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DCP - Q3 2018 DCP Midstream LP Earnings Call

EVENT DATE/TIME: NOVEMBER 06, 2018 / 3:00PM GMT



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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Third Quarter 2018 DCP Midstream Earnings Conference Call. (Operator Instructions) As a reminder, this call may be recorded.

It is now my pleasure to introduce VP Investor Relations, Ms. Irene Lofland. Please go ahead.

Irene Lofland - *DCP Midstream, LP - VP of IR*

Thank you, Andrew. Good morning, and welcome everyone to the DCP Midstream Third Quarter 2018 Earnings Call. Today's call is being webcast and the supporting slides can be accessed under the investor section of our website at dcpmidstream.com.

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

We will also use various non-GAAP measures, which are reconciled to the nearest GAAP measures and 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'll be happy to take your questions.

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



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

Thank you, Irene, good morning, everyone. Appreciate you joining us. On today's call, we will discuss a strong third quarter results, outline the progress on our outstanding growth projects, address the political environment in Colorado, provide a brief outlook for 2019 and highlight the competitive advantage of our diversified business model and our transformational journey.

Beginning with our financial results. We had a tremendous quarter resulting in adjusted EBITDA of \$309 million and \$209 million of distributable cash flow, totaling \$546 million of DCF year-to-date. We delivered a distribution coverage ratio of 1.35x for the third quarter while maintaining a solid leverage ratio of 3.6x as of September 30.

As an outcome of our dedicated focus on optimizing our fully integrated portfolio and as demonstrated by these outstanding results, we expect to exceed our guidance for both 2018 adjusted EBITDA and DCF. Our strong earnings are underpinned by increasing volumes across our entire footprint, as we saw an approximately 35% increase in NGL's throughput volumes year-over-year and a roughly 10% increase in our gathering and processing volumes

To capitalize on the current production resurgence, DCP is executing a focused multi-year, multi-basin, multi-segment growth strategy that is mindful of the systemic overbuilt our industry has created in past cycles.

We will cover these projects in detail later in the call but as you can see, we are expanding our NGL takeaway capacity, supply and market connectivity on both Sand Hills and Southern Hills as we work toward plant expansions and innovative optimization strategies stemming from DCP 2.0.

We're also building out substantial capacity within our G&P segment as we successfully operate new Mewbourn 3 plant, quickly progress on the construction of O'Connor 2 and prudently advance our Bighorn facility in Colorado.

Ultimately, we delivered very strong third quarter results while successfully executing a long-term capital allocation strategy to ensure we continue to achieve our vision of DCP 2020.

On the next slide, I cannot overstate just how significantly our company has transformed over the past number of years. We have strategically expanded and integrated our diversified asset portfolio to drive strong earnings, ensure long-term stability in any environment and meet our customer's needs across the full value chain of midstream services.

Additionally, we've maintained a leading position in the industry's overall technological revolution. We have embarked on a remarkable digital transformation via DCP 2.0 that continues to drive margins, is optimizing operations and is further elevating our company's long-term competitive advantages.

As illustrated by these 2 maps, the DCP of 2010 is a far cry from the powerhouse company our employees have built over the last last 8 years.

Now moving to Slide 6. I want to update you on our continued success in a strategic execution of our growth projects with a focus on capital discipline and strong results.

We continue to realize the vision of leveraging our comprehensive value chain to meet the needs of our customers while maximizing returns and unitholder value.

Looking at the logistics and marketing side of the house, we're experiencing record throughput in some of our largest pipelines including Sand Hills, Southern Hills and Front Range.

At the end of the third quarter, Sand Hills reached record throughput at a 99% utilization rate, driving strong margins in our logistics segment. Sand Hills also underwent an incremental capacity expansion to 440,000 barrels per day by the end of the third quarter and is expected to reach 485,000 barrels per day within the next 2 months, providing a clear line of sight to continued future margin growth.



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And thanks to our innovative DCP 2.0 efforts, by the end of the third quarter, our team replicated the success of the Sand Hills optimization by increasing Southern Hills capacity from 175,000 barrels per day to over 190,000 barrels per day. Like the Sand Hills effort, these 15,000-plus barrel per day capacity growth required very little capital to produce very significant future cash flows.

Looking through the second half of next year, the future expansion of Southern Hills into the DJ Basin via White Cliffs will add 90,000 barrels per day of NGL take away for our Colorado customers.

The additional growth projects announced on previous calls including Gulf Coast Express, the Sweeny Fractionators, expansion of the Front Range in Texas Express pipelines and Cheyenne Connector are all progressing well and are within their established timelines.

Looking at our growth within the G&P segments. Mewbourn 3, which was brought on line ahead of all announced and accelerated timelines on August 1 of this year was safely built and put in service within just 9 months of breaking ground.

Additionally, Mewbourn 3 has had an extremely successful and efficient commissioning and volume ramp-up period to quickly meet the needs of our customers. The plant is processing 100 million cubic feet per day within a week and reach its full 200 million cubic feet per day capacity about a month after it's in-service date.

Line pressures in the basins have notably decreased, and we're now processing approximately 1 billion cubic feet of gas per day in Colorado. Also we're currently progressing well in the construction of O'Connor 2, our upcoming 300 million cubic feet per day facility.

And as we looked through our 12th plant in the basin, the Bighorn facility, we are prudently awaiting an FID pending the results of today's election, which brings me to the next slide.

As you all know, Proposition 112 in Colorado is a top priority issue for many including DCP. And On Slide 7, we have provided a simplified summary of our scenario planning. Through increased setbacks, Proposition 112 would effectively prohibit future energy production on a substantial amount of state and private lands. We stand by the integrity and safety of our operations, and we've been proud to join Colorado's industry in our state's top leaders from every political background in a remarkable effort to defeat this draconian ballot measure. We're optimistic that Coloradans will defeat Proposition 112.

So let's look at the potential outcomes of today's vote. Should Proposition 112 fail, DCP maintains a strong outlook in the DJ Basin, underpinned by strong customer relationships and a deep bench of tremendous growth projects like O'Connor 2 and Bighorn as well as multiple residue gas and NGL pipeline expansions.

