THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

DPM - Q4 2017 DCP Midstream LP Earnings Call

EVENT DATE/TIME: FEBRUARY 14, 2018 / 4:00PM GMT

CORPORATE PARTICIPANTS

Irene Lofland

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

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

CONFERENCE CALL PARTICIPANTS

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

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

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

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

Harry Mead Mateer *Barclays PLC, Research Division - Head of Global Energy Credit Research and Co-Head of US Investment Grade Research*

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

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

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

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

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Fourth Quarter 2017 DCP Midstream Earnings Conference Call. (Operator Instructions) As a reminder, today's program is being recorded. I would now like to introduce your host for today's program, Irene Lofland, Vice President of Investor Relations. Please go ahead.

Irene Lofland

Thank you, Jonathan. Good morning, and welcome to DCP Midstream's Fourth Quarter 2017 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 scheduled in the appendix section of the slide. Wouter van Kempen, CEO; and Sean O'Brien, CFO will be our speakers today, and after their remarks, we will take your questions. With that, I'll turn the call over to Wouter.

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

Thank you, Irene, and thanks, everyone, for joining us this morning. We said 2017 would be successful if we delivered on our financial targets, advanced our growth program and continue to grow DCP. With that, we demonstrated strong execution on all of our commitments and advanced our DCP 2020 strategy which is evident in our fourth quarter and full year results.

We delivered 2017 DCF above the midpoint of our guidance range, driven by continued cost efficiencies, improvements in our base business, excellent reliability, and on top of that, the best safety performance in DCP's history. We strengthened our balance sheet, delevering by almost a full turn, putting us well within our debt-to-EBITDA target range of 3 to 4x, and ending the year with distribution coverage above 1x. And while we have continued downside protection with our IDR giveback, we didn't need a penny of it.

We also advanced our growth program with a strategic and disciplined focus on evolving our integrated value chain in our key regions. In the Permian, our Sand Hills expansion to 365,000 barrels per day is complete and the next phase is proceeding on time. And we have expanded our logistics value chain and made the final investment decision to proceed with the Gulf Coast Express residue natural gas pipeline in the Permian.

I'm excited that we've accelerated timing of our Mewbourn 3 plant to the 2 -- third quarter of 2018, and we continue to do everything we can to get it running even sooner. We've also ordered long-lead equipment and are working on permits for our O'Connor 2 plant, which is on track for the middle of 2019. These projects give solid line of sight to growing margins in the second half of this year.

Here we step greater in halfway into our DCP 2020 journey and we are well ahead of schedule in transforming our culture, our operations and our financial strategy. Towards the end of this presentation, I'm excited to share with you what we've been working on over the past year, it's what we call DCP 2.0, which is all about transforming our people, processes and technology and differentiating DCP competitively in our industry. That has already contributed to our 2017 bottom line results.

In summary, if you put all of our 2017 results together, this is what promises made, promises kept looks like. Now Sean will cover our fourth quarter highlights and 2018 guidance.

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

Thanks, Wouter, and good morning. I'm very excited that we delivered another impressive quarter, finishing the year very strong, above the midpoint of our midpoint DCF guidance range. And I look forward this morning to sharing our 2018 guidance. First, for the fourth quarter and full year 2017, we delivered $176 million and $643 million, respectively, of distributable cash flow, resulting in distribution coverage ratio of 1.14x for the fourth quarter and 1.04x for the year. And as Wouter just stated, we did not require any IDR giveback.

We more than offset the impact of lower production volumes from our Discovery joint venture with improved performance in our base business, record volumes in the DJ and on our Sand Hills pipeline, stronger commodity prices and investment in our DCP 2.0 digital transformation, which is driving higher margins, lower cost and improved reliability.

In addition to our costs trending down, we reduced spend on maintenance capital to slightly below our guidance range, and we did this while achieving our highest performance in environmental, health and safety results ever and running our plants better and more reliably, something that the entire DCP team is very proud.

On the next slide, I'll turn to how we've executed on our financial priorities. Our first financial priority is to strengthen our balance sheet. In the fourth quarter, we achieved the bank leverage ratio of 3.7x, down almost a full turn and well within our target range of 3 to 4x. This was driven by our strong results and successful execution of our financing plan.

Our distributable cash flow trended higher through the year, resulting in coverage above 1x without any IDR giveback and while maintaining our $3.12 per unit distribution. I'll remind you that in our 12-year history we've never cut our distribution. That's an incredible track record.

We had ample liquidity of about $1.6 billion, which includes over $150 million of cash on hand at the end of the year. And for the fourth year in a row, we are not forecasting the need for common equity in 2018. Our business model transformation, which is maximizing operating leverage and improving our underlying business, supports our long-term operational and financial targets, putting us on the pathway back to investment grade.

Slide 8 outlines our 2018 guidance and underlying assumptions, highlighting how continued execution of our strategy is driving results. Our adjusted EBITDA range is $1.045 billion to $1.135 billion and our DCF range is $600 million to $670 million, resulting in distribution coverage of 1x or greater and we are targeting leverage below 4x. Our maintenance capital range is $100 million to $120 million and our growth capital range is $650 million to $750 million.

This outlook assumes the following: higher NGL volumes on Sand Hills and higher G&P volumes in our key regions such as the DJ, Eagle Ford, the SCOOP and the northern Delaware. And a continued trend of lower cost, down for the fourth year in a row while absorbing growth in inflation coupled with stronger asset performance driven by our DCP 2.0 digital transformation investment. And again, no common equity issuances. And we do not assume any benefit from ethane recovery, which will provide upside to our forecast.

Also included in our guidance are lower Discovery earnings and distributions compared to 2017, which I'll expand upon in a moment. Our 2018 gross margin is 75% fee-based and hedged, approaching our goal of 80%. We've also provided our commodity sensitivities on this slide which, for the fifth year in a row, continue to trend lower as we invest in fee-based growth and add hedges.

