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DPM - Q1 2017 DCP Midstream LP Earnings Call

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PRESENTATION

Operator

Good day, ladies and gentlemen and welcome to the DCP Midstream First Quarter 2017 Earnings Conference Call. (Operator Instructions) As a reminder, this conference is being recorded.

I'd like to introduce your host for today's conference, Ms. Irene Lofland, Vice President of Investor Relations. Ma'am, please begin.

Irene Lofland

Thank you, Vince. Good morning, everyone, and welcome to the DCP Midstream First Quarter 2017 Earnings Call. Today's call is being webcast, and the supporting slides can be accessed under the Investors section of our website at dcpmidstream.com.

Before we begin, I'd like to point out that our discussion today include forward-looking statements. Actual results may differ due to certain risk factors that affect our business. Please review the second slide of the deck that describes our use of forward-looking statements. And for a complete listing of the risk factors, please refer to the partnership's latest SEC filings and the 10-Q that was filed yesterday.

We will also use non-GAAP measures such as distributable cash flow, adjusted EBITDA and adjusted segment EBITDA, which are reconciled to the nearest GAAP measure in schedules in the appendix section of the slides.

Wouter van Kempen, CEO; and Sean O'Brien, CFO, will be our speakers today. And after their remarks, we'd be happy to take your questions.

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

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

Thanks, Irene. Good morning, everyone, and thanks for joining us today for our first quarterly call for the newly combined DCP.

As you recall, the new DCP is one of the largest NGL producers and natural gas processors, with a strategic footprint in the premier basins in this country. We are a leading integrated midstream service provider, with access to the full energy value chain.

Let me underscore a key thought. Our G&P assets are fully integrated with our downstream NGL and marketing businesses, offering our customers access from well [hire] to the end-use markets. Today, DCP is a much larger, more diverse company, a must-run business with a large diversified asset portfolio, including our downstream integrated NGL pipeline assets, which are tied to the premier regions in key producing basins including the DJ, the Delaware and Midland areas of the Permian and the SCOOP and STACK areas in Oklahoma.

Our integrated asset portfolio provides us with significant organic growth opportunities to extend our value chain, and our strong emphasis on capital efficiency and operating leverage will drive growing cash flows. Our history reflects a strong and proven track record of delivering on our commitments. Two years ago, we recognized the headwinds that foreshadowed the industry downturn and took corrective action to manage through the cycle.

DCP continues to be an industry leader in safety, and I'm proud of how all our employees remain focused on our DCP 2020 strategy to become the most reliable, safe, low-cost midstream service provider in any environment.

And I'll remind you that, through it all, in a period where many others have cut their distributions, we have and will continue to deliver on our promises, which translates into sustainable value creation.

Now let's move to Slide 4, highlighting the first quarter of the newly combined DCP. We recognize that the oil and gas industry would be in choppy waters in 2017. And as we told you at the beginning of this year, we view this as a transition year for the industry. With a solid foundation that we've built, we are well-positioned to manage through this environment to achieve our financial strategy. We started the year strong and delivered solid first quarter results on the heels of closing our combination transaction.

As to the first quarter, we generated $161 million of distributable cash flow, which provided above 1x coverage for the quarter based on our declared distribution of $0.78 per unit. And these results are due to our steadfast focus on operational excellence, and I'm really proud of our employees and the emphasis they place on operating reliably and safely every day.

Our $550 million of in-flight expansion projects underway are tracking on time and on budget, and I'll cover these in more detail in a minute. And looking forward, we are very excited about multiple strategic growth opportunities to continue to extend our value chain and optimize our footprint. These includes expanding Sand Hills even further to capture prolific Permian growth, adding even more capacity to the DJ Basin and the opportunity we announced at Kinder Morgan to develop the Gulf Coast Express natural gas pipeline to further expand our integrated Permian position.

We will also continue our focus on optimizing our asset portfolio to drive the growth in areas where we have the strongest positions. That means that we may divest smaller, nonstrategic assets as well as idling underutilized compression of land capacity.

