THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

DPM - Q4 2015 DCP Midstream Partners LP Earnings Call

EVENT DATE/TIME: FEBRUARY 25, 2016 / 03:00PM GMT

CORPORATE PARTICIPANTS

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

Wouter van Kempen *DCP Midstream Partners LP - Chairman, President and CEO*

Sean O'Brien *DCP Midstream Partners LP - CFO*

CONFERENCE CALL PARTICIPANTS

Elvira Scotto *RBC Capital Markets - Analyst*

Kristina Kazarian *Deutsche Bank - Analyst*

Faisel Khan *Citigroup - Analyst*

James Carreker *US Capital Advisors - Analyst*

PRESENTATION

Operator

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

(Operator Instructions)

As a reminder, this conference call is being recorded. I would now like to turn the call over to Andrea Attel, Director of Investor Relations. You may begin.

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

Thank you, Destiny. Good morning, everyone, and welcome to the DCP Midstream Partners fourth-quarter 2015 earnings call. Today you'll hear from Wouter van Kempen, Chairman, President and CEO of both DCP Midstream and the Partnership; and Sean O'Brien, CFO of both Companies.

First, we'd like to thank you for interest in the Partnership. This call is being webcast and the slides are available on our website at dcppartners.com. Our discussion today includes forward-looking statements. Actual results may differ due to certain risk factors that affect our business. Please review the second slide in the deck that describes our use of forward-looking statements, and for a complete list of risk factors, please refer to the Partnership's most recently filed 10-K and 10-Q. We'll also use various non-GAAP measures which are reconciled to the nearest GAAP measure in the schedules in the appendix section of the earnings slides.

Now I'll turn the call over to Wouter van Kempen.

Wouter van Kempen - ***DCP Midstream Partners LP - Chairman, President and CEO***

Thanks, Andrea. And good morning, everyone. Thanks for joining us. On today's call, Sean and I will share some thoughts on our fourth-quarter and year-end results and recap DPM's 2016 outlook that I shared with you in New York earlier this month. We will also take the opportunity to summarize how the DCP Enterprise is executing on our DCP 2020 strategy and goals.

First, let me highlight one of the most important things to us. We just had our best safety performance ever for the DCP Enterprise. We continued to lead the industry and I am really proud of all of our employees' performance and focus in this difficult environment. We expect 2016 to continue to be challenging for this industry. However, the DCP Enterprise is well positioned with our geographically diverse asset base and growth from fee-based assets placed into service.

Let's get right to DCM's year-end highlights. The Partnership had a solid fourth quarter and record 2015 results. We generated $572 million of DCF, which exceeded our target range, and we reported adjusted EBITDA within our target range of $656 million. Fourth-quarter adjusted EBITDA of $176 million and DCF of $145 million were both up significantly from the same period in 2014, resulting in a distribution coverage ratio of 1.21 times for the quarter and 1.19 times for the trailing 12 months.

We held our distribution firm throughout the year at $3.12 per unit annualized. We have also substantially completed our capital program. The new assets are in service and are contributing fee-based cash flows to the bottom line and we don't have any major capital commitments remaining.

What I'm really proud of is how proactively the team responded to the industry challenges, way ahead of others. We recognized the signposts sooner, we took action sooner, and we are well under way with controlling what we can control through the focus on the DCP 2020 strategy. So let me give you some examples: Right out of the gate last year, the DCP Enterprise reduced it's ongoing pulse base by $70 million-plus. With our focus on operational excellence, we lowered system pressures and improved reliability and we've had strong asset utilization. Our contract realignment efforts have resulted in over $50 million of annualized margins through the DCP Enterprise. And let me say this again -- the $3 billion of owner support received by DCP Midstream in 2015 was not a half measure. It was a full measure and then some.

So if you add all of these things together, it translates into a strong general partner and a strong partnership, providing value to the owners and our unitholders. We have a proven track record and we're well positioned to weather the current environment and capitalize on industry recovery.

With that, I will turn it over to Sean to review our financial results.

Sean O'Brien *- DCP Midstream Partners LP - CFO*

Thanks, Wouter, and good morning.