I firmly believe that some of the best natural resources in this country are under our feet here in Colorado and a DJ Basin has an incredibly bright future. But I want to be clear. We will not breath a sigh relief and assume business as usual should the voters defeat this proposition. We are committed to working with all policymakers, regulators, communities and other stakeholders to develop a sustainable solution that allows for responsible energy development while ensuring our neighbors are confident in our safety and environmental processes.

On the other hand, as a company, we can successfully manage through the passage of Proposition 112. Our strategy to evolve from a company almost exclusively focus on G&P to a well-diversified full-service midstream provider across a wide geographic footprint has served us well in many ways and today's vote is no exception.

It is important to note that while the DJ Basin is a very successful component of our G&P portfolio, the vast majority of our business will remain unaffected by the potential impacts of Proposition 112. Additionally, should it pass, we anticipate our system in the DJ Basin will continue to be at full capacity for multiple years ahead due to the existing inventory of permitted, undrilled and uncompleted wells.

Lastly, as part of our comprehensive strategy, should Proposition 112 pass, we will reevaluate and likely defer the investment decision for the Bighorn facility and refocus on our portfolio of growth opportunities in other basins. In either case, 2 things are apparent. First, we are well diversified and exceptionally positioned to successfully operate a portfolio of assets in the country's top-tier basins for decades to come, no matter the outcome



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of this election. Second, industry's upleads have demonstrated astounding courage, passion and commitment to responsible energy development in Colorado, and I want to sincerely thank our employees, those of our peers and many, many other industries for their dedication and efforts during this election season.

With that, I'll turn it over to Sean to take you through our financial results.

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

Thanks, Wouter, and good morning money. Today, I'm very excited to talk through our exceptional third quarter results and the significant progress we're making on our financial goals.

Slide 8 highlight our strong execution delivering Q3 DCF of \$209 million and adjusted EBITDA of \$309 million. In Q3, our broad asset base was hitting on all cylinders with excellent performance across both of our business segments and throughout all of geographic regions.

Shifting to our business segments. We had a mammoth quarter for our logistics and marketing business, which resulted in a \$47 million margin increase over last year.

Our NGL volume growth record pipeline capacity utilization entering across our asset base. On the G&P side, Mewbourn 3's accelerated completion and expedited volume ramp drove increased cash flows. The Midcontinent and Eagle Ford continue this year's trend of higher volumes as a result of our commitment to improve reliability and efficiencies delivering increased margin growth over last year.

Strong G&P margins across our footprint more than offset the expected lower cash flows from our discovered JV. Q3 solid performance is a great example of how we're delivering on our commitment to meet our customers' need as quickly as possible. As we bring substantial projects online ahead of the expected timelines including the Sand Hills expansion and the Mewbourn 3 facility.

As I guided earlier in the year, costs were higher in Q3 as we bring on new assets ahead of budgeted schedules, continue to advance our DCP 2.0 transformation and step up our targeted efforts focused on improving reliability across our footprint.

It's important to note that a portion of our costs are driving immediate increase margins in cash flows, evidenced by our strong results throughout this year. We expect this cost trend to continue into 2019 as we continue to invest and drive margins.

Overall, price was favorable driven by higher crude and NGL pricing, partially offset by lower gas pricing. As you know, NYMEX gas prices are down slightly year-over-year. However, due to widening basis differentials in many other regions where we sell our gas, our realized gas prices were down more than NYMEX compared to the prior year.

Similarly, the Mont Belvieu based industry barrel is up significantly, and while we sell the majority of our NGL's to Mont Belvieu and benefited from this increase, a portion of our NGLs are sold to Conway where pricing has been relatively flat.

Looking forward to Q4, we're expecting DCF to be lower than Q3 as we anticipate some timing differences to materialize via higher maintenance capital, lowered distributions from our JV's as well as increased ethane rejection and continued wide basis differentials for gas and the Conway NGL prices.

Additionally, in Q4, we expect to see continued strong DJ results, supported by a full quarter of Mewbourn 3 and increased pipeline volumes across our logistics segment. We've also updated our 2018 growth capital guidance from \$750 million to \$825 million to \$900 million, primarily due to timing of our capital spent including the acceleration of our O'Connor 2 facility and multiple downstream projects focused on addressing infrastructure concerns for our customers.

And finally, as Wouter mentioned earlier, driven by our strong results year-to-date, we anticipate that we will exceed the high end of our 2018 adjusted EBITDA and DCF guidance ranges.

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Now, moving to Slide 9. I'll highlight the substantial progress we've made on our financial position. As we continue to produce strong results, prefund the portion of our growth and improve our balance sheet, our third quarter financial metrics were significantly ahead of all of our targets with a bank leverage ratio of 3.6x and an exceptional distribution coverage of 1.35x, demonstrating our consistent ability to deliver on our financial priorities. We continue to maintain ample liquidity with over \$1.2 billion available on our bank facility, coupled with the addition of our \$200 million accounts receivable securitization program.

Additionally, we continue to proactively manage our growth program as evidenced by a recent \$110 million retail preferred equity rates. We are strengthening our coverage ratio delivering 1.3x in Q3, which is helping us partially self-fund a portion of our growth projects. All in all, we continue to enhance our financial position and deliver metrics stronger than the goals we've established at the beginning of this year.

And with that, I'll turn it over to Wouter to give a brief outlook on 2019.

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

Thanks, Sean. Looking ahead to 2019 through our dedicated focus on operational excellence and executing the strong capital allocation strategy, we expect to generate increased cash flows across our portfolio. The industry is roaring back from the downturn and demand from new infrastructure across the country is rapidly increasing while existing systems have reached record utilization.

DCP is well positioned to thrive long-term in this dynamic environment with a world-class lineup of growth projects that we're already executing to meet the needs of our customers and increase margins year-over-year.

In 2019, on top of a full year of cash flows from Mewbourn 3 and the additional expansion of Sand Hills, we will be bringing 5 substantial projects online from O'Connor 2 on the gathering and processing side to multiple projects within our NGL and gas takeaway portfolio.

In the short-term, as timelines vary on growth projects within different segments of the industries value chain, temporary constraints have and will emerge. The industry's current constraints in pipeline and fractionation capacity has led to widening basis differentials, increased ethane rejection and unusually high fractionation fees.