Now let's turn to Slide 5 and talk about our growth focus. We have a tremendous opportunity to continue to grow around our expansive footprint. On the slide, we've outlined a visible pipeline of $1.5 billion to $2 billion of accretive, largely fee-based growth opportunities over the next few years.

Let me start with our downstream integration opportunities in the Logistics and Marketing segment. With the significant growth projections from producers in the Permian and Delaware Basins, market growth from pipeline exports to Mexico, as well as our LNG exports, we believe there will be significant capacity demand for both natural gas and NGL takeaway.

Sand Hills has been a great success story. In the near term, our expansion to 365,000 barrels per day is underway and expected to come online by the end of this year, and it's anticipated to ramp up quickly. We have multiple new supply connections backed by planned dedications under construction, which will bring incremental NGL volumes to the system in 2017 and beyond and provide clear support to the pump expansion project that is currently underway. We set Sand Hills up to be a producer-friendly pipe that allows our customers the flexibility and accessibility to take their NGLs to fractionators or other delivery points of their choice along the Gulf Coast, where we're seeing growing demand.

With continued NGL volume growth in the Permian region, we're advancing the further expansion of Sand Hills from 365,000 to 550,000-or-more barrels per day. We're looking at a phased approach, which could lead to incremental investment net to our interest of up to $900 million.

We're also excited about prospects to strengthen our integrated downstream value chain. DCP's presence and asset portfolio in the Permian Basin has provided us with a natural opportunity to partner with Kinder Morgan to develop needed infrastructure for residue gas takeaway for existing and prospective producer-customers. In April, we signed a letter of intent with Kinder Morgan to develop Gulf Coast Express, a proposed 430-mile intrastate natural gas line providing 1.7 Bcf per day of capacity from Waha to Agua Dulce, expected to be in service in the second half of 2019. We have received great responses to the nonbinding open season, and we believe this pipeline provides a very welcome, competitive alternative and diversity to the marketplace.

That Gulf Coast Express Pipeline affords greater interconnectivity and market optionality towards integration with Kinder's existing pipeline and storage network, and it provides Permian producers and other shippers a very attractive option from 2 strong companies with proven track records.

Now let's shift to the DJ Basin. Our 800-plus-million a day of capacity in the DJ Basin has been running full for some time. As I spoke about last quarter, we and select key producers, have formed a cooperative development plan where DCP will contract new plants and associated gathering to meet capacity needs in the basin. With projects in flight and in development, our total capacity in the DJ Basin is expected to increase by 50% to 1.2 Bcf a day over the next 2 years. This is driven by our 200-million-a-day [Mewbourn] (inaudible) plant that will be in service in the fourth quarter of 2018, incremental capacity of 40 million a day this summer via a bypass project and the potential for another 200-million-a-day plant currently in the development phase for 2019. And these projects along with a multiple of other opportunities right under our feet all underscore the strength of our footprint. These projects are predominantly fee-based. They provide strong returns with 5x to 7x multiples and are at much, much lower risk. And with these organic opportunities, as we sit here today, we have clear line of sight to $1.5 billion to $2 billion of growth projects. So with that, Sean will now review our first quarter 2017 results.

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

Thanks, Wouter, and good morning. Before we go through the numbers, I first want to go over a couple of items to ground you on a newly combined financials and expanded operating statistics.

The reported results I'll be speaking to today reflect the combined entity for both the first quarter of 2016 and 2017. Prior periods have been recast to reflect the results of the partnership as if it had always owned the DCP business contributed at the beginning of the year, similar to the pooling method.

We've reset our reporting segments around our key businesses, with DCP's assets now grouped into a Gathering and Processing segment and a Logistics and Marketing segment. Additionally, we've included a new schedule for the combined company in the Appendix section of these slides that provides additional details around our segments.