From a financial perspective, I want to go back to an important comment Wouter began with. And that's how proud I am of how the Company as a whole responded to a very challenging 2015. 2015 was a game changer for DCP, with the DCP Enterprise taking approximately $70 million-plus of base costs out, adding $50 million plus in incremental fee-based margins, and executing on numerous new growth projects on time, on budget. This really shows the alignment and dedication of our employees to our DCP 2020 strategy. With 2015 behind us, we appreciate that 2016 will continue to be challenging, and I am confident that our focused and continued execution on controlling what we can control will see us through this industry cycle and on to the other side.

2015 was another record year for DPM. We just reported our strongest fourth-quarter and full-year results ever. This momentum positions the Partnership well for 2016. Fourth-quarter adjusted EBITDA was up $37 million or 27% to $176 million. This increase was due to solid execution on our organic investments, driving solid results at each of our business segments. We generated $145 million of DCF in the fourth quarter, up $33 million or 29%, resulting in a coverage ratio of 1.21 times. This increase was driven by the growth in fee-based cash flows, strong execution on cost controls, and lower maintenance capital.

In our natural gas services segment, adjusted EBITDA of $135 million was up 15% from $117 million in the fourth quarter of 2014, which included a $10 million lower of cost to market adjustment. This was largely driven by continued growth from the Lucerne 2 and Keathley Canyon projects, both put into service earlier this year, coupled with the positive impact of commodity hedges and growth in higher margin areas. The increases were partially offset by volume declines in our Eagle Ford system, where the higher margin volumes, which make up roughly 65% of the Eagle Ford, are showing slight declines, coupled with larger declines in the lower margin legacy volumes.

Now focusing on NGL logistics segment, adjusted EBITDA was $13 million or 33%, to $52 million, driven predominantly by growth from the ramp up of Sand Hills and Front Range NGL pipelines. And we're excited to see continued growth from these fee-based investments. And finally, in our wholesale propane segment, adjusted EBITDA of $11 million was up $13 million, primarily due to higher unit margins and a $9 million LCM adjustment in the fourth quarter of 2014.

Let me highlight DPM's 2016 guidance. Based on a price deck of $45 crude, $0.42 per gallon NGL and $2.50 natural gas, our 2016 target-adjusted EBITDA range is $565 million to $595 million and our DCF range is $465 million to $495 million. We assume a flat distribution to 2015 of $3.12, resulting in an approximately one times coverage ratio. And I'd like to remind you that due to DCP Midstream's IDR cash flows and 21% ownership interest of the outstanding LP units, the GP's interests are well aligned with the interest of the LP unit holder.

Now moving to our capital outlook, we are targeting the lower end of the $75 million to $155 million range for growth, and $30 million to $45 million for maintenance. And again, we have minimal committed capital. Overall volumes are forecast to be slightly down from 2015, although we expect some volume growth in the higher-margin DJ basin at Keathley Canyon, offset by declines in the Eagle Ford and other lower margin areas. At the bottom of the slide, you can see DPM's full-year 2016 commodity sensitivities, showing minimum exposures to NGLs and natural gas prices and no exposure to changes in crude prices.

Let me summarize this for you. We will have substantially replaced the roll-off of our hedge cash flows with new fee-based growth. And even at today's screen prices, we expect to be within our target ranges. We have ample liquidity under our $1.25 billion credit facility. We are assuming no public debt or equity needs, and we expect our debt-to-EBITDA range to be at or below four times.

Now moving to slide 6, I will quickly hit highlights regarding our margin portfolio. With our growing fee-based assets, our 2016 fee-based margin is forecasted to increase to 75%, up 15% from 2015. And the remaining 25% margin is 55% hedged for the full year, weighted heavier to the first quarter. So our 2016 margin is 90% fee-based or hedged. And to provide a breakdown by segment, our natural gas services segment represents approximately 65% of the overall 2016 estimated margin, with NGL logistics comprising about 30% and wholesale propane making up the remainder. About 65% of the natural gas services segment margin is fee-based and the NGL logistics and wholesale propane segments are almost all fee-based, with limited to no direct commodity exposure.