For DCP specifically, we will plan to give full 2019 guidance on our next call in February. But I want to give a little color in advance. Though we anticipate the current constraints could dampen short-term volume and margin growth, we continue to see the long-term upside as we expect high capacity utilization for our current and upcoming logistics projects. All together, we look forward to a very solid 2019 for DCP, as we bring a tremendous amount of growth online, utilize our fully integrated and balanced portfolio to strategically navigate a dynamic industry environment and continue to invest in our culture of operational excellence.

In closing, on Slide 11, our team delivered outstanding third quarter results while successfully executing a long-term capital allocation strategy focused on disciplined growth and increased cash flows.

As an outcome of our dedicated focus on optimizing our portfolio, we exceeded our distribution coverage target and expect to exceed the high end of our EBITDA and DCF-guided ranges for the full year.

A proactive approach to diversifying and balancing our asset base continues to not only produce strong financial results and better customer service but has mitigated risk in challenging pricing, infrastructure and political environments.

Ultimately, throughout our tremendous footprint, our commitment to safety, operational excellence and long-term sustainable growth will continue to drive strong customer relationships and outstanding unitholder value.

Thank you. We're happy to take your questions now. Andrew, please open the lines.



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QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Spiro Dounis with Crédit Suisse.

Spiro Michael Dounis - *Crédit Suisse AG, Research Division - Director*

Just want to start off maybe on the decision to delay FID on Bighorn. It seems to make a lot of sense obviously, Colorado's going to be impactful here. But I think we heard from a lot of your peers last week and maybe didn't sound like, there guidance or outlook, at least, for 2019 was really going to change much, and so there seems to be a bit of disparity there. And so, we're just curious, it seems like you guys are making this decision, maybe conservative. But just curious why you think your peers are making the same decisions?

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

Well, I cannot really talk about what our peers are exactly talking about or what the customers are talking about. I'm not going to specifically address those, but O'Connor 2 is coming online. So if you are thinking about what is happening in 2019 and what the plans for people are in 2019, obviously, our acceleration and expansion of the O'Connor 2 plant coming online in the second quarter of 2019 is going to absolutely help significantly with processing needs in the DJ Basin. So overall, when you look at that, I think that is a very good outcome and the right thing to do.

As it pertains to what we're doing with Bighorn, I don't think you would want us to FID a plant of this size and of this magnitude and then in lights of what we're seeing potentially happening here in Colorado. I mentioned on the call, I am very confident in the fact that Proposition 12 will not pass. And again, we dedicated a pretty significant portion of this call and my prepared remarks giving you scenario planning around what is happening, if 112 passes or if 112 fails. And I really think from that point of view, we probably have provided all of information that we can give to you at this very stage. It's an interesting day. It's an exciting day. Election day is always an exciting day. I said earlier, I'm very confident that 112 will be defeated by Caloradans at the ballot box. But obviously, we're going to be excited to start watching the news at 7:00 tonight when the polls close.

Spiro Michael Dounis - *Crédit Suisse AG, Research Division - Director*

Yes. That's -- And I think we are all pretty excited about having this get past this year. You mentioned accelerating O'Connor 2, at least from the spending side, but I think the time line at least from last quarter is still about the same for 2Q '19. Just curious, if you have an ability to really -- to beat that time line. It seems like your MP peers you just mentioned that are pretty eager to see that bottleneck removed, you beat deadlines in the past, do you think there is some upside there?

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

We accelerated fairly significantly on the last go around, and like these are large facilities. These are -- this is a large very complex facility. It takes hundreds and hundreds and hundreds of people working throughout a longtime theory to get these plants online. We brought Mewbourn online, probably within 9 months or so, which was very, very quick, probably one of the fastest processing plants that has been built in this country. We're obviously trying to replicate that with O'Connor 2 again. But the Q2 is really taking in consideration that we would replicate that time period.

I think, Spiro, the other thing that people got us think through. This is a much broader issue. People focus on processing capacity. But I can tell you, if the DJ Basin would have a Bcf of processing capacity sitting idle today and would be brought online tomorrow in some way, shape or form, I don't think that overall production out of the basin would grow very substantially. Let's go through the different things that we're dealing with and this is all about what we're seeing in the industry as a whole. Not only in the DJ Basin, we're seeing it in Permian, in the Midcontinent, everywhere in this country we are seeing 5 bottlenecks because the country is full. Look at the DJ Basin specifically. We are continuing to wait on an expansion of CIG's residue gas outlets. That one has been delayed a couple of times. So gas outlets and residue gas outlets are very, very tight into DJ Basin.



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We are addressing that with our Cheyenne Connector project that is coming online to make sure we bring an extra \$600 million a day of gas residue takeaway out of the basin.

If you look at NGL pipelines, Front Range is very, very full. That's why we are expanding Front Range and Texas Express and why we're also doing additional NGL outlet into the basin via extending Southern Hills via White Cliffs, so that's a second piece that we're taking care off. But even if all of those would be in place today, we all know that fractionation capacity is tremendously tight at the U.S. Gulf Coast. So even if there would be plenty of processing capacity, the gas takeaway capacity, NGL takeaway capacity, crude takeaway capacity, you're still dealing with the fact that fractionation capacity is also tremendously tight in the country. We're addressing that together with Phillips 66, we're very excited to partner with Phillips 66 in there project to build new fractionation at the U.S. Gulf Coast. But all of those pieces need to work for this industry to work as a whole. This is not just about processing. And it is about -- if you think about as a whole, producers had been able to ramp up very, very quickly past our 15, 16 downturn. As midstreamers, and an industry as whole, we've been trying to keep pace but all of our time lines are very, very different than a producer timeline. The great thing about shale revolution is that producers can flex their production capacity very, very quickly. They can ramp it up very quickly but building a long-haul pipelines, fractionators, gas processing plants takes much, much more time, and we're seeing that right now where we have a period of time where midstream capacity for an industry as a whole is pretty tight and producers can move quicker.

There's a good thing to this as well. When you are in a place like this, it means you have very high utilization on your assets and that's what you are seeing in our numbers today. There is a reason why our marketing and logistics business is doing so great. Why you are seeing growth in the gathering and a processing side of the house. Why we're beating overall DCF numbers to the street by close to the 25% because the assets are running really low and they're pretty full. So there's always a bright side to the problem.

