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DPM - DCP Midstream Partners LP Corporate Conference Call

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Corporate Participants

Andrea Attel  
DCP Midstream Partners LP - IR

Wouter van Kempen  
DCP Midstream Partners LP - CEO

Sean O'Brien  
DCP Midstream Partners LP - CFO

Conference Call Participants

Gabe Moreen  
BofA Merrill Lynch - Analyst

Shneur Gershuni  
UBS - Analyst

Kristina Kazarian  
Deutsche Bank - Analyst

Jeremy Tonet  
JP Morgan - Analyst

Selman Akyol  
Stifel Nicolaus - Analyst

James Weiser  
Wells Fargo Securities - Analyst

Craig Shere  
Tuohy Brothers - Analyst

Chris Sighinolfi  
Jefferies LLC - Analyst

John Edwards  
Credit Suisse - Analyst

Michael Blum  
Wells Fargo Securities, LLC - Analyst

Gregg Brody  
BofA Merrill Lynch - Analyst

Becca Followill  
USCA Securities LLC - Analyst

Andrew Gundlach  
First Eagle - Analyst

Tom Abrams  
Morgan Stanley - Analyst

Presentation

Operator

Good day, ladies and gentlemen, and welcome to the DCP Midstream Partners' special investors conference call.

(Operator Instructions)

As a reminder, this conference call is being recorded. I would now like to turn the conference over to Ms. Andrea Attel, Investor Relations. Ma'am, you may begin.

Andrea Attel  
DCP Midstream Partners LP - IR

Thank you, Pakia. Good morning, everyone, and thank you for joining us today for this special call to discuss this morning's announcement that DPM and DCP Midstream have closed on a transaction to combine the two Companies into the new DCP MLP. This call is being webcast, and I encourage everyone to view the supporting slides on our websites at DCPpartners.com and DCPMidstream.com. A replay of this call and the transcript will be available later today.

Before we begin, I'd like to point out that our discussion today includes expectations and predictions associated with today's transaction that are considered forward-looking statements, which can be found on slide 2 of the presentation. Also, for a discussion of factors that could cause actual
results to differ, please refer to DPM’s latest SEC filings, including our latest 10-K and 10-Q. We also use non-GAAP measures such as EBITDA and distributable cash flow, which are reconciled to the nearest GAAP measure 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 will take your questions. With that, I’ll turn the call over to Wouter.

Wouter van Kempen - DCP Midstream Partners LP - CEO

Thanks, Andrea, and good morning, everyone, and thanks for joining us today. I’m very excited to discuss with you the transformational transaction that we closed on January 1, and it simplifies the ownership and capital structure of the newly combined DCP. This transaction will create long-term value for DPM investors, and for DCP Midstream’s owners, Phillips 66 and Spectra Energy.

I will start with the transaction highlights and benefits, and then I will talk about our newly announced growth project in the DJ Basin and on Sand Hills pipeline. Sean will provide our 2017 outlook, and then I will provide some concluding remarks, and both of us will take your questions.

First, this strategic transaction makes the newly combined DPM the largest NGL producer and natural gas processor in the United States, with an enterprise value of approximately $11 billion. The transaction is DCF accretive at current strip prices to DPM unitholders, and creates long-term value for both our unitholders and our owners, Phillips 66 and Spectra Energy.

The combination of the DPM and DCP footprints provides us with access to premier assets in the key producing basins and a very strong platform for organic growth opportunities, with $1.5 billion to $2 billion of growth projects leading to visible distribution growth in the future. To provide downside protection, and if needed, our owners have agreed to IDR givebacks of up to $100 million annually through 2019, to target a minimum 1 times distribution coverage ratio.

This transaction simplifies our organizational structure, creating perfect alignment between the general partner and limited partner unitholders. And lastly, our combined 2017 margin is already 70% plus fee based and hedged, which provides another layer of downside protection with significant upside potential as commodity prices continue to improve.

Now let’s take a look at slide 4. We believe this is the absolute right time and structure for our Company. Why? As you know, since the down cycle unfolded in late 2014, we have been transforming the DCP enterprise through our unwavering focus and execution of our DCP 2020 strategy. It has been our steadfast playbook, guiding all our 2,700 employees who are delivering every day in safety, reliability, and operational excellence.

In just the past two years, we’ve taken out nearly $200 million of costs, and we added close to $200 million of annualized fee-based margins through our contract realignment efforts. We’ve optimized our assets and generated roughly $0.5 billion of proceeds from non-core asset dispositions, which we used to delever and strengthen our balance sheet. And we’ve been running our assets more reliably, which has a direct impact to the bottom line.