Now let's turn to our first quarter results. During the first quarter of 2017, we generated adjusted EBITDA of $245 million. First quarter 2016 adjusted EBITDA of $307 million included a nonrecurring [fiduciary] settlement of $87 million. Excluding this item, adjusted EBITDA was up 10% from the first quarter of 2016. First quarter 2017 DCF was $161 million, resulting in a distribution coverage ratio of 1.04x, and our bank leverage ratio was 4.6x, both in line with our guidance.

Now let's move to our segment results on Slide 8. Our Gathering and Processing segment adjusted EBITDA of $211 million increased 27% after adjusting for the nonrecurring fiduciary settlement I just mentioned. The increase reflects higher commodity prices, net of hedges; continued solid performance by our North region, largely due to higher unit margins and stronger NGL recoveries; higher fee margins from our contract realignment efforts in the Permian and Midcontinent regions; and a lower cost base due to our ongoing DCP 2020 efficiency efforts. These increases were partially offset by adverse weather impacts in Q1 and lower volumes, which I'll discuss in more detail on the next slide.

Our Logistics and Marketing segment adjusted EBITDA was $92 million in the first quarter of 2017. The decrease on the first quarter of 2016 reflected lower cash distributions from our NGL pipeline joint ventures primarily related to planned and unplanned pipeline maintenance on Sand Hills in December 2016, which adversely impacted the first quarter 2017 distribution by approximately $10 million as cash is paid on a 1-month lag. Distributions were also impacted by working capital timing, which we expect to come back over the course of the year. Additionally, our Q1 2017 gas marketing margin was lower, driven by a very strong Q1 2016 performance last year. Our full year outlook for the Logistics and Marketing segment remains strong driven by our premier NGL pipeline positions and continued growth outlook.

Looking to the second quarter for the company as a whole, I want to point out that the second quarter is settling up to be slightly lower than the first quarter due to planned maintenance concentrated more in Q2 in the summer months coupled with slightly weaker commodity outlook, offset partially by expected improved performance from our Marketing and Logistics segment. Also keep in mind, we have several growth projects coming online in the second half of 2017, which will drive associated earnings and cash flows. All in all, we feel good about executing on our near-term strategy and are on target to meet our 2017 guidance.

Now moving to Slide 9, we show our volume trends, capacity utilization and rig count activity around our footprint. As we previously discussed, we have forecasted volumes to be flat to down in 2017. And as expected, our first quarter 2017 G&P volumes are lower compared to the first to fourth quarters of 2016. This is largely due to the delayed impact of lower drilling for 2016 and severe weather in January, which temporarily impacted volumes by about 5% in both our Midcontinent and Permian regions.

In the Eagle Ford, volumes have held steady over the last couple of months. And while it's still a little early to call it a trend, we are cautiously optimistic that we're nearing the bottom.

As part of our asset optimization strategy and in an effort to continue to drive efficiencies, we idled the 90-million-a-day underutilized plant in Eagle Ford, first quarter, to help offset volume declines with cost savings.

As we look forward to the remainder of the year, starting in late 2016, rig counts turned a corner. And we've recently been seeing increased drilling around our footprint, which is a leading indicator to future volume growth. Again, we view 2017 as a transition year for our industry, and we continue to be encouraged by the positive signposts we are seeing.

Moving to Slide 10, let me provide you an update on our hedging, financing and liquidity. With a focus on risk, we continue to manage commodity exposures through proactively layering on hedges to stabilize cash flows and provide downside protection. And our 2017 estimated margin is currently 73% fee-based and hedged.

During the beginning of this year, we saw some strength in the forward commodity curve, so we took the opportunity to layer on some additional gas hedges for the first quarter of 2018 and NGL hedges for the remainder of 2017. On the right side of this slide, you can see that we have ample liquidity and financing flexibility. We continue to delever and strengthen our balance sheet, and we're off to good start to achieve our 2017 distribution coverage ratio of 1.0x or better and a leverage ratio of less than 4.5x.

During the first quarter 2017, we amended our credit facility, up-sizing it to approximately $1.4 billion and strengthening our covenant package, which provides us with headroom and flexibility to manage and fund our disciplined and expanding growth program. Our bank leverage calculation was amended to net unrestricted cash against our outstanding debt. And as a reminder, our leverage calculation excludes the $550 million of subordinated notes from our debt.