Operator

And our next question comes from the line of Shneur Gershuni with UBS.

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

Just a quick question on the Colorado aspect here or the DJ aspect, and I realize you covered a lot in the slides and the color that you have given. Just one extra data point I was wondering if you could share, what is your thought of the decline rate in the basin? If there is no further drilling activity, let's say, 3 years down the line once all the permits have been exhausted?

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

So I'm not going to speculate on that, Shneur, like there is way, way too much wood to be chopped between here and then to go through that. I said, I'm very comfortable with everything that's been permitted, that everything that is drilled and uncompleted. Most importantly, I am very confident that we will defeat this at the ballot box. So I think it's way too early to start speculating what would happen in 3 years if -- I think it's too early for that, Shneur.

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

Okay. Fair enough and can't blame for trying to ask the question.

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

I can't blame you either.



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

Just a couple of quick follow-ups. With the coverage that you just posted at -- in excess of 1.3x, does this reopen the discussion about converting the IDR's to units is kind of a phase simplification?

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

Well, let me take that. I think obviously, this is a really, really good quarter and at the same time, Sean also guided to, "Hey, what do we see in the fourth quarter?" So we're not looking at a fourth quarter that has the same type of coverage.

But all-in-all, I'm like this is absolutely going the right direction, which is a great thing. What we have been working on for years is having a capital allocation strategy that is smart where we don't go over our skis, where we don't overbuild, where our equity needs are very manageable. We haven't been in the equity markets for multiple years, I think early 2015 was the last time we were in the common equity markets. Sean and team have done a remarkable job of prefunding when there's opportunities to go into the market, grab kind of do some [debt] deals, do some preferred deals, make sure that we're ahead of our funding needs versus the growth that we're seeing. We're bringing growth online just in time as needed filling it up really quickly, which obviously helps everything. It helps coverage, it helps not just our results that you're seeing this quarter, it helps from a balance sheet point of view and our metrics that are really pointing into the right direction, all of that what it gives us is great optionality; but it also gives us option to self-fund, and we have great growth projects that are coming online as we continue to be able to bring online to address all these industry needs that we all are talking about and seeing every single day. Self funding some of those growth projects, I think is tremendously important because in the long run that really, really helps the unitholder.

In the end, we have multiple jobs. Our job is to make sure that in the long run, we manage this company the right way for the unitholders, for the shareholders, for all of our stakeholders that also means returning capital to the unitholders. That means over time, maybe, we have an opportunity to raise your distributions. It also has an opportunity to address IDR's and gives you more flexibility around IDRs. My comments around IDRs are the same as I have made in public many times before. It's really not a matter of, "Hey, are you going to do this?" but when is the right time to do this. And obviously, having stronger coverage gives you more flexibility. So we'll continue to look at it, and we'll do this when it's the right time for us.

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

Okay, and thank you for the color there. Just one final question. I was looking at one of your slides and you talked about your hedge position for '18 and '19 and so forth. And obviously, you've got plenty of upside from an NGL perspective for 2019. But when I think about all the capital that you are currently spending, you've certainly -- in the slide, it mentions that you have got 60% of your 2018 gross margins are being fee-based. Once all the capital is deployed, how does the business look at that point? Are we going to be in a position where 70% is fee-based? Or is it going to be even higher? I'm just wondering if you can give us some color about what the company looks like when you are done?

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

I think, Shneur, the progress to get to the 60% has been huge, right? In the last 8 or 9 years it's -- the company, at one point, if you go back was closer to 10% in 20%. So kudos to the company, we've really changed it around adding the full value chain.

In terms of where it's going to go over the next few years, obviously, we'll give guidance on our next call around what '19 looks like. But clearly if you look at where we're spending money, where we're deploying money, where we are seeing really strong margin growth evidenced by Q3, the NGL and the logistics side of the equations growing quite a bit. So I can tell you directionally, I would expect that to grow. Does it get to 70% directionally, I think we're going to move it. It's getting harder to move because the company is becoming larger and obviously early on, it was easier to move. But we are definitely moving in the right side -- in the right direction, and will continue to see that 60% grow as we move forward.



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Operator

And our next question comes from the line of Elvira Scotto with RBC Capital Markets.

Elvira Scotto - RBC Capital Markets, LLC, Research Division - Director

Can you provide a little more detail on that increasing growth CapEx guidance in 2018? How much of that is an acceleration of O'Connor 2 spend versus incremental CapEx?

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

Most of it, Elvira, is accelerations kind of -- in my written comments, I mentioned O'Connor 2 because that is one of the larger items. There is a multiple -- there is many things. Wouter talked a lot about this constrained environment. So our goal is to get as much infrastructure up and running as fast as we can. So O'Connor 2 is one great example of that, but we're trying to accelerate some of these NGL, SoHi, White Cliffs, those types of things, the Sand Hills expansion as we go through the rest of this year and those types of things. As well as some of the stuff that we're doing just tied to the Permian basin is well or the SCOOP/STACK, so across our base -- asset base.

So I think all of it is really an acceleration, not a lot of incremental. We kind of dealt with the incremental before when we gave guidance to the high end, we referenced White Cliffs and some of the new projects. What you're seeing now is just us moving as fast as we can to help deal with the constrained environment.

Elvira Scotto - RBC Capital Markets, LLC, Research Division - Director

Got it. So then can you talk a little bit more about some of these constraints that you mentioned that may dampen short-term growth. Is that mostly on tight fractionation capacity causing more ethane rejection? Can you just elaborate a little bit more on that?

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

Yes. Elvira. It's Wouter. You are absolutely right. It's around 5 fractionation capacity where it's predominantly. So maybe you are going to -- or not maybe, you will be in the place where as an industry you are rejecting much more ethane in this current environment than you would do normally. If you look at where frac spreads are in this current environment, you would try to extract all the ethane that you can because it's absolutely economically the right thing to do. But you are seeing, as a whole, the industry rejecting more and more and you see that in our numbers as well. So that is one thing that you can -- that you can see a direct impact. And the indirect impact of that can be that potentially you have a little less volumes on some of your pipelines versus if you have full ethane recovery.

