO*

No, I think a lot of the more efficient systems are sitting in the partnerships. We are not actively contemplating any type of asset sales amount of DPM at this stage.

Chris Sighinolfi - *Jefferies LLC - Analyst*

Okay. And then, the final question from me is just when you think about converting POP contracts for example to a fee margin, I am imagining you have to make some commodity price and volume assumption when you are thinking what that POP margin would be, not only now but in the future when you think of that converting it to a fee structure.

Can you just talk a little bit, am I right in that? And then if that is correct in the way we should probably be thinking about it, can you talk to us a little bit about the analysis that you have done what are you, in broad terms, what are you thinking about when you think about the POP contracts and conversion to fee?

Wouter van Kempen - *DCP Midstream, LLC & DCP Midstream Partners, LP - Chairman & CEO*

Well, there is a couple of ways you can do this. So, you can take a POP contract and just add fees to it. And so that's part of what we have done. Let's say we had 90/90 contract somewhere and we added \$0.50 fee to it to make sure that we cover our cost and make another good return. So that's one way to do it and we have done a number of those.

Then with some of the larger producers you have a -- you do look between the producer and ourselves, okay, what is the long term outlook for crude prices and things like that. But we are trying to look at this. We want to make sure that we get to a reasonable pricing assumption and that is not \$44 crude. We are not converting things and say let's do it at today's prices because then you would just take a POP where you don't think you get the right return and converting it to fee and still don't get the right return.

So there is actually an opportunity for us where we are converting right here right now from POP to fee and actually immediately get more dollars in the bank and get a much higher return. And then, it takes an assumption from both sides be it the producer and ourselves of what five, seven, ten years prices may look like but in a lot of cases there is, the producer and the midstreamer, they really need each other. And I think there has been confusion around that about -- by in this environment how can you convert? Well, if you have a customer where you have hundreds of thousands of acres under dedication where you have thousands of wells connected to your system, then it's important for that producer that we make an adequate return because they want to make sure that we keep our gas flowing and processing so they can keep their crude flowing.

Chris Sighinolfi - *Jefferies LLC - Analyst*

Okay, and you had talked I think beginning back at the event you did in New York with Spectra back in February about this effort. Has that viewpoint, either your internal viewpoint or the counter party when you think about intermediate long term pricing, has it changed materially? Does that make the effort to convert easier or more difficult or it is the same? Has the treatment of those conversations been similar throughout the duration?

Wouter van Kempen - *DCP Midstream, LLC & DCP Midstream Partners, LP - Chairman & CEO*

I think it's been fairly similar. Like we set out a plan and our team set a -- commercial team set out a plan on what we wanted to convert and how we wanted to convert it and they are clicking through the contracts. And we got a lot of, we have got thousands and thousands of contracts and we are making really good progress. So our team is doing a great job there. I will say we continue to move forward from the base that we started, basically at the end of last year.

Chris Sighinolfi - *Jefferies LLC - Analyst*

Okay. Great. Thanks for taking my questions. Congrats on the quarter.

Wouter van Kempen - *DCP Midstream, LLC & DCP Midstream Partners, LP - Chairman & CEO*

Thank you very much, Chris.

Operator

I am showing no further questions on the phone lines at this time. I would like to turn the call back to you Wouter van Kempen for closing remarks.

Wouter van Kempen - *DCP Midstream, LLC & DCP Midstream Partners, LP - Chairman & CEO*

Thanks, Liz, and thanks everybody for your interest in DPM. If you have any follow-up questions please contact Andrea and we will make ourselves available throughout today. So have a great day. Thank you very much.

Operator

Ladies and gentlemen, thank you for participation in today's conference. This concludes the program and you may now disconnect.

DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2015, Thomson Reuters. All Rights Reserved.