At the end of the first quarter, there were no borrowings outstanding on our facility, and we had approximately $175 million of cash on hand coupled with $350 million available under our ATM program. All of this liquidity is available to fund our growth and/or repay a portion of our December 2017 $500 million debt maturity.

So all in all, we continue to strengthen our balance sheet and have plenty of flexibility as we look at our financing options. With that, I'll hand it back over to Wouter.

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

Thanks, Sean. On Slide 11, let me summarize what makes me excited about the opportunities ahead of us. Last quarter, we described for you our pathway to distribution growth and the operating and financial strategy that will guide us, grounded on a proven track record of delivering on every single one of our commitments to you. We are one of the largest NGL producers and natural gas processors with a strategic footprint in the premier basins in this country. We've already proven how well we can execute and manage through a downturn by adding fee-based margins, strengthening our balance sheet, efficiently reducing our cost base and operating more reliably.

As we think about 2017, the industry is in a transition year, and we are encouraged, but at the same time, cautious about how the industry outlook has changed. We are excited to pivot to growth, but we will remain disciplined in our approach.

We have outlined for you visibility into tremendous, low-risk, high-return, predominantly fee-based growth opportunities, all in proven areas around our footprint, which will extend our value chain and further integrate our G&P and logistics businesses. And we have optimization opportunities around one of the strongest and well-diversified asset and earnings portfolios in the industry. This translates into sustainable earnings growth and value creation for our unitholders.

We will continue to drive focus on leveraging our asset footprint, operating safely and reliably and listening to our customers. And once again, I want to thank all of our employees for their steadfast commitment which has made DCP a leader in our environmental health and safety. And with that, I'd like to thank you for your interest in DCP. And now, Vince, we're ready to take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question's from Jeremy Tonet of JP Morgan.

Rahul Krotthapalli - *JP Morgan Chase & Co, Research Division - Analyst*

This Rahul on for Jeremy. Firstly, like I just wanted to ask about the major drivers that will bridge the cash flow to meet your 2018 plus growth targets that you reiterated to us today. I'm also curious how much of this is levered to the commodity price recovery given your integrated footprint?

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

Yes. I mean, there's a couple things. As we think about 2018, commodities clearly won. We definitely -- if you look at the outlook that we laid down and some of the discussions we've had, we see '18 being a little more constructive than '17 so -- but not crazy, but definitely improving some on the commodity side. More importantly, I think as we think about hitting those goals in '18, the things that we're focused on our continued efficiencies through the assets that we own, continued cost savings, continuing to run reliably. And then more importantly, we've got some growth coming on late this year, obviously, tied to the DJ, tied to Sand Hills. We'll get a full year of that growth as we think about 2018. And Wouter, I thought, did a great job of laying out some of the more exciting stuff that could be down the pipe that could also drive earnings in '18. So I think it's -- if you think about it, it's those types of items: a more constructive commodity environment, continued execution on the things that we're doing here every day and then, obviously, this growth outlook that continues to strengthen as we move forward.

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

Yes and maybe to -- this is Wouter. Maybe to add to that, like there is some -- if you take a look at how we not only set up 2017 but also 2018 and by 2017 for us, we didn't put a lot of back-end loading in there. We didn't put a lot of volumes in there that have to come in towards the end of the year, Q3 or Q4. We are pretty level-loaded for the year as a whole. We see opportunities, and like we spoke about what our volume outlook is, but we decided not to layer those in. Again, 2017, we believe is going to be a fairly choppy year, some ups, some downs. We laid that out to you earlier in the year when we announced the transaction in January. And I think so far, that's definitely coming to fruition, while January and February were relatively strong from a pricing point of view. And then March and April, we're seeing a little bit of a retraction. So we think there's opportunities for us to kind of get more volume towards the back end of the year. We didn't lay them in though in our budgets and in our outlooks. Things like ethane recovery, which continues to be tremendously important for us and a great opportunity, we didn't layer those into our base budgets. And if they come to fruition, it's a good upside for us. But there's no reason for us to have to get those to make our numbers.