I think for us, as a whole, we are very confident around 2019. We're confident that we will see very nice growth but you are in a constrain environment. So we'll probably have a little less growth than you would see in a completely, fully unconstrained environment and some of that is probably going to push into 2020. I don't think that's per se a bad thing, and like we continue to see very, very high utilization rates. I think the most important thing in this environment for us is that we are very confident that we will keep our customers' products flowing. We have a very large balance of frac capacity that we own about 155,000 barrels a day. We are one of the largest buyers of frac capacity. We have a lot of levers to manage through this environment and we were in a constrained environment before where are -- during Harvey, if you go back a year from today, we were sitting on our earnings call discussing Hurricane Harvey, which was a very constrained NGL environment and our marketing and commercial people were able to keep things moving very, very nicely. So we also via our system that we have with Sand and Southern Hills, that open access pipelines, we can reach every frac out there. We have access to every Mont Belvieu frac, every Conway frac, Bushton, Sweeney and obviously, we're excited about what we're doing with Phillips 66, and partaking in that project when additional fractionation space comes online.



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

Yes, I think the other thing, Elvira, around as we look at Q4 in 2019, I think you're alluding to it, are these constraints are driving obviously some basis prices to be down considerably. I referenced some of the gas in areas where we sell our gases well below the NYMEX and then I referenced more specifically Conway. Bellevue NGLs are -- have been relatively strong but because of the constraints, you're seeing Conway there. So these are the reasons why as I guided to Q4 and as we talk about next year, just wanted to make sure people are not taking Q3 adding all the new growth and just timing it by 4 as they look at '19. To Wouter's point, we feel really good about '19. But obviously, the environment is getting more complex until some of these constraints are alleviated and dealt with. The good news is, as he alluded to, when these constraints are dealt with, all this capital that we have coming online as Wouter touched on, is going to become full very, very quickly. And I think that will play out very well for the long term.

Elvira Scotto - RBC Capital Markets, LLC, Research Division - Director

No, that's helpful. Just to follow-up here on the frac capacity. So Do you have all the frac capacity available to service your customers under contract? Or are you out there in the spot market?

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

So we are one of the largest buyers if not the largest buyers of fractionation services. So we always have kind of rolling portfolios that we have. We do fractionation deals. Many, many times we have long-term deals. We have short-term deals. We're trying month-by-month to match up our producers' production volumes with fractionation downstream at the U.S. Gulf Coast or at Mont Belvieu. I'm very confident that we can keep all of our customers' products flowing here into 2018 and in 2019. We are -- and I mentioned earlier, the good thing that we have so much connectivity. So we are even in today's market. We are seeing opportunistically short-term deals come by that are very attractive to us and then we'll execute on those. So I'm very confident that we will keep all of our our customers' products flowing in 2018 and 2019.

Elvira Scotto - RBC Capital Markets, LLC, Research Division - Director

Great. And then just a couple of quick questions on the G&P side. What drove the sequential volume decline in the Midcontinent? And what rate should we kind of expect going forward?

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

Yes. So for the Midcontinent, we saw -- sequentially volumes were declining a little bit. We had some maintenance that we were doing in the Midcontinent. It was up year-over-year and then I think, Elvira, as you think about going forward in the Midcontinent, and I may have alluded to it, I think we're looking at it being relatively flat and what that is, is that's growth in some areas like the SCOOP/STACK offset by -- there are some areas in the West or Midcontinent that we're still seeing base declines, and we've been in that mode for a while. So I see that area moving forward as more of a flat type of trend in the Midcontinent. But no big worries about the slight decline sequentially.

Elvira Scotto - RBC Capital Markets, LLC, Research Division - Director

Great. And then just last one for me, again, on the G&P side. You had that nice sequential increase in the south. Can you talk a little bit more about the activity that you're seeing in the Eagle Ford? And how we should kind of think about that going forward?

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

Well, I guess broadly, I've been talking about this for a number of quarters that I expected the Eagle Ford to come back because of some of the tightness that we saw in the Permian. You have seen people moved rigs from the Permian to places like the Eagle Ford, to places like the DJ Basin.



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And so I think it is playing out as we expected. Team is doing a good job there, and we're pretty confident around the volumes that we're seeing here right now and continue to see.

Operator

And our next question comes from the line of Jerren Holder with Goldman Sachs.

Jerren Holder - *Goldman Sachs Group Inc., Research Division - Associate*

Wouter, I was hoping you can give us some of your views about NGL pricing. How do you see things shaken out over the next several months or so?

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

Yes, that's an interesting question. We spent a lot of time looking at NGL prices, and I think we've been on a pretty wild roller coaster ride here where we expected things to kind of behave like they did, actually in the third quarter with all the tightness that you saw NGL prices go up. And then here in October, and like we've been trading down I think it's probably around 20%, 25% on NGL prices without seemingly seeing asset differences in the supply demand side of the house. So I think it's pretty interesting. Here, Jerren, is the way I look at this. We tend to not forecast short-term prices. I think in the long run, you're going to be always wrong when you try to do that game. So I think we're going to continue to see some pretty significant volatility. Ethane may have an opportunity to go up again, but I think that is not as attractive for most in the industry because if we're in a place where we're going to continue to reject more ethane as an industry, you're not really capturing a lot of that.

Jerren Holder - *Goldman Sachs Group Inc., Research Division - Associate*

And to follow up on the increase ethane rejection point, kind of what is driving that? And where is that happening and why just given that these constraints obviously are still here?

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

Well, Jerren -- it's happening everywhere, Jerren. And like the good thing about our pipes, what we -- yes, we have a very large fleet of processing plants ourselves. So we optimize those every single day, every hour of every day, making sure that we get the most out of those processing plants. So we look at it and saying, "Okay, what do you do from an ethane point of few?" And then you got to look at downstream is the infrastructure available, our pipelines available, fractionation available. And both of those pipelines are getting tight, pipeline space and fractionation capacity is pretty much gone. So that means that you have to go into rejecting more ethane to optimize whatever fractionation space there is out there in the market. So that's the real reason why you're seeing it, it's not because of economic reasons, economically everybody would extract as much ethane as you can with today's prices, but it is really because of what we're seeing downstream and the bottlenecks we're seeing downstream.