Finally, growth in DPM's fee-based earnings minimizes the direct effect of unhedged margins. And as always, we will proactively manage remaining commodity exposure. As our track record has demonstrated, we firmly believe that the Partnership's diversified and growing fee-based revenue stream will continue to support our DCF targets and positions DPM well to deliver sustainable value to our unitholders.

Now moving to slide 7, I will recap our financial position at the end of the year. DPM continues to maintain a strong balance sheet and credit metrics with substantial liquidity. The Partnership had $875 million available under its credit facility and it had about $2.5 billion of debt outstanding at the end of 2015, with an average cost of debt of 3.5%. In October, we utilized $250 million of our facilities to retire a debt maturity, providing us more flexibility around our debt portfolio. And our next debt maturity is not until December 2017, so we have ample liquidity. Our leverage and coverage metrics remain strong, ending the quarter at 3.3 times, on the low end of our target range. And as mentioned earlier, our coverage ratio was 1.21 times for the fourth quarter and 1.19 times for the trailing 12 months, all driven by our solid results. All of this culminated with DPM ending 2015 with a strong balance sheet, strong liquidity, and solid distribution coverage.

On slide 8, I want to highlight the quality of our counterparties and producers. Approximately 90% of our customers are investment-grade or equivalent-rated and contract structure is what makes the difference. We tend to net back cash to our producers. So DPM holds the cash, drastically limiting counterparty exposure. Our contracts are at market levels and we don't have any significant minimum volume requirements that are not being met. In terms of our concentration levels, no one producer or customer makes up more than 10% of our exposure. At the end of the day, we have strong producers and customers in a must-run business, coupled with solid contracts and steel in the ground.

And with that, I will hand it back over to Wouter.

Wouter van Kempen - ***DCP Midstream Partners LP - Chairman, President and CEO***

Thanks, Sean.

At Spectra Energy's recent Analyst Day, I spent time covering the macro fundamentals that are driving change and how the DCP Enterprise is responding. So on slide 9, I'm going to talk to you about how we believe the industry will function and reset itself.

This is yet another cycle. We have been through them before and as we go through them, we know that both supply and demand need to head toward some sort of equilibrium. So what does that look like? With lower prices, producers are continuing to cut their capital budgets, reducing rate counts, and that will reduce supply. On the demand side of the equation, we have been anticipating NGL demand growth from exports and new crackers in the Gulf Coast. And we can see those ships out on the horizon for 2017 and 2018.

We also see producers reverting back to their core competencies. During shale revolution, producers extended their reach beyond drilling to build gathering infrastructure to central delivery points in direct competition with midstream companies. While current prices are not sustainable, that doesn't mean they won't stay low for a while. But at current prices, this industry just does not work. With limited access to capital, producers are selling their midstream assets and are refocusing back to their core competency: drilling wells.

As producers refocus their drill bit, they are retreating to the most economic place: the Permian, the DJ, the stack and scoop areas; and those are the areas where they receive the best returns. Let's talk about how DCP is positioned to capitalize in this industry reset. We are optimizing our systems, enhancing our gathering positions and becoming a low cost service provider, all the while operating more reliably and efficiently. This is a must-run business. Producers need us. And they will, again, rely on their midstream companies to gather right from the wellhead at low pressures and take it to the market. That's the game we have been in for over 90 years. It's our core competency.

We have the largest gathering system and compression fleet on the continent. In the end, those with gathering systems in very close proximity to the producer's wellhead will get to the most efficient solution. We have a diverse footprint with leading positions in the core acreage where producers are focused. Location has always been our competitive advantage. With this advantage, we are establishing long-term contracts with strong producers, stabilizing cash flows while increasing fee-based margins. DCP is set up well to capture all the opportunities coming from this industry reset.

So looking to 2016, we are continuing the DCP 2020 execution to reset our business during this lower for longer environment, so we come out strong when recovery occurs. It's about continued cost efficiencies, back to pre-growth levels, greater reliability, and reducing our risk and commodity exposure. This year, we are targeting $90 million of margin uplift for the DCP Enterprise as a whole. We will continue to optimize and rationalize our systems and that may include consolidating or idling less efficient plants and divesting non-strategic assets.