Rahul Krotthapalli - *JP Morgan Chase & Co, Research Division - Analyst*

Got you. That's helpful. And also can you give some incremental color on the sequential declines in Permian volumes? Is it like a onetime like a 1Q '17? And how should we think about that into 2Q and into the back half of the year?

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

So in terms of the Permian volumes, yes, I mentioned there was about a 5% hit in January. Yes, there was Winter Storm, Juniper (sic) [Winter Storm Jupiter] that went through, affected our Midcontinent, our Permian region. That did dampen some volumes in the Permian a little bit, again about 5% in Q1. We see that -- I think the guidance we gave earlier in the year, we're still holding to around the Permian region that we saw flat to slightly growing through the remainder of the year. And I would tell you that seems to be still intact as we sit here today.

Rahul Krotthapalli - *JP Morgan Chase & Co, Research Division - Analyst*

Got you. One last clarification, if I may. On your slide deck, on Slide 9, you talked about the rig count in the DCP's area. So are these rigs within all those numbers? Or are these within your dedicated acreage? Or is it like specific to the region? Like I just want to make sure.

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

Yes, these are specific to our dedicated areas, the rig count that we're showing on Slide 9 are DCP's areas. Obviously, if you look at the region as a whole, you're going to see a similar trend, but we thought it more pertinent to focus really just on the specific areas that the DCP has assets.

Rahul Krotthapalli - *JP Morgan Chase & Co, Research Division - Analyst*

Got you. So it's a reasonable assumption to assume that most of the volumes from this will be going through your asset footprint and like we can see -- this is what would drive the back half of the year, the volumes?

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

Yes. I mean, yes. I mean, it's not one for one. These are our areas. There's obviously other midstream companies and competitors in our areas. But there is a correlation. I think that's where you're headed. And obviously, we think it's good to have increased rig counts right around our assets. That should translate -- as we've indicated, it's the leading indicator. That should translate into incremental volumes. We're not going to get every one of them obviously. But in terms of market share, some of that should come our way.

Operator

Our next question's from Shneur Gershuni from UBS.

Shneur Gershuni - *UBS Investment Bank, Research Division - Executive Director in the Energy Group and Analyst*

Just a couple of quick clarifications and really just follow ups to the previous questions. So just to clarify what you were saying there before, Sean. So those rigs are specific to the region where you have processing plants and you expect to get a percentage of the market share from that? Do you have a sense what kind of market share you expect to take with those rates?

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

Shneur, at the end of -- we've done some modeling. Obviously, having rig counts increase versus what we saw in '16, the massive declines, is much more constructive environment. We've done some modeling. It's a little early to tell. I mean, as we've indicated, rigs can be -- they're a good indicator. They're a leading indicator. It takes time for those to translate into volumes. We are looking in some of the regions where we've seen -- where the rigs, when they came off obviously, had massive adverse impacts on the volumes. We would hope some of that would come back. We're -- still too early to tell. We'll continue to monitor it, a good signal, and obviously a lot of the regions where we have some capacity such as the Eagle Ford. So we're hoping -- as Wouter indicated, we're not planning on a ton, a huge move, the remainder this year. But back to that earlier question of '18, if we can see some constructive movement, it should help the volume profile as we move into '18.

Shneur Gershuni - *UBS Investment Bank, Research Division - Executive Director in the Energy Group and Analyst*

Okay. And then -- and obviously, the Permian volumes decline in the quarter, you sort of addressed that with respect to some of the weather issues and so forth. But I guess this is a question both for the [same] for the Permian and for the Eagle Ford as well because you're showing a sizeable rig count -- rig increase. When you look at, let's say, volumes on a daily basis at the beginning of the quarter versus the end of the quarter versus where you are today, are you already starting to see that turn there? I mean, could we see -- excluding the negative weather impact for the Permian, do we see it running even higher in 2Q? If I sort of look at the end of the quarter run rate versus the beginning of the quarter's run rate, any color with respect to that?