Jerren Holder - *Goldman Sachs Group Inc., Research Division - Associate*

And last one for me, the Southern Hills expansion. Can you provide a little bit more color about what you guys mean around innovative optimization? And is there any potential for any other expansions on your other assets?

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

Yes. So what I'm referring to there, is, if you go back to my script and earnings call for the second quarter and the first quarter, with the -- or our teams used some technology around dynamic set points between all of the different pump stations. So instead of having set points that are sending



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-- kind of set at binary levels, changing based upon the flow, the product flow, ambient temperatures, other things that happen in the pipeline, we are changing all of the the set points on the continuous basis between all of the different pump stations that we have really optimizing the flow and the capacity of the pipeline. We did that on Sand Hills earlier in the year and created some very significant capacity. The team replicated it now by doing it on Southern Hills creating another 15,000 barrels a day of capacity without spending basically any money, unlike the money was very, very de minimis in the scheme of things around what capacity you create here. So great job by the team. Great kind of example of what we're doing around technology and DCP 2.0, because this is something that I wouldn't have seen probably 2 years ago.

Jerren Holder - *Goldman Sachs Group Inc., Research Division - Associate*

Any other assets maybe that we can see this technology be applied to?

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

Well, we did Sand and Southern Hills, and like those are some of the big guys, obviously. In last quarter, actually, someone asked me and say, "Can you do this in Southern Hills?" and we were right in the middle of kind of thinking through that and obviously, the team was able to do it. There is probably some opportunities on some of the smaller pipes. It really depends on pipes need to be full, you need to have number of different pump stations so you can optimize things. But obviously, if we can replicate it somewhere else, we're going to do that.

Operator

And our next question comes from the line of Dennis Coleman with Bank of America Merrill Lynch.

Dennis Paul Coleman - *BofA Merrill Lynch, Research Division - Global Head of High Grade Debt Research and MD*

Wouter, I wondered, you've said a number of times how you feel quite confident about how the vote will proceed today. I wonder if you might just expand on that just a little bit about why you come to that conclusion, the polls, depending on which one you've see or seemingly a bit inconclusive. But clearly you have a quite strong view, and I think that it would be worth hearing some of details behind that.

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

I would say industry broadly here in state of Colorado spends a lot of efforts to make sure that we get to an outcome that is a positive outcome for the state of Colorado. Assume that we spent a lot of time thinking through and pulling ourselves, doing different things ourselves. We've been pretty quiet around that, we have seen a number of different polls and people doing that. We've spent a lot of time polling as an industry broadly not just the oil and gas industry, but as an industry broadly and given on the things that we're seeing, we're confident in the outcome of the results tonight.

Dennis Paul Coleman - *BofA Merrill Lynch, Research Division - Global Head of High Grade Debt Research and MD*

Okay. And then just follow on, you did talk about in your slide that even if it doesn't pass, you do anticipate, sort of, I guess, adjusting perhaps how you are operating the state and, I guess, there is concept of social license that you may want to sort of avoid the same kind of thing 2 years from now. What kind of things might you be thinking about their more specifically?

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

So we're already doing a lot of that. So, Dennis, think about what we're doing on Bighorn. We are -- we bought a square mile, and we're going to set this plant far away from any homes, from any people in a square mile so that there is no noise, there is no intrusion to people living nearby, and



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we're going to spend a bunch of extra money to do that. But we think that is the right thing to do. That is the right thing to deal with your neighbors. You will never see us build a gas processing plant near residential areas. We don't think that makes sense. We're different than many other operators from that point of view. We're in this for the long run. We're in here to do this for another 10, 20, 30 years and that's why we're spending money today to kind of put facilities and potential new facilities in places that are away from people. So that is one thing how we're doing this.

Secondly, I think as an industry, we're very committed to getting to a place where industry and the citizens of the state of Colorado lives side-by-side. We operate safely. We operate in a way that all of us can co-exist then, and we think we'll probably have to come to some type of agreement with our regulators to see how we do that. And I think that is what the next 2 years is going to be all about.

Dennis Paul Coleman - *BofA Merrill Lynch, Research Division - Global Head of High Grade Debt Research and MD*

Okay, that's helpful. One more, maybe, this is Sean, on CapEx. You talked about the acceleration of CapEx and that's obviously into 2018 now. Should we assume that it's just moving capital from one period to the other? It's not increased to expense or anything that impacts returns in anyway?

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

No -- yes, that's correct. It's just moving. Returns still look very good. And obviously, we're earlier than on schedule potentially. So that raises the returns as well.

Operator

Our next question comes from the line of Jeremy Tonet with JPMorgan.

Jeremy Bryan Tonet - *JP Morgan Chase & Co, Research Division - Senior Analyst*

You touched a lot about the kind of downstream constraints in the industry, but just want to go back to -- in the basin a little bit more here. And the DJ producers, on their call,s, are really talking about a tick up in line pressure here. Just wondering what this could mean for you guys as far as new opportunities for additional compression, the bottlenecking or bypass, maybe, quicker solution things that could help with kind of alleviating some of those line pressure issues?

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

I think you have seen a number of producers talk about how line pressures have come down. There are some people who have seen some more stable line pressures. Obviously, it depends on where you are in the system and like this is a very, very large system. We process well over bcf of gas into the DJ Basin. So you can't just kind of look at -- it's a one trick pony.

We continue to do anything and everything to make sure that we can alleviate bottlenecks where they are. Some of the bottlenecks are just a bit more broad. And what I said earlier, new processing capacity, more compression is not going to solve those bottlenecks. I can have all the processing capacity I want in the DJ Basin. If we cannot fractionate it anywhere in this country, which fractionation capacity is not available then it doesn't do you any good. So we talk a lot about this with produces. And I know producers tend to focus a bit on processing capacity. It is much more than that. It is residue gas takeaway, it's crudes takeaway, NGL takeaway, it's fractionation being available and it's export markets being available. If any single one of those does not work or has a bottleneck, all of the other ones don't work either. So we're working on every single one of those. If you go back, Jeremy, to our Q1 earnings call, we lay out a plan that will take care of the DJ Basin well into the next decade by alleviating issues around residue takeaway, NGL takeaway, fractionation, processing et cetera. So unfortunately, this is not a "Hey, let's try to fix this overnight." This is a structural difference between producers and midstreamers. Producers can bring well online really quickly in a matter of weeks and months.