As we think about growth and deploying capital, we have completed our major projects and are generating significant cash flows. We don't have any major capital commitments on the horizon. Our assets have strong utilization, and as we look at new organic growth, we will stay in lockstep with our producers as always. We are already off to a good start on some of the 2016 objectives.

Earlier this month, DCP Midstream reached an agreement with a large producer which resulted in a win-win outcome for both parties. DCP Midstream received $89 million of cash and added significant life of lease volumes in the DJ basin. Additionally, in the Delaware basin, we now have the right to the entire NGL takeaway from 600,000 dedicated acres benefiting Sand Hills. In early January, DPM's Grand Parkway project went into service, further lowering pressures and driving incremental values in the DJ basin. And lastly, in the Delaware basin, DCP Midstream has now converted and simplified contracts with two major investment-grade producers, providing about 25% of its $19 million 2016 margin target, and secures an incremental NGL volume dedication to Sand Hills from a third investment-grade producer, also contributing significant fee-based margin. All of this is good news for both DCP Midstream and DCP Midstream Partners early on in 2016.

Let me start wrapping it up. DCP is a must-run business with a very competitive footprint and geographic diversity. And this allows us to provide our producer customers with the best path forward to monetize their production. We have phenomenal assets in the core producing areas and we continue to grow our fee-based margins and stabilized cash flows to support our DCF targets. Our assets of strong utilization and capital efficiency -- we're not putting steel in the ground right now -- preserving our balance sheet, and we have low sufficient long-term liquidity. We have a strong diversified customer and producer base, minimizing exposure in this downturn. This is a very tough cycle. But we got on this quickly in 2014 with our DCP 2020 strategy, transforming DCP to be the most reliable, safe, local midstream service provider that is sustainable in any environment.

I invite you to take a look back at our execution on our commitments. Everything we've promised you, we have done. We have never over promised and under delivered. We believe that is what differentiates us. We will continue to be prudent, making decisions in the near term that sustain us for the long term, all setting us up to come out strong on the other side.

With that, I would like to thank you for your interest in the Partnership, and Sean and I are now available to take your questions. Destiny, can you please open the line?

QUESTION AND ANSWER

Operator

(Operator Instructions)

Our first question is from Elvira Scotto of RBC Capital Markets. Your line is open.

Elvira Scotto - ***RBC Capital Markets - Analyst***

Hi, good morning. Can you --

Wouter van Kempen - ***DCP Midstream Partners LP - Chairman, President and CEO***

Good morning.

Elvira Scotto - ***RBC Capital Markets - Analyst***

Thanks. Can you provide a little more detail on your volume expectations in 2016? But specifically a little more color on the Eagle Ford shale, especially in light of the recent producer commentary.

And then just, as a second part to that, I know you haven't provided 2017 guidance, but how do you think about Eagle Ford volumes in 2017, given the declines there?

Wouter van Kempen - ***DCP Midstream Partners LP - Chairman, President and CEO***

Yes, thank you, Elvira; it's Wouter. Let me take this one from you.

Obviously, we are in very close discussions always with our producers. What was announced by some of the producers recently -- we actually have those baked in our forecast for 2016. So, none of that has come to a surprise to us.

I would say that two months in the year, volumes are tracking really well with the budgets that we've laid out and on which the 2016 guidance was based. If you kind of do some more specifics, the Eagle Ford -- we have baked in for 2016, 15% to 20% kind of declines, and those are being offset by higher volumes in the DJ Basin. Obviously, the producer settlement that we did is adding volumes. We have Lucerne 2 for a full year.

We did the Grand Parkway. If you listen to some of our producer customers in their earnings call during this week, they all highlighted those -- the Grand Parkway and how that's helping them. Keathley Canyon -- we're going to get a full year as well.

So, all of those are offsetting that 15% to 20% decline that we are seeing in the Eagle Ford. All in all, we get to slight declines for 2016 as a whole.

To your 2017 question, we haven't given any guidance -- won't give any guidance. We don't go out that far, as you know and you're very well aware of.