Our philosophy is constant. We are controlling what we can control and establishing goals independent of commodity prices. We keep our promises, deliver on our commitments and have a proven track record of exceeding expectations.

With that said, on the next slide, I'll provide some additional drivers that could take us to the high end or exceed our range. Slide 9 provides a few key drivers, which take us from our 2017 results to our 2018 DCF guidance midpoint, and to the right are potential upside contributions, which have not been included in our forecast.

First, I'd like to provide more color around our Discovery joint venture. We expect a $60 million to $70 million lower impact to our 2018 earnings and distributions as compared to 2017. As you may recall, last quarter, we discussed the expectation of a $30 million to $40 million decrease associated with significant buying declines from 2 offshore wells. We were disappointed to recently learn Discovery earnings and distributions may be further impacted by up to $30 million from demand charges related to these wells that are being disputed by certain producers.

Discovery is actively working on a resolution to this matter. However, we felt it was prudent to adjust our forecast to reflect the total potential impact. We and our joint venture partner will continue to work opportunities to increase Discovery volumes and margins.

We're also forecasting higher 2018 financing cost associated with our 7 3/8% preferred equity issuance, which pay down lower interest debt. We are offsetting these declines with more growth coming online in the second half of the year, continued optimization improvements in our base business and benefits from our DCP 2.0 digital transformation.

To provide a little context into the shape of our 2018 guidance, the second half is forecasted to be stronger than the first half with new growth coming online, and the first half is forecasted to be lower due to higher maintenance and operating cost from [planned] reliability spend in the early summer months.

Now let's talk about a few items that have significant upside potential, which could point us to the high end or above our guidance range. Starting with commodities, if you take early 2018 spot prices and apply our sensitivities to the midpoint of our DCF guidance range, that would equate to approximately $50 million of incremental DCF, putting you at around $685 million, well above our range.

We have provided our commodity price sensitivities so you can apply them to your own outlook. And while 75% of our margin is fee-based and hedged, we still have the potential for significant upside from commodity prices. There is also potential for another $30 million to $40 million from ethane recovery. We could add fee-based volumes to our available NGL pipeline capacity with little capital required.

In addition, our results could benefit from higher overall G&P volumes and further improved operational efficiencies versus our forecast. And as Wouter will talk more about, we plan to accelerate our DCP 2.0 transformation, which is already driving higher margins and lower cost. Taking all of 2018 together, while we are disappointed in the recent Discovery news, we will absorb these impacts and are confident in our range with significant upside potential. Now I want to hand it back over to Wouter.

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

Thanks, Sean. On Slide 10, I'll quickly touch on our strategic growth outlook for our in-flight projects and our pipeline of future opportunities. We remain focused on our disciplined approach to prioritizing our growth capital to further extend our integrated value chain with a view to projects that are lower risk with strong returns and a line of sight to fast volume ramp up.

Within our logistics segment. Our Sand Hills expansion to 365,000 barrels per day is complete and is ramping quickly. And on its heels, is to further expansion to 450,000 barrels per day in the second half of this year. And we're further expanding our integrated value chain with a 1.98 Bcf per day Gulf Coast Express residue gas takeaway pipeline in the Permian, which has upsized due to strong market demand. We reached the final investment decision in December to proceed with the project, and last week, we announced the binding open season for the remaining available 220 million a day of capacity.

Construction activities are expected to commence this quarter and we're forecasting approximately 1/3 of the capital to be spent in 2018 and the remainder in 2019.

In our G&P segment, I'm pleased to share that we've accelerated the time line of our Mewbourn 3 plant in the DJ to the third quarter. We're doing everything we can to further expedite the in-service date in response to producer demand for more capacity. And we're confident that expected production will fill the plant quickly.

On a parallel course, we're also working to advance our 2019 O'Connor 2 plant. Time and time again, quarter after quarter, I have shared that the DJ is a basin with tremendous ongoing potential and it has some of, if not the best economics in this country And DCP has an unparalleled position in the DJ and it will remain one of our cornerstones.

Looking outward, we have a very significant portfolio of growth opportunities to add to our integrated value chain, including further expansion of Sand Hills, NGL and gas takeaway in the DJ Basin and anticipated additional processing capacity in key regions.

On Slide 11 you can see the outcome of our disciplined capital strategy of expanding and growing our value chain, making DCP a fully integrated company. Looking back, you can see that our logistics and marketing segment has grown from 10% in 2011 to close to half of adjusted EBITDA in 2018. That's an incredible evolution in a short time.

The other benefit to this, and that Sean mentioned earlier, is the significant shift in our fee-based earnings profile, now at 60%. We've made tremendous strides in resetting our cost base through our DCP 2020 strategic focus on operational excellence. We're often asked, how can you continue to take out cost and drive more efficiencies, even beyond what we've already been able to deliver? So let's go to the next slide for the answer.

A few years ago, we embarked on a significant growth program. We built Sands and Southern Hills, partnered in Front Range in Texas Express, and we built several new plants in the Permian and the DJ. In aggregate, our assets grew by 60% since 2011. We became a fully integrated logistics company, creating a platform for us to further extend our value chain.

The energy downturn in 2014 was a wake-up call for the industry. And we responded with our DCP 2020 strategic focus on operational excellence. Our asset base at that time had reached $12 billion and our cost were $1.1 billion. And I think, you know the story pretty well. It's been one that we've been sharing for over 2 years. With our DCP 2020 cultural framework, we reduced cost by about 20% while now running a $13 billion asset portfolio, all while operating more reliably and safely, reducing our maintenance capital spend and delivering higher margins. That's what our incredible focus on the incremental improvement has delivered and I'm very proud of our entire team. Hasn't always been easy and speaks volumes about the commitment of our people.

So the next logical question is, where do we take this now? How can we continue on this path? The simple answer is we have to put our strategy into an even higher gear. And that's what our DCP 2.0 focus is all about.