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midstreamers at times take a year to get a permit. For us to get a permit and go through the FERC to make sure that we can build Cheyenne Connector and take new residue takeaway, it's over a year just to get through the FERC before we try to build something.

So we're seeing that, not only in the DJ Basin, you are seeing in the Permian and you've seen this in the Permian for the last 2 or 3 quarters, you're seeing it in the midcontinent, you're seeing it everywhere in the country right now. We have had great, great success in this shale revolution and producers had great success. And now the midstream industry, as a whole, needs to make sure how do we keep up. And at the same time, you also want to midstream industry not to overbuild. I'd spoke about that in my earlier remarks that we're very, very conscious about not overbuilding. And I think the industry, as a whole, has shown great discipline in this current cycle about not overbuilding.

Jeremy Bryan Tonet - *JP Morgan Chase & Co, Research Division - Senior Analyst*

Understood. Just a couple of quick housekeeping items. Is -- did you list what the C2 rejection, you're seeing on a system was this quarter? Understood that there's downstream fractionation things you are trying to optimize there, but just wondering where C2 stood in rejection. And then also as far as nat gas marketing in L&M this quarter, how much was at this quarter? Or how much should the increase year-over-year?

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

So the first question you're asking about rejection, I don't know if it was in our written remarks, but we saw around [50] a day. Just to give you a comparison, I think that was around [35] in Q2, so that's up a bit. In terms of the nat gas side of the equation, the biggest earnings that we saw in our marketing side of the equation outside of the pipeline that we've talked about earlier was the Guadalupe asset. It had a very strong -- because of the basis spreads, it had a very strong quarter, I think it was up something like \$5 million, \$6 million off of sequential quarter and I think it was up \$9 million versus last year. So that was a big driver in the marketing business was the Guadalupe asset.

Jeremy Bryan Tonet - *JP Morgan Chase & Co, Research Division - Senior Analyst*

That's helpful. And just the last one here, circling back to the IDRs. If you guys don't really need equity out there, common equity and does not allowed to distribution growth in the horizon, is there really much of incentive to pay big kind of premium to take out the IDR's here? Or how do you think about that granted, you're not there yet, but it's something that it seems like you're thinking about?

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

Yes. I'm not going to comment on, potentially, what a deal would look like and what are the terms are. I think that's way too early and when we're ready to do something you will see what it looks like. And in the end, I think as a company between ourselves, between the owners of the GP, we have always done what is right for unitholders in the long-term. So I'm sure we will do exactly the same this time if we decide to do something with the IDR's.

Irene Lofland - *DCP Midstream, LP - VP of IR*

And we're going stay on the line for few minutes past 9:00 and try to get through few more questions. So I requested if analysts could limit to 2 questions each just so we can get through few more that would be great.

Operator

And our next question is from the line of Michael Blum with Wells Fargo.



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

Just a couple of quick questions. One on Southern Hills. So if I'm looking at these numbers right, you're running at, this past quarter, 85% utilization. If I adjust for the increase, the 15,000 a day, that's 78% utilization. But, I guess, I'm just trying to figure out, how will you accommodate the volumes from the White Cliffs expansion?

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

Around Southern Hills?

Jeremy Bryan Tonet - JP Morgan Chase & Co, Research Division - Senior Analyst

Yes.

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

Yes. Assume that we spent quite some time thinking through what we can do there. There maybe temporary volumes that we have, someone asked earlier question about, "Hey, how are you benefiting from some of this tightness and some other companies are benefiting from that?" We are benefiting from that by having increased volumes on Southern Hills. So we are matching the profile of Southern Hills very closely to what we expect will happen if and when or when White Cliffs comes online to make sure that we have capacity in the Southern Hills Pipeline and have downstream capacity as well. I'm very comfortable that we will have volumes available.

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

Okay. So, I guess, another way to ask that, is there a potential to further expand Southern Hills? Or is this a pretty much is as...

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

No, there is an opportunity to further expand. Southern Hills, I believe, I made comments about that actually during the last earnings call. And I believe, we can expand it probably to roughly 230,000 barrels a day.

Operator

And our next question comes from the line of Chris Sighinolfi with Jefferies.

Christopher Paul Sighinolfi - Jefferies LLC, Research Division - Senior Equity Research Analyst, Master Limited Partnerships

Sean, I just wanted to start quickly the CapEx bump. Wondering, if you could just refresh us on your financing outlook? You guys have done quite a bit on the preferred market both in the institutional arm and through the retail side. And I'm just wondering if that remains your preferred route for 2019 financing or if other tools there sort of becoming more attractive? Any thoughts on that would we appreciated.

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

Yes. I think the preferred -- the markets been there, we've utilized it quite a bit, Chris. We just got \$110 million prefunding out there on the retail side. So that was very opportunistic, very pleased with how that deal went. So we'll continue to look at that market. I'll remind you, we have a lot of folks have a basket of how much they can do. We have still quite a bit left on that basket 650-plus on that side of the equation.



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So the flip side, I think, to think through is that we continue -- with the coverage ratio of 1.35x and the strength for coverage ratio, we're continuing to be able to prefund -- or I'm sorry self-fund a portion of the growth capital that we have in front of us. So I'm excited about that. I'm excited about the cash flow that we're generating. And I think as you think going forward into next year, obviously, we're not giving guidance, but we do have a lot of capital coming online, a lot of growth coming online for some very strong cash flow projects. So I think the trends of self-funding, looking at the pref market, advantageously looking at the debt markets will continue. And then lastly, we've got an awful lot of liquidity as I mentioned, we still have \$1.2 billion. We've got that AR securitization. So I feel like we're in really, really good shape to handle the levels of growth that are coming towards us.

Christopher Paul Sighinolfi - *Jefferies LLC, Research Division - Senior Equity Research Analyst, Master Limited Partnerships*

Okay. If I could switch gears from my second follow-up. Wouter, I think you have been in a ratable wind down in your committed NGL sales to Phillips 66 for a couple of years. And if my memory is correct, that arrangement set to fully expire in January. So, realize your full year guidance for '19 will come with your fourth quarter results and you've also got other commitments that you have noted tethered to the Sweeny Frac build in 2020. But I'm just wondering if you and Sean can walk us through any sort of preliminary expectations with regards to the NGL side of your business. What that contract role means?