But again, I would assume that we are in very close discussions with our producers. We have some pretty good ideas of what is going on and the different scenarios that we are running -- different price deck, different volume curves and things like that for the out years. We are baking some of those in, and we're comfortable where things are going.

Elvira Scotto - ***RBC Capital Markets - Analyst***

Okay, great. That's very helpful.

You mentioned producers turning to their core strengths. Have you had discussions with producers where, maybe initially, they were going to build out their own kind of gathering or midstream systems where now you are picking up that business?

Wouter van Kempen - ***DCP Midstream Partners LP - Chairman, President and CEO***

Yes, I think there is a combination. I think what you have seen, some producers have already transacted on gathering systems that they have sold; some of them have gathering systems on the block right now, trying to raise capital.

The other thing that we are seeing, Elvira, and we always talk about this, this is a real estate game -- location matters, infrastructure matters. We have the largest gathering system in the country, the largest compressor fleet.

What producers are doing right now, they are trying to drill where there is infrastructure. With us having a very significant infrastructure, we see producers come to us and say -- guys, can we hook up into your system? That infrastructure is helping us and is a good thing to have.

Elvira Scotto - ***RBC Capital Markets - Analyst***

Okay. One more question around that, given sort of the competitive environment, can you talk a little bit about, as some contracts roll off, do you worry about losing share? Or conversely, are you picking up share from others as contracts roll?

Wouter van Kempen - ***DCP Midstream Partners LP - Chairman, President and CEO***

I think it's a mixed bag. I think we are not tremendously worried about losing some of these bigger contracts.

Take the Eagle Ford -- I know I've stated this publicly many times. Pretty much the majority of our contracts that we have there don't come up for renewal until 2021, give or take. So, that is still a long ways away.

In other areas, Midcontinent, Permian -- and those are predominantly the LLC areas -- we continue to see that we do a lot of low pressure, going to the wellhead. That is very difficult to replicate. People do not have the capital to replicate any of that. So, we have been very comfortable in renewing very large contracts and, at times, maybe adding some volume as well.

Elvira Scotto - ***RBC Capital Markets - Analyst***

Great. My final question, and thanks for the breakdown of the fee-based cash flow. Can you talk about what percent of your cash flows are backed by either MVCs or take-or-pay contracts?

Wouter van Kempen - ***DCP Midstream Partners LP - Chairman, President and CEO***

It's actually very, very minimal. If you look at it from a G&P point of view, I can't think of any of them. If you look at it from Sand Hills and Southern Hills, then we have a couple of small minimum volume commitments. All of those minimum volume commitments are currently -- the various people are well above those MVCs, so we don't expect any risk there.

Sean O'Brien - ***DCP Midstream Partners LP - CFO***

Elvira, this is Sean. We've looked pretty hard at our contract, obviously, as most are in times like this. And that's sort of what I was alluding to in the words earlier, that we have very minimal exposure around those types of things.

Elvira Scotto - ***RBC Capital Markets - Analyst***

Great. Thanks. That's all I had.

Wouter van Kempen - ***DCP Midstream Partners LP - Chairman, President and CEO***

Thank you, Elvira.

Operator

Thank you. Our next question comes from Kristina Kazarian of Deutsche Bank. Your line is open.

Kristina Kazarian - ***Deutsche Bank - Analyst***

Hey, guys. Quick clarification question: Can you talk a bit more about the new contracts that you mentioned signing with the two major IG producers -- maybe how I should be thinking about uplift from these? And additional color on how many more maybe you could execute throughout the year, and what I should be thinking about on those as well, or the potential there as well?

Wouter van Kempen - ***DCP Midstream Partners LP - Chairman, President and CEO***

And, Kristina, those contracts that I was referring to in the Delaware basin, those are DCP Midstream LLC contracts. That really goes to not only adding new volumes on the pipes, and obviously that will help the Partnership as well, since the Partnership owns one-third of Sand and Southern Hills. It helps LLC because LLC owns a third of Sand and Southern Hills as well.

But we continue to look at new contracts when they are coming up for renewal, and we will go after that converting to more fee-based. Those initial two that we mentioned, they gave us about $25 million of our $90 million target for the year. Again, that is an Enterprise number -- but doing pretty good there.