So let's move to Slide 14. Earlier, I shared one of our priorities, DCP 2.0, which is all about transforming people, processes and technology, and differentiating DCP competitively in our industry. We've shown already how that's contributed to our 2017 bottom line results and to our expectations in our 2018 guidance. This is a story that we've been eager to tell and that we believe will truly be a game changer. Early in our DCP 2020 journey, we focus on incremental improvements took cost out of the business, renegotiated contracts, focusing on operational excellence and that created a sound foundation for us to undertake our next chapter, transformational change to digitize our operations and corporate functions, to deliver rapid solutions, resulting in higher margins, lower cost and greater reliability.

Make no mistake of viewing this as merely implementing slick apps and putting bland screens up in control room. This is all about disrupting the industry to change how we deliver midstream services more competitively and reliably, and to do that, we started by looking outside the midstream space.

The gathering and processing industry have remained relatively unchanged in over decades. So we turned to other industries that have already been disrupted and have reinvented themselves: financial services, high tech, tourism, transportation. We've learned from their experiences and are converting those learnings to actions and results. From concept to present in less than 18 months, we evolved an idea into a function already delivering a payback equal to its investment in one year.

Now let's turn to what DCP 2.0 looks like in action. I just mentioned, we stood up an entire function in just over one year and this is not an average corporate IT shop, that make come to mind when you think about technology. And that's because the transformation that we are undertaking is much broader. It's about people, process and technology. And while complex, you can make an argument that technology is actually the easy part of this.

So let's start with people. We hired 50-plus innovators in our DCP 2.0 organization that have come from all walks of life beyond the cubicle walls of the traditional energy industry. Silicon Valley veterans, design thinkers, app developers, Scrum masters, a cadre of diverse talents and skills that are challenging us to think differently about our business to derive rapid innovation and adoption.

First out of the gate, we stood up an integrated collaboration center, which we call the ICC in less than 7 months. And this is no standard control room simply monitoring operational data. Instead, our ICC acts like a nucleus of several data sources, tying together data from SCADA, from engineering over 8,000 different contracts, financial systems, all of our real-time prices, from gas, crude and NGLs. And inside the ICC, experienced plant operators monitor and advise our plants on key performance indicators and daily theoretical margins to optimize our integrated plant system, driving greater profitability and better reliability.

In several time zones and continents away, we are supported by PhDs in Mumbai, helping us tweak plant operations to get optimal recoveries from the gas stream and make more money. Think about it, if we can get $2,500 more each day out of each of our 60 plants, that is about $50 million of annual earnings. And already we have 30 plants connected, with the remaining coming on by the end of 2018. That's the definition of asset optimization and what the operations of the future looks like in the making.

Yet, there's more behind the DCP 2.0 currently that is driving innovation across the value chain of operations, commercial and corporate functions. We stood up a group called ENERGY LAB which creates digital solutions such as apps and customer dashboards. It applies design thinking and agile methodology to streamline and automate work, eliminating wasteful pain points identified by our employees and customers.

In just one example, we delivered an app solution for our operations employees that reduced multiple hours of manual work down to seconds, resulting in about 10,000 hours of time savings annually. Extrapolate that result to all the many other digital solutions that have been deployed to our operations team and you can appreciate the thousands of hours in cost savings, streamlined compliance and improved safety and operational performance.

Similarly, our commercial and back-office functions are developing automation, bots, artificial intelligence and other digital tools that can optimize our work processes, eliminating lower-valued work and improving job satisfaction. Our DCP 2.0 investment has been an absolute game changer for us. We've been on a fast track of transformation, a productive one, a disruptive one and a very exciting one. And we still see a lot of opportunities ahead that will continue to transform our company and deliver value.

On Slide 16, I'll draw directly for you how this translates to the bottom line. In 2017, we invested about $20 million to $25 million in DCP 2.0, and we saw a benefit of the same amount from lower cost and higher margins. That is a 1-year payback, on a very significant investment. That is fairly unheard of.

In 2018, we're forecasting another $20 million of investment with an expected benefit of about $40 million associated with lower cost and higher margins from running our business more reliably and smarter. That is $20 million of incremental EBITDA this year with anticipated future upside as we continue to scale this platform throughout the business.

We look forward to sharing more as we accelerate this business transformation and continue to deliver results. We'll keep you posted on our progress and will be providing more details on our website soon.

So let me sum it all up for you on the next slide. We delivered on our commitments in 2017 with strong results, lower bank leverage and distribution coverage above 1x. I'm proud of our strong operational, safety, reliability track record. Our assets are performing well and we saw record volumes in key areas.

We solidified our growth program with strong projects in the DJ and Permian basins that expand our integrated value chain. And you can see our excitement about how accelerating our DCP 2.0 transformation can drive additional value and is transforming and differentiating DCP in the midstream space. Lastly, I'm confident in our track record in executing and delivering on our commitments and our 2018 guidance has significant upside potential.

With that, Jonathan, please open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Jeremy Tonet from JPMorgan.

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

Wanted to touch base a little bit more onto DCP 2.0 here and just these cost savings. It seems like G&A stepped up a little bit during this quarter. Was that related to this initiative? Can we expect that to kind of come back down to where it was in prior levels?

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

G&A did step up. We typically -- G&A is typically high, Jeremy, in Q4. If you look at Q4 versus Q4, we're down quite a bit around $40 million 2016 to 2017, I'm talking about the whole company there. It was not driven by this investment. This has been a pretty -- there was an early investment in technology that we did early but it's more linear now as we go forward. So 2.0 not driving that spike. You just -- in the corporate functions at the end of the year, you tend to have some of your accruals and some timing there. That's been consistent over the years. But I would point you to the fact that costs are down for the third year in a row, we're projecting cost to be down yet again in '18, and Q4 was down considerably year-over-year. So not driven by 2.0.