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

Yes. Well, 2 things, first of all, I got to thank you for the pop culture challenge you gave me last night, which I look forward. I definitely had to dig a little deep in my iTunes bank to get that one figure out. But more importantly, we -- I said earlier Chris, and like I'm very confident that we can have all of the product flowing that our producers bring to us, and so that is really what it is. And I'm not going to talk individually about one contract that we have. And like we have contracts with every fractionation service provider out there be it in Bushton, Sweeny, Conway, Bellevue, we have them all. We buy from every one, and we own a large fractionation portfolio. And we're very confident that we will give -- make sure that we have all of the volumes for our producers flowing in 2019.

Operator

And our next question comes from the line of David Amoss from Heikkinen Energy.

David Meagher Amoss - *Heikkinen Energy Advisors, LLC - Research Analyst*

I'm just thinking about the O'Connor plant ramping up and some of things that you have said so far on downstream takeaway and fractionation. Is there any risk to the volume ramp at O'Connor specifically, as you think about the 2Q '19 start-up that you can foresee on the downstream side?

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

We're trying to match everything together where we can. So things are going to be tight in the Lower 48. I think thing for the next number of quarters for everyone. It may take 12 months, it may takes 18 months of tightness that we're seeing in the market as a whole. But we're doing a multitude of things to make sure that we have takeaway, be it gas, be it residue gas, be it NGL, or fractionation capacity and again, I am very confident that when we bring that O'Connor 2 plant online that we will be able to process the volumes for our customers.

David Meagher Amoss - *Heikkinen Energy Advisors, LLC - Research Analyst*

Okay. And just thinking about the 4Q '18 CapEx, again, and the wide delta, the \$75 million swing there. Is any portion of that delta dependent on 112 passing or failing? And what I mean is, could you potentially further accelerate things like O'Connor 2, if 112 does pass or other projects like that? Is there any swing around the vote today?



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

So 2 things here. There is no swing around O'Connor 2. We feel really good about that volume ramp-up. It's not really tied to 112. We have got great contracts behind O'Connor 1 too. If there was a swing, it would be the Bighorn plant, but there is really -- we had very little capital just some early permitting and things of that nature that we spend some money on. So once -- whether it passes or not 112 -- Bighorn and 112 are not going to change the outlook that I gave on the capital.

Operator

And our next question comes from the line of Chris Tillett with Barclays.

Christopher Paul Tillett - Barclays Bank PLC, Research Division - Research Analyst

Just quickly for me on the JV distributions. Noticed those had a tick up quarter-over-quarter and there was a bullet on one of your slides about you expect that to decline in the fourth quarter. So maybe can you just elaborate a little bit on kind of what's going on there? And the ratatability of those level of distributions going forward?

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

Yes. So I think the guidance we gave \$60 million to \$70 million for the year, we're -- so I'm not changing that annual guidance. What happen is in Q2, Q2 is a relatively low quarter on the cash distribution, and so -- we made up for that in Q3. And therefore, I think Q4 will be a little bit lower. There is nothing going on. That's real driven by the business. It just gets to some of the timing of the cash flows and the working capital. So nothing to be alarmed about. Q3 just turned out to be really strong quarter. I think Q4 will dampen but will be right where we thought would be \$60 million to \$70 million for the full year.[]

Christopher Paul Tillett - Barclays Bank PLC, Research Division - Research Analyst

Okay, makes sense. Just wanted to make sure I understood. And then on the CapEx outlook, I guess, you're -- it sounds like you're moving some, maybe, planned '19 spend into 2018 related to O'Connor. So as we look forward into next year, should we think about maybe that level of CapEx coming down year-over-year? Or can -- how should we be thinking about that going forward?

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

Well, we haven't given guidance yet. But as you think about '19 versus '18, couple, of things, you still have some spend -- We won't get all of O'Connor spent this year. So you still some spend on O'Connor. Still some of that White Cliffs, that SoHi expansion. The big ones to think about, obviously, are the Gulf Coast Express, Cheyenne Connector. Wouter talked about once we get past the FERC, you'll see some capital there. So that -- we'll give more guidance more detail here on our next call. But the way I would think about it is we still have a pretty good solid program of capital staring at us in '19 and these are all some really, really strong projects.

Operator

And our next question comes from the line of Selman Akyol with Stifel.



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Selman Akyol - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD of Equity Research*

A couple of quick ones for me. I know you said in terms of 112 that if we are defeated, it would not be business as usual, you'd be looking for sort of more sustainable solution longer term. So my question relates to Bighorn and FID. So if it gets defeated, should we expect that to go to FID pretty quickly? Or would you be looking for more direction, more outcome on what that sustainable solution is before proceeding with Bighorn?

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

I think we are doing everything from our side to make sure that we can put Bighorn -- that we can FID Bighorn. But we're going to kind of look through this election, see what happens and decide after that. So I don't think you're going to see us FID things in the next couple of weeks or so. It may take longer. But what I can tell you that behind the scenes, we will continue to do anything and everything in our power to make sure that we can get to the time line that we've originally laid out, which is the first of 2020.

Selman Akyol - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD of Equity Research*

Okay. And then just a little bit different. On accounts receivable securitization facility, I presume that lower costs capital, but was it more opportunistic that it came up and it's kind of got a 1-year life, do you expect to extend it? Would you expect to increase it if you could? Could you just talk a little about why that?

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

A lot of questions there. It was more economical that's 75 bps cheaper than our facility, so that's a no brainer. The 1 year, it's just set up as a 1e year extension. We do anticipate continuing to extended it. And in terms of how it showed up obviously, we've got really good relationships with our banks. We had a couple banks in particular that really specialize in those products and they really saw us as a potential customer. So we're pleased to have it. It adds liquidity. It adds cheaper liquidity and I believe we will continue to extend that on an annual basis.

Operator

And that concludes today's question-and-answer session. So with that, I'd like to turn the call back over to VP Investor Relations, Irene Lofland for closing remarks.

Irene Lofland - *DCP Midstream, LP - VP of IR*

Thanks, Andrew. Thanks, everyone, for joining us today. Please feel free to give me a call if you have any follow-up questions. Have a great day.

Operator

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



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