Kristina Kazarian - ***Deutsche Bank - Analyst***

Sounds great. And then a follow on to that: You guys always talk about how you were really proactive, which has helped out so far throughout the commodity cycle. When we look back at 2016, and not contract related, but what do you think the other most important things you guys are doing proactively right now?

Wouter van Kempen - ***DCP Midstream Partners LP - Chairman, President and CEO***

We talk a lot about our cash flow breakeven. Again, we are talking about LLC at that. But we've taken it from $0.60 to $0.40 in 2015.

The goal was to take it to $0.35 in 2016. We are currently working on overshooting that significantly. If you take a look at prices that are being printed on the screen today, we are looking at being cash flow breakeven at those types of prices, and lower.

So, we are going to continue to take cost out very aggressively in the Company, and anything and everything is on the table as it relates to that. We continue to look at our asset base and other things. So, we are not sitting here quiet, waiting until prices maybe go up. We always prepare for the worst, hope for the better, but that's what we will continue to do in 2016, and a lot of plans are being executed as we speak.

Sean O'Brien - ***DCP Midstream Partners LP - CFO***

And, Kristina, this is Sean. What I would add to that -- Wouter covered, obviously, the ongoing things.

One thing I would encourage you to look at as we go into 2016 is the things that we did. We go into the year with a very strong coverage ratio. We go into the year with a very strong credit metrics, with a lot of liquidity, with continued baked-in growth from some of the projects that we brought online last year.

So, I think that's a key element as you think about 2016 and DPM. We really brought, consciously, with all that proactive work, set ourselves up very well for this environment to get through 2016 and beyond.

Kristina Kazarian - ***Deutsche Bank - Analyst***

Sounds great. Last one from me, guys: Can you just give me an update on how conversations are going with the respective rating agencies, and just what they are looking for and what you guys are chatting about there?

Sean O'Brien - ***DCP Midstream Partners LP - CFO***

Sure. Kristina, it's Sean.

We talk to the rating agencies a lot, obviously, especially in environments like this. I think all the things that Wouter covered early in his remarks around the things that we have done, the promises that we've made, the things that we've executed on well, the RAs are very aware of those types of things -- how we are executing, how we're setting ourselves up at both DPM and at LLC. So, I think we are doing everything that we can, and executing very well in setting up our story, making sure they understand our story.

The other thing to take -- to keep in mind are the qualitative things as well -- the owner support. As Wouter said, that was not a half measure, and I know that's mostly LLC focused, but that was very large. That $3 billion that came in last year was received very positively from the RAs. I think we are doing everything we can. I think we are having good conversations. It's a tough environment. But as long as we keep executing, that's the best that we can do.

Kristina Kazarian - ***Deutsche Bank - Analyst***

Sounds perfect. Thanks, guys. Nice job today.

Wouter van Kempen - ***DCP Midstream Partners LP - Chairman, President and CEO***

Thank you.

Operator

Thank you. Our next question is from Faisel Khan from Citigroup. Your line is now open.

Faisel Khan - ***Citigroup - Analyst***

Thanks, good morning. It's Faisel from Citi.

Wouter van Kempen - ***DCP Midstream Partners LP - Chairman, President and CEO***

Good morning.

Faisel Khan - ***Citigroup - Analyst***

A few questions -- first of all, just across your entire system, how much ethane is being rejected into your systems to understand, if demand does come back next year, as you talked about the chemical crackers, what's the potential upside?

Wouter van Kempen - ***DCP Midstream Partners LP - Chairman, President and CEO***

Let me take that, Faisel. For us, it's probably -- and I'm talking about the entire Enterprise -- it's probably 50,000 barrels a day, give or take. The way we look at, when the crackers come online, 2017/2018, it's probably 500,000 to 600,000 barrels of demand. I think as an industry as a whole, we are probably around that type of rejection.

Not only is there a little bit of an opportunity going forward where you probably see a little bit of a price response for ethane, at the same time, what is very important, those barrels need to go to the Gulf Coast. And they go to the Gulf Coast via Sand Hills, via Southern Hills, via Texas Express and Front Range. And we will get paid on transporting those barrels. We think there may be some nice upside there in 2017/2018.