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

Got you. That's helpful. And just turning to ethane real quick. I was just wondering what you -- if you could share with us your thoughts as far as -- if you'd quantify that type of upside a bit more as far as what that means for your systems to be it direct price exposure or if this is more volumes going through your systems? And how you think that could materialize over the course of the year?

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

So bottom line, I can start and then Wouter can add on around outlook. But for third -- we continue not to put that in there, obviously, which we highlighted as potential upside, significant potential upside. Really where most of that translates through is -- you look at that, like Southern Hills, even ramping Sand Hills up quicker and then it's the -- we were to continue to see improvements, you could even move to more expansions. So the primary benefits in terms of the dollars are coming from pipeline revenues. Obviously, there's more frac revenues and some marketing at the bottom end. But the majority of the earnings that you're seeing there would come through the fact that we are now running more volumes through our major pipelines.

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

Got you. And then just going to Discovery. I was wondering if you could expand a bit more there as far as the longer-term outlook. When -- how long would it take to get back to levels that we had seen in 2016 or before? Or anything else that you can -- any additional color you can provide on this dispute, I guess?

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

Not a lot. I can reiterate what we said, obviously, in the Q3 call last year, we talked about the volume impacts. Now if you're thinking about the volume impacts, obviously, they came off very quickly, that was the $30 million to $40 million we referenced. We are looking, so that's something as you look into the future, we with our partner, are looking at ways -- it's a very good area. So I do think the volume outlook in the long run can improve. But the reality is it takes time to grow and to get those investments in there to grow those volumes. So as you're thinking the future, we're doing everything we can, I think we alluded to that to continue to bring the volumes back. Regarding the dispute, I can't say much, other than, obviously, the demand payment that was sort of the new news that we're very disappointed in, that happened this year that came across to us. But that is legal proceeding, can't say much there. I would tell you that as you went further into the future in terms of those revenue streams, they diminish, just to give you an idea. So the impact in '18 wasn't going to be the same impact we would've saw in the future. That's good news that those demand payments were coming down in the future.

Operator

Our next question comes from the line of Shneur Gershuni from UBS.

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

I just wanted to actually follow up on that Discovery comment for a second. So without getting into the whole legal aspect, the $30 million that you're revising the expectation down by, does that basically mean you're expecting 0 demand charges -- demand payments from them this year? Or could that technically be revised lower at some point? I'm just trying to gauge kind of where we're at relatively speaking.

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

Shneur, it's Sean. We met -- we sort of said earlier, we felt prudent to bake that in. We baked in pretty much down to 0 demand payments. So as you're thinking about, is there another shoe to fall in 2018 we've taken out. I think between the volume declines, which were pretty significant tied to the couple of wells we mentioned and the demand payment going away, I think we have baked in pretty much the downside.

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

I think the way to look at it -- Shneur, it's Wouter. The $30 million is in legal proceedings right now and depending on how quickly the court systems work and what direction we're going to end up, some of it -- some or all of it could come back our way, but I believe and I think we believe it is prudent to say, you know what, that is not going to happen in 2018 and, therefore, take it all out.

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

Okay. That's just what I wanted to clarify. So no further shoe to drop and if anything that gets resolved earlier, in theory, it could actually improve.

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

Correct. That is the right way of stating it.

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

Okay, perfect. Secondly, before getting to DCP 2.0, just wanted to talk about NGL takeaway volumes in the DJ, in particular. It kind of feels to me like you're holding a lot of cards and a lot of people are trying to do a lot of stuff. Whether there is a White Cliffs conversion, whether it's ONEOK's announcements and so forth -- Front Range. Trying to understand kind of where you're at -- what you're doing to ensure that DCP not only finds an evacuation path, but also where shareholders in DCP benefit as well too, and kind of which direction seems most plausible to you?

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

Yes, I think Shneur, you're stating it pretty well. Not only do we hold a lot of cards, I think, we actually hold a lot of aces. So the way you should look at this is there is about 5 different alternatives in the marketplace. We are a part owner in Front Range and Texas Express. Front Range and Texas Express can be easily expanded. Think about like the Sand Hills expansion that we just put in service, kind of feel very low multiples, so very attractive to do that. That -- I would say, that's pretty likely that something like that is going to happen. Then there's 4 other alternatives, I think, that you have in the market. You mentioned a couple of them. There is 2 conversion alternatives in the market. There is one new pipeline that's being announced in the market. And then we can decide that, maybe we completely control our own destiny and we expand Southern Hills from the National Helium Plant in Kansas and expand that kind of a short way into Colorado. So 4 different alternatives -- 5 different alternatives, one is Front Range in Texas Express which is a very low multiple expansion to do that. And then the other 4 alternatives all go to Southern Hills. And I think that is really important. Southern Hills has about 60,000 a day of capacity on it, and we would like to fill that up. Between Mewbourn 3, let's call it 20,000 barrels a day, O'Connor 2, that's 20,000-plus barrels a day that are going to come online in the next 12 to 15 months. That's 40,000 barrels a day that aren't dedicated. If we can find those in Southern Hills and pay ourselves, that obviously would be very attractive. So I think you're right, there's a lot of great cards that we're holding and a lot of opportunities for us. What's really important, ample NGL takeaway for our producer customers in the DJ Basin. And I can guarantee that, that will happen. Because most likely, multiple things will happen for NGL takeaway. That's important for our producers in the DJ Basin, there will be an ample NGL takeaway. Also think about other things that we're doing in the DJ Basin other than building processing capacity, we're also working on the Cheyenne Connector, which will give us sample residue gas take away. So I think things are looking tremendously good in the DJ Basin. We have a very strong position there. We have life of lease contract, great strategic position and I think we're doing great there.