So as we sit here today, our strategy execution has significantly reduced our overall risk profile and commodity exposure, and made DCP assets much more MLP friendly, while sustaining our distribution throughout this down cycle. Additionally, we believe that the industry has turned a corner to a much more constructive environment, and we anticipate 2017 will be the inflection point as we shift towards growth while sustaining our foundational operational improvements over the past years.

This simplification is a logical next step to create long-term value for our unitholders and owners, and we’ve been talking about it for a few years. But we’ve always said that it had to be in the right environment. So why is that?

To combine Midstream with DPM in a high commodity environment didn’t make sense, because the multiple would have made Midstream’s assets too expensive. On the flip side, it also didn’t make sense at the low end of the commodity environment for the opposite reason. Today we are in the right commodity and industry environment to combine these two Companies.
Another great reason to combine DCP and DPM is that Midstream’s footprint includes a tremendous set of assets. DPM is getting DCP’s leading position in the Delaware and Permian Basins, the DJ Basin, the SCOOP and STACK areas of the mid continent, and another one-third of both Sand Hills and Southern Hills. And these assets provide us with visibility into multiple organic projects, like the ones we announced today, that will support our goal of sustainable distribution growth. So with everything we’ve accomplished and expect to accomplish as we look forward, we believe that this is the optimal time for this transaction and a win-win for all of our stakeholders.

Now let’s move to slide 5 of the presentation to walk through the details of the transaction. First, Spectra Energy and Phillips 66 continue to own their 50/50 interest in DCP Midstream, LLC, or Midstream, as I’ll refer to it. On January 1, Midstream contributed all of its assets to DPM in exchange for approximately 31.1 million DPM units valued at $1.125 billion, and DPM assumed Midstream’s $3.15 billion of long-term debt.

Midstream also contributed $424 million in cash to DPM, which will be used to repay outstanding revolver borrowings, fund growth, or pre-fund repayment of DPM’s December 2017 debt maturity. The overall transaction value represents an approximate 8 times multiple based on current commodity prices. Phillips 66 and Spectra Energy retain their GP interest, and increased their overall ownership interest in DPM to 38%. And effective January 23, to further simplify things, the newly combined MLP will be renamed DCP Midstream, and the New York Stock Exchange ticker will be changed to DCP.

Slide 6 illustrates the structure before and after the transaction. And this transaction clearly simplifies our overall structure. There is perfect alignment between the GP and LP, all new growth will occur and be financed directly by the MLP. And combined with a sustained improvement in the industry environment, this transaction provides us with a path to future distribution growth.

Slide 7 lists the strategic rationale and benefits of the transaction in more detail. Now, I’ve covered a number of these benefits already, so let me briefly summarize. First, DPM becomes the largest NGL producer and gas processor in the United States. The transaction is immediately accretive to LP unitholder DCF, while we also provide our unitholders with downside protection if needed. It creates value for our owners, with 2017 expected cash distributions of approximately $300 million combined to Phillips 66 and Spectra Energy, based on current commodity prices.

With our industry-leading portfolio of assets, we have strong visibility into $1.5 billion to $2 billion of organic growth opportunities that will drive cash flow growth and provide a path to increased distributions. Additionally, our owners have increased their ownership in the GP and LP units, which further demonstrates their belief in the earnings power of these assets. We remain focused on our DCP 2020 strategy, and we are confident that with everything we’ve already accomplished and expect to accomplish, DCP is very well positioned for continued long-term success.

On slide 9, I will touch on our combined industry-leading asset portfolio. Most of you have seen this map before, yet as you can see in the bottom right, the combination with Midstream has increased DPM’s enterprise value to approximately $11 billion. It added 40 plants with 4.2 BCF per day of processing capacity, and added significant gathering and other infrastructure. DPM now owns two-thirds of the Sand and Southern Hills NGL pipelines, and DPM received all underlying contracts that support these assets. And I’ll remind you that our gathering and processing footprint is unlike any other G&P company in the United States.

I’ve said this many, many times before but I’m going to say it again: We are a must-run business. We have a fantastic footprint, with leading gathering and processing positions in core areas of the key producing basins. When combined with our integrated NGL pipeline network, our diversified portfolio is very competitive and affords us great opportunities for growth.

Slide 10 highlights our visibility into $1.5 billion to $2 billion of investment opportunities over the next few years across our four key growth platforms: the DJ Basin, the Permian and Delaware Basin, our logistics business, and the SCOOP and STACK area. Projects include capacity and infrastructure growth over the next few years that will drive increased cash flow and will provide a path to sustainable distribution growth.