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

Yes, I can give you -- so I think there's 2 areas you asked about. We'll start with the Permian. Definitely, we saw a rebound. That 5% came back, Shneur, in the Permian when I go from, to your point, from January to March and obviously, we're having some looks at April. So I think that trend is continuing. So we definitely saw a rebound in the Permian. Eagle Ford, a little bit different. In our comments around the Eagle Ford, we indicated we saw it kind of flattening out for a couple of quarters. I wish I could call that a trend, that we've hit the bottom. But it's nice to see a few months -- I said quarters. I meant months. Nice to see a few months where the Eagle Ford's kind of flattened out, and we see that trend relatively holding as we look at March and April as well. Not seeing -- again, back to your rig count question, we're not seeing any movement on the uptick yet in the Eagle Ford. But we're cautiously optimistic that we've hit the bottom there. Permian's definitely rebounded from the lower volumes we saw in January.

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

And then maybe, Shneur, to add to that, Sean was really kind of laying out the processing side of the house. If you look at the logistics side of the house from the NGL transportation and the like, we're seeing good increases on the pipeline. So that is something we're seeing some pretty nice volumes. So that's -- we're optimistic around that.

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Shneur Gershuni - *UBS Investment Bank, Research Division - Executive Director in the Energy Group and Analyst*

Okay. And then one final question. You guys have done a very good job over the last 2 years bringing down your breakeven price. I mean, you continue to make cost operational improvements. Are we at the end of that? And I realize you have proven it this quarter as well too, but like when do we sort of get to the end of that? When does it sort of flatten out? Or do you actually still have more to go and we should continue to be taking (inaudible)?

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

Well, Shneur, appreciate you saying that, and I do have to say I agree. I'm very proud of what the team and all of our employees have done to continue to look at how can we be more efficient as a company while, at the same time, and this is a very important, being more reliable and being more safe. Because we all know that taking cost out in and by itself is something that is relatively simple. You can do that. The real art lies into how do you take cost out but become more reliable for your customers and become a safer company, and we've done both of those. So again, I'm very proud of what our teams have done. If you take a look at where we're sitting here today, I think there continues to be opportunities. And like, to me, making the company more efficient is something that is never done. So we continue to do things around how we utilize technology, how we utilize efficiencies, how we're trying to do different processes like maintenance work process and things to continue to drive cost out of the business and become more productive, and again, do that at the same time, while being more reliable, while being more safe. And I think some of the things that you're seeing around that reliability, Shneur, and not everybody always kind of put these things together, is things like maintenance capital. Like we're a more reliable company if we spend more time upfront making sure our asset's running well, we have an opportunity to do less overall, maintenance, and that is something that's obviously very attractive and is also reflected in our numbers.

Operator

(Operator Instructions) Our next question's from Elvira Scotto of RBC Capital Markets.

Elvira Scotto - *RBC Capital Markets, LLC, Research Division - Analyst*

Just wanted to ask about the Gulf Coast Express Project with KMI, a couple questions around that. I guess, number one, what's needed to get that project moving forward? Number two, what level of contractual commitment is DCP contemplating? And then number three, what level of ownership interest is DCP contemplating?

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

Yes, Elvira, and thanks for those questions. First and foremost, and like we are very excited about this project. And like Gulf Coast Express, it's another way for us how we play the Permian basin and we are not -- the new DCP is not just a gathering and processing company. If you take a look at our G&P position our marketing and logistics position, it's a fully integrated company. So we're showing things around our Sand Hills, how we're thinking about doing another expansion on top of the one that we're currently doing. Now we're talking about how can we leverage the great position that we have, the great expertise and position that Kinder Morgan has and combine that into the Gulf Coast Express Project. We are very excited about how the open season went so far. I think it's -- the open season was really, really well, a lot of interest in the pipeline. And I think it clearly kind of shows that the market a, needs this pipeline; b, believes that the combination of Kinder Morgan and DCP, 2 very strong companies, are actually companies that can bring this project to fruition. Over the next couple of months, we'll be working together with Kinder on looking at how can we convert that open season into binding contracts. At the same time, we are talking with Kinder about the amount of gas and the level of gas that we will bring to the pipeline and the level of commitment and what our commensurate ownership position is. So I can't give you all the details here just yet other than saying that we're very, very optimistic around the -- how the open season came in, how the market is looking at this new pipeline and the likelihood that a company like Kinder Morgan and DCP together can execute on this project.