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

Okay, great. And just to turn over to DCP 2.0. I kind of understand that you're bringing technology to an old-world process. I guess, first off, just wanted to understand kind of how you got there. Did you bring in some consultant that told you to do it? Or is this something that was sort of developed organically and then you went out and found the talent? And then secondly, you sort of talked about -- you gave the example of $2,500 a day per plant and half are on. And it sort of seems like you have -- you get the incremental benefit this year. Are there other processes that you haven't even scratched the surface yet that this could be a multiyear type of benefit? And should we see the benefit on, not necessarily G&A, but really kind of on productivity or on OpEx? And does it also help explain why maintenance has been lower? Are you doing things differently and so forth? You just sort of seem to be under trend on maintenance, wondering if you can address that. I know there's like 7 different questions there...

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

Yes, Shneur, there's a lot of different questions. I'm going to try to hit all of them in some way, shape or form. To your first question, how did we come to this? As you know and as others probably know, I haven't been in this industry for decades. I have worked in other industries. I have seen other industries change and adapt to new technology much, much quicker than the gathering and processing industry, which is predominantly an industry where I think, there is unbelievable opportunity to modernize, to digitize, to get better process in to get rid of manual labor. So it really started a couple of years ago with me and the rest of my team sitting and thinking through, and say, why can't we be like all of these other industries out there to completely utilize technology to disrupt what we're doing and how we're doing it. With that said, then what we did is, we hired a lot of different people. I told you that we have people on the payroll now I did not even know that those jobs existed. And very, very different people. All out of different parts of the industry, logistics people, retail people, who helped to think how other industries do this. We hired a consultant to help us out with this. So it was really a multitude of different people but internally thinking about what can we take from other businesses in the industries to -- and apply it to the midstream space to make us more competitive, to make us faster, more agile. And I think if you think about your question about, so where are we? You know what? I think we're still pretty earlier on. There is a tremendous amount of opportunity that is left. This is like safety, one of those journeys where you probably never get to the end. But we are working on trying to get a big cultural change, get this thinking, agile thinking in people's DNA. In the end, should you look at what we're trying to get out, efficiencies, that is one of them. We're going to be, for the fourth year in a row, we're going to have lower cost even though we're now operating in $5 billion higher asset base. And I don't think 2018 is going to be the last year. Higher margins, and that is really important. People tend to go quickly to productivity, efficiency, cost, higher margins, there is a lot of, lot of money to be made here. I spoke about our integrated collaboration center. It's all about plant optimization, 24/7 kind of, how do you get the last penny out of this. And this is a convergence and integration of all data sources that we have, which is millions and millions of data points. It's plant data, it's engineering data, it's financial data, it's 8,000 different contracts. It's all the pieces of the NGL barrel, it's gas, it's crude, taking all of those together, combine that with PhDs that we have sit in Mumbai, who are looking and saying, how can you tweak and get just another basis point of productivity out of your plant? You take that altogether, 50 -- and I make the example, $2,500 per plant times 60 processing plants, that's $50 million to the bottom line. If you think about investing at 7x, that's $350 million of capital that you wouldn't have to spend and throw it straight to the bottom line. So there's unbelievable opportunity around this. This is about speed, this about agility, this is about getting better reliability, better safety, better satisfaction for our customers. So it is truly, truly exciting. And I think there is a lot of upside still left. But it's is important, and I mentioned this in my remarks, a lot of people think about technology, great, let me go hire an IT person and kind of throw out a system or something else. That is not what this is about. This is about people first, it's about process and then it's about technology. And as I mentioned earlier, the technology piece is probably the easiest piece of this. The people piece and the process piece is tremendously difficult.

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

And then finally on the maintenance, that's something that you've been trending lower on? Is it that DCP 2.0 is part of the reason why maintenance has been lower for the last couple of years?

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

I think it's -- sorry, I forgot, I had 6 out of 7. That's just the one I forgot. Again, people, process technology. We have changed so much in the way we -- in our process of how we go about maintaining our asset. Using Big Data to figure out when do we need to do things. Historically, people are like, we should do certain stuff every year, every 2 years, every 3 years. Now we have Big Data telling us, when do we need to do this? When does corrosion chemicals need to go into a pipeline? When do I truly need to overhaul things? So it's another combination of great work by our operations team, really focused and reducing that maintenance capital. And what's important here is that we obviously are doing certain things right. We're not just pushing stuff back and not spending money because our reliability is better than it's ever been and our safety missions and other performance is better than it's ever been. So I think things work hand in glove, it's a combination of what our people are doing, what we're asking them, the processes that we're changing, and the technology that we put on top of it.

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

And Shneur, I just want to add one more thing on maintenance. Obviously, we're adding a lot of new assets to the equation, right? They're less maintenance extensive, I want to give -- I think, Wouter was alluding to, we got to give the operations teams a lot of credit. The prioritization I've seen in the last few years, the focus on what they maintain, the reduction in engine failures, those type of things, the preventative maintenance programs that we've been able to put in place have helped us a lot. And you're also expanding the company more towards a logistics-based company, Wouter alluded to, almost half of the company, those assets tend to be less maintenance-intensive as things like to the G&P side of the equation. So just want to make sure you're aware of those things as well.

Operator

Our next question comes from the line of Michael Blum from Wells Fargo.

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

Just 2 quick questions, really. One, just curious, a little more -- if you could talk about within the guidance slide, you talked about you're expecting to see an uptick in Eagle Ford volumes. Can you just talk about what you're seeing in the Eagle Ford right now?

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

Yes, so we saw, Michael, we saw a great uptick, as you think about -- we hit the low sometime in late Q2, I believe, of last year, and we're up well over 100 a day, maybe approaching 200 a day of Eagle Ford volumes since we hit that low. So when we talk about an uptick, we exited much stronger than that low last year and we anticipate to stay at that rate, maybe even grow a little bit. The Eagle Ford is definitely helping, obviously, offset some of the volume issues that we're seeing in Discovery. I think there is even potential additional upside there, the rig count activity looks pretty good there. I think our market intelligence with our commercial side and with our producers there looks potentially optimistic. But as we forecast going into this year, I feel pretty comfortable with the volume forecast we have in there that built off of a pretty strong exit rate. And I think that will continue and hopefully grow a little bit as we get into the rest of 2018. And that's -- I'll remind you -- that's what's really -- these are great returns because we've had the capital in place, the assets are there so it's really strong return-type projects and volumes that we get out of the Eagle Ford.