Faisel Khan - ***Citigroup - Analyst***

Okay. Are you talking about the Y grade mix or are you talking about batched product to the Gulf Coast?

Wouter van Kempen - ***DCP Midstream Partners LP - Chairman, President and CEO***

Y grade.

Faisel Khan - ***Citigroup - Analyst***

Okay. Got you. And within the Partnership, what is that number? So, you said Enterprise wide it's 50,000. But in the Partnership, what would that number look like?

Sean O'Brien - ***DCP Midstream Partners LP - CFO***

Faisel, it's more weighted. When you think about the areas we are rejecting, you got the mid-continent and the Permian. Those assets are predominately at LLC.

So, I would say it's heavily weighted. If I had to throw a percentage out, I'd say 80% of that is happening at LLC.

Faisel Khan - ***Citigroup - Analyst***

Got you. Makes sense.

In terms of LPG exports, I believe in the last quarter, maybe it was the quarter before, you guys talked about -- you were able to export some small amount of propane. I just want to understand how that is trending and how much you are exporting right now of LPG?

Wouter van Kempen - ***DCP Midstream Partners LP - Chairman, President and CEO***

We are not the ones that are exporting; but out of our Chesapeake facility, that's where export is going on. It's a couple of ships a month, and it's kind of tracking right online with what we expected.

Faisel Khan - ***Citigroup - Analyst***

Okay. And these couple ships -- are they sort of VLGCs or are they smaller carriers?

Wouter van Kempen - ***DCP Midstream Partners LP - Chairman, President and CEO***

Probably a combination of both.

Faisel Khan - ***Citigroup - Analyst***

Okay. Got you.

Wouter van Kempen - ***DCP Midstream Partners LP - Chairman, President and CEO***

So, think about it 7,000 to 8,000 barrels a day or so.

Faisel Khan - ***Citigroup - Analyst***

Okay. I just want to go back to Elvira's question on the volume guidance for 2016. So, I just want to make sure I understood this correctly. At the analyst day, you guys gave guidance on what your 2016 outlook was. Since then, there has been a number of big large producers that have come out and issued their capital and sort of cut their capital budgets pretty significantly. I just want to make sure -- was that sort of all anticipated by you? Is that incorporated in the volume?

Wouter van Kempen - ***DCP Midstream Partners LP - Chairman, President and CEO***

Yes, that was incorporated. That was baked in. Again, I think it's important for people to understand -- we are not sitting and listening to producers doing an earnings call and say -- oh, what are they going to do with their capital? These producers -- we have confidentiality agreements with them. Our teams talk to each other all the time.

We know what their outlooks are, what their forecasts are. And when I talk about 15% to 20% kind of lower volumes in the Eagle Ford, that is what our budget, our outlook that I gave in early February in New York and what we reiterated today -- that is what that is based on.

Faisel Khan - ***Citigroup - Analyst***

Okay. For maintenance CapEx, it looks like that is trending down. So, I want to understand what is driving that number lower?

Sean O'Brien - ***DCP Midstream Partners LP - CFO***

Faisel, a couple things -- we gave the $30 million to $45 million guidance. We think we will be closer to the lower end of the range. A couple of things embedded in those numbers are baseline well connect product replacement type activity. You can imagine in this environment as you trend that out, those numbers are down quite a bit.

And then secondarily, at the end of the day, and I think we've talked about this in the past, as we think about DPM, and that's what we are talking about right now, the mix of assets tends to lend itself to the lower end of maintenance with a lot of pipelines and so forth. And a lot of the asset base are the newer assets -- Lucerne 2, Keathley, O'Connor Plant and so forth. So, we feel good about those levels. We think we will be on the low end.

As Wouter started the conversation today around our record safety performance -- this Company is never going to put safety or compliance at risk. We're going to do our maintenance. But in this current environment, obviously, we are going to keep an eye on the cash flow.

Faisel Khan - ***Citigroup - Analyst***

Okay. Last question for me: On your NGL composite barrel, the $0.42 number you used for 2016, what is the composition of that barrel again? How do you look at that versus -- I'm just trying to understand how you look at that versus other companies.