Elvira Scotto - *RBC Capital Markets, LLC, Research Division - Analyst*

Great. That's really helpful. My second question is around growth. So you highlight some of these other potential growth projects, which could be sizable growth CapEx. How do you balance -- or are how you thinking about financing this growth in terms of kind of balancing your distribution of coverage, your leverage, distribution growth? Is this -- would you use more internally generated cash flow for this growth? Or would you kind of go back to sort of 50-50 kind of debt equity financing? Just sort of your thought process on financing this growth and leverage and coverage.

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

Elvira, this is Sean. A couple of things. Obviously, we're excited about the growth. As we sit here today, we're sitting on about $200 million of cash. The businesses continue to generate more cash flow. So we're excited. The balance sheet, we have nothing drawn on our $1.4 billion facility, and I mentioned we do have still $350 million on that ATM program. So in terms of starting point, we're starting from a very good spot. We've been -- as you know, when we grew prior to the downturn, we were very active out in the market. So a very seasoned capital markets company, and I think the reason we were so successful, I think we raised on average about $1.5 billion a year back during the growth period, was because of the quality of the projects. So as you think about where -- how would we go about financing it, your 50-50 is in the ballpark. Sometimes, we target a 45-55-type structure. But at the end of the day, it's really how strong are the projects that we be out financing in the capital markets, and that's why we're excited. When you think about things you just talked about, Kinder, you think about the Sand Hills expansion, the projects up in the DJ, these are very -- we give you the range of 5x to 7x multiple. So they're very strong multiple projects. They're derisked, fee-based, in many cases. So we're adding to our fee-based portfolio, adding to the strength of our integrated asset base. I believe those are great priorities to go out and finance when we will need to. And they will, in turn, continue to drive obviously our ability to grow, to maintain the distribution and ultimately, hopefully, grow it. So I think that's what sets us apart. These are organic projects. They have staged capital needs versus a big acquisition at 15x or 20x that you've got to come up with the money all at once. So it gives us great line of sight and gives us a lot of flexibility on how to go out and finance it, and I feel very strongly that these projects will be viewed, when we do not need to go out and finance them, well by the investment community.

Elvira Scotto - *RBC Capital Markets, LLC, Research Division - Analyst*

Great. And then just my final one. And I don't know if it's too early to tell, but can you talk about any potential impact following the unfortunate incident in Firestone, Colorado and then the sort of the notice to operators from the state?

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

Yes, Elvira. Like first and foremost, our thoughts are with the family in the Firestone community. Our infrastructure was not involved with this incident, and it did not happen. We do not foresee any material impact to our operations in the DJ Basin. But most importantly, I'm like we always hold ourselves to the highest standards around safety. And in the abundance of caution, we have taken a number of different actions beyond compliance to provide additional peace of mind. In my discussions with our large customers and our large producer-operators in the basins, everybody is working very hard. And I think most or all of the producers are doing all of their work to make sure they get to a place that the Governor's -- the request that the Governor put out is going to be satisfied here in very short order.

Operator

At this time, I see no other questions in queue. I'll turn it back to Mr. van Kempen for closing remarks.

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

Thank you, Vince, and I thank you all again for joining us today. If you have any follow-up questions, please give Andrea or Irene a call, and have a great day.

Operator

Ladies and gentlemen, thank you for your participation in today's conference. This concludes the program. You may now disconnect. Everyone, have a great day.