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

Got it. Okay. And then just, I guess on the theme of efficiency and whatnot. I just wanted to ask, are you done with asset sales or there any other, like, noncore assets as you call through the portfolio that you think are still out there?

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

Michael, it's Wouter. If you kind of look back over the last couple of years, we've probably divested about $0.5 billion in assets or so, all noncore assets where we have small positions and places that they were that we didn't have a lot of growth and not a lot of DCF. And we've divested those at mid-teens types of multiples and then take the proceeds and applying back into like the DJ or Gulf Coast Express or Sand Hills in 5, 6, 7x multiples, obviously, very accretive. I can tell you there is no active list of things that we have or active processes that are going on. But there's always -- could be an opportunity. If there -- there may still be a couple of assets in the portfolio, smaller ones, $100 million here or there, that someone else thinks they can do miracles with. And if they can and are willing to give us double-digit type of multiples once again, then we'll probably listen and think about it, then take that money and apply it to areas where we see much more growth and much more attractive investment profile.

Operator

Our next question comes from the line of Dennis Coleman from Bank of America.

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

If I can start with the DCP 2.0, just a little bit more. I know you've said a lot here but I'm just trying to sort of gauge the financial impact and understand a little bit about what you have on Slide 16, where you have this 1-year payback. And then in 2018, you're telling us it's sort of roughly the size. And I'm wondering, should we think that about that as that's the benefit from 2017, and it now sort of a similar 1-year payback toward the investment in 2018? And so going forward, it should be $40 million plus whatever you invest in 2019?

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

Yes, I think that makes sense. If you think about '17 -- first of all the 1-year payback's very impressive, right? I mean, when I look at projects, even as impressive as the Sand Hills expansion was when we were adding compression stations, we did not see these types of returns. So that's a great start. But I think what you're thinking about, Dennis, is we have projects coming online, this is not something that's binary, it comes online throughout the year. I think we mentioned 30 plants being, I'll give you an example, operated by the ICC. Those were not all up being operated on January 1. So you're now going to get a full year value in 2018 from all the things we've brought online throughout '17, and then that should continue as you think about going into the future. The stuff we're going to bring online this year, you'll start to get a full year benefit. And I think as Wouter alluded, we're -- we think there is more out there. I think back to the first question or one of Shneur's questions, there is more things outside of just optimizing our plants, obviously those are high-value opportunities that we're very focused on. So this thing, I think, should ultimately become part of what we do every day. And it should grow as we move into -- beyond 2018. So I think you're thinking about it the right way.

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

Okay. And I know this was sort of asked in a little bit different way, but is there another $20 million to invest in this in say 2019? Or is there $20 million per year for 5 years?

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

I'm not 100% sure I can give you all the details on that at this stage. But I think what it is, you're going to be sitting here at some time with a base group of people that will continue to work on digital solutions for our workforce, bots that help us do things faster in our back-office, artificial intelligence, things like that. And we'll continue to kind of work that. But I think you're going to see some type of flywheel effect here where we continue to get great efficiencies, not only on the cost side but also continued on the margin side and the reliability side of the house.

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

The only thing I would add, Dennis, something that really excites me but it's going to make it a little lumpy, you think about the way we're running the plants and optimizing the plants, there was an initial investment in some technology. A system to be able to do a lot of that. But then what I see, and this is what really intrigues me and gets me excited, is a lot of these ideas are not capital intensive. And so you're getting a lot of value. And again, when I compare them to -- you go out, build Mewbourn 3, I love the Mewbourn 3 project, but from inception to building it, it's a couple of years, it's over $300 million of commitment. Some of these ideas are very capital-light and they happen very fast. I think there'll be others that come in that we may have to do some investments in technology just like the one I mentioned on the ICC. But I think by and large, I'm seeing a lot of great ideas that are not capital intensive.

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

Great. That's a great segue to my next question, which is about the ethane upside that you talked about. I think $30 million to $40 million with little capital spend. Is that -- would that sort of take you to full capacity on what you can do with ethane? And from there, any additional upside would be -- would require some spend? Is that how should (inaudible)?

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

Yes, I think, Dennis, that's the right way of looking at this. And like Sand Hills, we've been so successful on continuing to add new plants and new customers and new producers through the pipe. So we have -- we're obviously filling things quickly here, with the current capacity, we're working on the second tranche of capacity. And then if what you get into somehow into full ethane recovery, I think that would put us a great -- on a great path to say, okay, we're going to do the next tranche of expansion.

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

Perfect. That's what I was thinking but just wanted to confirm. And then one more from me if I could. In terms of the give-back in the fourth quarter, the $40 million payout which you were able to do and continue to be over 1x coverage on the distributions. It sounds like you're guiding us to the full year that we should not expect any give-back or use of the give-back that it will be fully covered. But might there be additional usage of it, say, in the first half as you sort of indicated a ramp in the second half?

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

Well, no. And I think, you've hit it great. In '17, it's an in and out, we were above a 1.0 coverage without the give-back. I'll remind everyone it's great downside protection, no other companies have it. But the good news is, with the improvements, all the things we've talked about on the call today, we're generating cash flow of above 1.0. So as you go to 2018, and I think you picked up on it well, we believe, our guidance, obviously, is above 1.0, 1.0 or better. I think we have upside potential so it's nice to have the $100 million for there, that downside protection. But we -- as Wouter -- and I don't want to speak for Wouter, as we sit here I think we feel pretty confident in hitting our range and even we believe there is a fair amount of upside potential.