Sean O'Brien - ***DCP Midstream Partners LP - CFO***

Faisel, historically, we have trended a little bit different. But over the last year or two, we are pretty much on the industry barrel composite. So, what we are seeing at DCP, as a whole, really trends fairly well to the industry composite.

Faisel Khan - ***Citigroup - Analyst***

Okay. Got you. So, the typical Bloomberg, the Mont Belvieu NGL composite.

Sean O'Brien - ***DCP Midstream Partners LP - CFO***

Yes.

Faisel Khan - ***Citigroup - Analyst***

Okay. Got you. Thanks, guys.

Sean O'Brien - ***DCP Midstream Partners LP - CFO***

Sure, thanks, Faisel.

Operator

Thank you. (Operator Instructions) Our next question comes from James Carreker of US Capital Advisor. Your line is open.

James Carreker - ***US Capital Advisors - Analyst***

Thanks for the call. I was just wondering if I could get your thoughts around how you think about the dividend? As we exit Q1 2016, obviously, there's lower level of hedges. And then as we get into 2017, it's very minimal -- the hedge there. And so, understanding that your coverage is 1 times in 2016, what triggers a thought as to reevaluating the dividend levels?

Sean O'Brien - ***DCP Midstream Partners LP - CFO***

James, this is Sean. At the end of day -- and we don't give 2017 guidance. But when we focus on 2016, we've set the Company up very well going into 2016 around our key metrics, built some coverage, got some baked-in growth, continue to see the fee-based side of the equation, we're up to that 75% that I mentioned.

So, we continue to see the fee-based portion of our cash flow growing. We like that. That insulates us fairly well in this environment. So, we feel very well that we are in a great position. We feel solid around the 1 coverage ratio, as you alluded to.

Look, at the end of the day, and I had this in my spoken remarks earlier, there is great, great, great alignment between the GP and the LP unit holders. We showed, I think in New York a few weeks ago, that about $200 million of cash flow related to GP and the 21% LP ownership flows to the LLC. Those are important cash flows to the GP and earnings.

So, we feel very well aligned with the LP/GP. We feel like we've set ourselves up very well to maintain that distribution and hold that 1 coverage. And I think we are set up better than most. We're not going to give guidance for 2017. But I think if you think about all the things we're working on, the proactive things that we're doing at this Company, I think that sets us up well beyond 2016 as well.

James Carreker - ***US Capital Advisors - Analyst***

Understand. And I'm not trying to pin you down on 2017, but I guess I was thinking about more philosophically. I think we are in agreement that commodity prices at these levels are unsustainable. But just kind of thinking, what would potentially be a situation which necessitates something like that, just, again, high level just -- is that a tool down the road that you would consider or is it the last thing you would ever do?

Sean O'Brien - ***DCP Midstream Partners LP - CFO***

Bottom line, James, we are modeling some pretty draconian cases over here. So, I think to your point, lower for longer, Wouter mentioned. We think the ceiling, even in recovery, the ceilings are going to be lower probably than they would have been prior to this downturn. So, we are modeling stuff like that. We don't see a lot of cases that are -- they have to be pretty draconian.

Once you get into that draconian case, all bets are off. To the industry -- as Wouter alluded to, at prices at or well below today's levels, it just doesn't work in the long run. But we are trying to stay ahead of it. We are looking at a lot of scenarios, and we feel pretty good in most of those scenarios that we are going to be sustainable.

James Carreker - ***US Capital Advisors - Analyst***

Okay. That's all for me. Thank you very much.

Sean O'Brien - ***DCP Midstream Partners LP - CFO***

Thanks, James.

Operator

Thank you. At this time, I am showing no further questions, and would like to turn the call back over to Wouter van Kempen for closing remarks.

Wouter van Kempen - ***DCP Midstream Partners LP - Chairman, President and CEO***

Great. Thanks, everybody, for your interest in DPM. If you have any follow-up questions, please contact Andrea, and we will make ourselves available. Have a good day. Thanks.

Sean O'Brien - ***DCP Midstream Partners LP - CFO***

Thank you.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program. You may all disconnect. Everyone, have a great day.