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

Look at it as like an insurance policy on your car. You have great insurance, you hope to never use it.

Operator

Our next question comes from the line of Chris Sighinolfi from Jefferies.

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

Sean, I just wanted to follow up on some of the financing plans for the year. You had mentioned no common equity plan and looking at the interest expense guidance of $300 million, looks like it's up about $20 million, $20 million-or-so from where the 4Q run rate was. So I don't see any maturities this year, I'm assuming you've just budgeted a vanilla debt raise at some point in the calendar. But I just wanted to check that and see if you had any more color on sort of what you're planning this year on the financing front?

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

I think you've got it right, Chris. I'll go back just a quarter obviously, we did the preferred, we delevered, we took out the variant-- it was wonderfully low debt in the maturity last year. We took that out with the preferred, we've covered that, you get equity treatment from Moody's and obviously, on the bank facility. As you go into this year, as we stated, our goal was to stay out of the common equity markets. We are generating above a 1.0. We have obviously viewed the guidance we have more growth, I think most people saw that coming in 2018, I think that's a great thing. And that cash flow starts to -- starts to hit our balance sheet later in the year. So yes, vanilla I think is a good way to think about it. And don't forget and I highlighted this, we have a lot of liquidity, $1.6 billion, nothing drawn on that facility and we did come into the year with some cash. So I think you're thinking about it the right way. Obviously, some debt. But I still think when we guided to it that we can keep our leverage ratio, our range is 3:4. We got there to be honest, earlier than I think a lot of people thought we'd get there at the 3:7. I know that's a bank ratio, but nonetheless. And I think we can stay below the 4, even with staying out of the equity markets and maybe doing a vanilla debt type deal in 2018.

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

Okay. Yes, I'm looking at your maturities next spring, carrying a pretty high weighted average coupon. So I just didn't know based on the availability on the revolver account of -- with the rates moving higher what we might see. So it's helpful just to touch on that. Also, with regards to your hedging practices and current positions, I think last quarter we had discussed at the NGL positions were skewed toward propane. Any color on sort of what portions of the barrel are locked in at this point? And then second to that, Sean, just natural gas, is there -- was there a view you guys were taking around not hedging the gas exposure beyond the first quarter or is that just some catch-up work we could see as we move forward?

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

Yes. So I wouldn't say it was a view. Obviously, we have the multiyear hedging program, we're glad that we have, we'll just commodity to commodity. Most of the NGL is hedged to get us to that 80%, except for as you alluded to, ethane. Ethane give us a little bit of an opportunity, Chris, maybe. [Great] last year we thought, but propane definitely ran. Crude ran significantly. And then obviously, it's given us the ability to get our crude position. Gas, the only opportunity we had that was a pretty good move and you can see that, I think in the appendix by quarter, Q1 gas ran up quite a bit. Obviously, traditionally a backward dated curve. But boy, we sure -- we were able to get out there and get some Q1 gas. In terms of our strategy, our strategy is simple, right? We're hedging at levels that guarantee coverage ratios above 1, 1 or above. So that's our goal, right? Is to make sure we're able to hedge at price levels that are guaranteeing the type of coverage we want. When we see those prices, we're able to go out and get them. I think your question on gas was, what was our strategy? We were not seeing the prices in the back end of the year with the backwardation that would've gotten us to the levels we wanted. Hopeful that we'll continue to see some opportunities to finish out that ethane as well. Those are the 2 commodities that we still got some work to do. Finish the ethane and get the remainder of the gas.

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

Okay. That's really helpful. I guess, final question from me. I know you you've had a lot of questions around DCP 2.0. You just had some questions with regard to the downside protection offered by the IDR, give-back IDR waiver. And I'm just curious, as we think about the impacts of 2.0 technology advancement and what that means in terms of maintenance efforts, Wouter, you talked a lot about safety achievements this year being best in the company's history. I'm just wondering if we think about 2 years remaining on the IDR waiver, are there any like long-dated overhaul or significant maintenance spend items that might exist naturally in 2020 or 2021 that you could pull forward into a period where you have the waiver in place?

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

No, we really wouldn't pull, there's no reason to pull maintenance forward and spend money just for the sake of spending money. So I think if you look at our portfolio overall, it's a relatively balanced maintenance schedule. So you'd see it kind of year-to-year pretty balanced. So I don't think there's anything there, Chris.

Operator

Our next question comes from the line of Elvira Scotto from RBC Capital Markets.

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

Just to follow-up on the NGL, kind of takeaway expansions out of the DJ Basin. What do you think the time line for incremental capacity would be? And then with respect to your potential low-cost expansions, what would be the time line from when you FID to get those up and running?

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

So Elvira, it's Wouter. The time line, we will be -- we will have all of this in place prior to O'Connor 2 coming online. If you look at the capacity that's available today, Mewbourn 3 coming online, no problem. We have plenty capacity. And then we'll make sure that between the various alternatives that we have and most likely we'll execute them 2 out of the 5 different alternatives that those are in place before or at the time that O'Connor is coming online.

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

Great. That's very helpful. And then just in general, as more of these expansion opportunities present themselves, how do you envision financing in the longer term? Is the goal to have higher distribution coverage so that you can internally finance more of these projects going forward?

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

Yes, that's definitely one of the elements, Elvira. I think, we've not had to issue common equity, public common equity for quite some time. We're generating incremental cash flows, we have a lot of growth coming online this year. These are big projects, the Sand Hills expansion to 450, the Mewbourn 3 plant. Remind you, we have a full year this year of the previous expansion we did on Sand Hills so that cash flow was showing up. So clearly we're focused on coverage, I think it's where we started off the conversation. Leverage coverage, very important to us. And I think at some point, that I think as people look at the company, we would hope that people -- the yield would improve. We saw some yield improvement coming into this year. But our strategy is to continue to generate cash flow, build coverage, reduce our leverage. And these are some pretty phenomenal growth projects. And I think the last thing I would point, and that's why we spent so much time on 2.0 today, I mentioned it before, a lot of those returns are not capital-intensive. That had some pretty amazing impacts on our metrics and our ability to fund new growth.

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

And then just a last quick one. Just to follow up on ethane recovery, why aren't you including the incremental ethane recovery in your 2018 guidance? Is it just conservatism?

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

Elvira, I would tell you what we're trying to do and what our history has been is to give you a balanced view of what we can achieve. What that leaves you with is significant upside and limited downside. And I know there were many people who believed we were going into full ethane recovery in 2017, we didn't think it was the case. And in the end, we didn't. So we've been talking about ethane recovery for 5-plus years now. This used to be an industry that could kind of reset itself within a month. We're now, I think in year 4 or year 5 of ethane recovery. So what we want to do is, promises made is a promise kept. Give you a balanced view of what we can achieve. And in the end, you know what? I am cautiously optimistic. I'm actually pretty optimistic around what is happening, the crackers that are coming online, the ethane that kind of needs to go there to feed those. At the same time, I think as an industry, we've gotten this one wrong for many years in a row. So why not have a balanced view and give you the upside versus the other way around.

Operator

Our next question comes from the line of Chris Tillett from Barclays.

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

Sorry, my questions have been asked.

Operator

Our next question comes from the line of Harry Mateer from Barclays.

Harry Mead Mateer - *Barclays PLC, Research Division - Head of Global Energy Credit Research and Co-Head of US Investment Grade Research*

Just one follow up on the funding question. Does the preferred market fit anywhere in your funding plans? It sounds like senior secured debt is the way you're going to go. But I just want to maybe put a finer point on it whether or not you think the preferred market could be something you'd look to revisit this year?

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

No, Harry, I think it's absolutely something that would be in the mix. We looked at -- as you know, I mentioned it earlier, we did the $500 million deal last year. I think that deal went fairly well in terms of the execution. I'll reiterate again, Moody's gives you equity treatment, S&P gives you equity treatment, the banks give us equity treatment. So I thought that was a great transaction. The markets, I think everybody still kind of looking at the markets, they were -- they came and went pretty quickly. But it's definitely something that I know my treasurer, Scott Delmoro looks at pretty regularly, the banks advise us. So I would not take the preferred off the table.

Operator

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

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

Just wanted to start with the volume outlook in the Permian specifically. Seeing that you guys are forecasting slight growth there, I know in the past, you've talked about the increase in competition and pressure in returns. I just wanted to get a sense whether that's from existing acreage dedications or if you guys are doing new acquisitions down there?

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

We -- it's a mixed bag. So if you think about the Permian, areas like the Delaware, we are seeing growth. So make no bones about that. We are seeing some growth. We do have some capacity. There are some areas outside of the key investment focus points that are declining. But all in all, we do see some slight growth. We're tied to some solid producers there that, I think, have good economics as you think about the Delaware Basin portion. That's where we're expecting to see some growth. I think, the last thing I would point out to you is it's definitely an area where we are focused. Wouter mentions a lot about how are we creating value without deploying significant capital. We have some capacity there. I know our commercial team is focused on going out and aggressively trying to win some new contracts, filling up some capacity. Those are pretty high return-type scenarios because we would not have to invest in a whole lot of new capital. Still a great area, still a lot of NGL as we talked earlier coming out of that area, we still are playing it, obviously, through our Sand Hills expansions. But could see some G&P growth. That may be one area that I alluded to earlier have some potential upside in volumes. This is one we'll keep an eye on this year and hopefully we'll get a little bit of upside there.

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

And then on ethane rejection, Is it fair to assume that on your systems at least you don't have much rejection in Eagle Ford, Permian, and that's largely Midcontinent and DJ Basin are the areas where the 60,000 to 70,000 barrels per day potential upside is going to come from?

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

Well, no. I think there is -- we probably reject 50,000, 60,000 barrels on our system as well. So if you look at where prices are sitting and like there was in the third quarter, there was a little less rejection all around kind of in the industry and our system and then we went into some higher rejections again in Q4. I think overall, and like -- we are fairly balanced of what the rest of the producer community or midstream community is seeing from a rejection point of view. DCP 2.0, the ICC, the integrated collaboration center helps us optimize all of this on an hourly, daily basis as well where we can but I think it is a pretty broad-based rejection that you're seeing. I do think and we've spoken about this a lot is the areas that are closest to the market center, Mont Bellevue, Sweeney, those are the areas that we're going to recovery quickest because the T&F and the transpiration to get the NGLs to the market center is obviously lowest for those and from that point of view we're in tremendously good shape.

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

And then lastly on gas takeaway, obviously we have Gulf Coast Express and it looks like Cheyenne Connector sort of takes care of Permian and DJ Basin. What's the outlook for I guess the Midcontinent just given the SCOOP/STACK growth that we're seeing there, do you foresee any sort of new pipeline capacity needed in the next few years?

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

I think you mentioned 2 areas that are critically important to us, the Permian, Gulf Coast Express. You saw our -- the last kind of small tranche of open season go out, very, very positive about that and as we will fill that up completely. Cheyenne Connector is great kind of protecting the DJ Basin to make sure we have ample takeaway there as well. The Midcontinent, yes, we're looking at what a lot of people are doing. Not sure that you will see us jump on the bandwagon of bringing a solution to market. But if needed, we will be kind of part of the solution.

Operator

This does conclude the question-and-answer session of today's program. I'd like to hand the program back to Irene Lofland for any further remarks.

Irene Lofland

Thanks, Jonathan, and thank you all for joining us today. If you have any follow-up questions, please feel free to give myself or Andrea a call. Have a great day.

Operator

Thank you, ladies and gentlemen, for your participation in today's conference. This does conclude the program. You may now disconnect. Good day.