Starting with the DJ Basin and logistics businesses, let’s turn to slide 11 to discuss the growth projects that we also announced today. First, in the DJ Basin we are very excited to announce that we and select key producers have formed a cooperative development plan where DCP will construct and own a new 200 million a day plant called Mewbourn 3, and complete the next phase of our Grand Parkway low pressure gathering system. Total investment for this expansion is estimated to be up to $395 million at a 5 to 7 times multiple, and is expected to go into service by the end of 2018. This development plan also provides a framework to add another 200 million a day plant in 2019.
The DJ Basin continues to be a great story. We are currently averaging above our 800 million a day of capacity. And with the growth plans of our producers, we anticipate these new plans will ramp up quickly. We are already in the process of constructing additional field compression and planned bypass infrastructure that will bridge us to Mewbourne 3 by adding about 40 million a day of incremental capacity by the middle of 2017. And once we've constructed the two additional plants, our total capacity in the DJ Basin will increase by approximately 50% to over 1.2 BCF per day.

Now let's switch gears and talk about our Sand Hills NGL pipeline expansion, which will increase Sand Hills' capacity by 85,000 barrels per day, or about 30%, to its full 365,000-barrel capacity. The total $70 million investment includes the addition of four new pump stations and a pipeline lateral loop.

Let me put this project in perspective for you. We spend roughly $1 billion to build the first 200,000 barrels per day of capacity. So adding pump stations is an extremely accretive investment at an approximate 2 times multiple, a phenomenal return for very little capital.

Our 2016 Sand Hills expansion to 280,000 barrels per day of capacity is already running about 90% full. And with expected growth from newly constructed third-party plants in the Delaware Basin, and potential future ethane recovery, we expect Sand Hills to ramp to its full capacity fairly quickly. This pipeline expansion is expected to be in service by the end of 2017, and is backed by 10- to 20-year third-party plant dedications. In closing, I'm very excited to share this first of multiple growth projects valued at about $0.5 billion in our premier regions that provide DCP with an excellent path to distribution growth. Now I'll hand it over to Sean to discuss our 2017 guidance.

Sean O'Brien - DCP Midstream Partners LP - CFO

Thanks, Wouter, and I want to thank all of you for joining us today. I want to echo Wouter's enthusiasm and excitement around today's strategic transaction. It creates long-term value, and unlocks a new opportunity set for our investors. The combined footprint provides visibility to $1.5 billion to $2 billion of capital opportunities and a path to distribution growth beyond 2017.

On the next two slides, I will focus on our 2017 guidance for the newly combined DCP, along with our underlying assumptions and our combined 2017 commodity sensitivities, margin profile, and hedge position. First, our 2017 guidance uses a price tag range of $0.50 to $0.65 NGL, $3 to $3.50 for MMbtu gas, and $50 to $60 per barrel crude. Our forecasted 2017 adjusted EBITDA range is $865 million to $1.025 billion. Our distributable cash flow forecast range is $620 million to $670 million, assuming a flat distribution to 2016 of $3.12, and results in a 1 times or greater distribution coverage.

Utilizing the high end of the commodity price ranges, this forecast assumes no IDR giveback, which is consistent with current commodity prices. And at the low end of the commodity forecast range, the DCF includes a $75 million IDR giveback.

We are projecting our bank leverage metrics to be well within our covenant levels. We expect growth from the DJ Basin and NGL expansion pipelines to offset volume declines in the Eagle Ford and East Texas. We're also assuming full ethane rejection on our plants for all of 2017, leaving us with significant upside when the industry moves into ethane recovery.

With this transaction, we are increasing our 2017 capital forecast, now estimated to be between $425 million and $520 million. This is made up of $325 million to $375 million of growth capital, inclusive of the DJ Basin and Sand Hills expansions that Wouter just spoke about. And our maintenance capital range is now between $100 million to $145 million, driven by an increase in well-connect activity and the maintenance associated with Midstream's extensive plant, gathering, and compression asset portfolio.

In terms of liquidity in the balance sheet, I'm proud of the significant progress we've made over the past two years, reducing the combined enterprise debt level by over $2 billion. With this transaction, we received $424 million of cash that will be used to repay any outstanding amounts on our $1.25 billion credit facility, fund growth, or pay down our debt maturity in December. As you can see, this transaction provides us with ample liquidity, right out of the gates. Under our current guidance, we do not anticipate any significant equity needs in 2017. And with the cash from the transaction, our $1.25 billion credit facility and our ATM program, we have plenty of flexibility.
Slide 14 shows DPM’s combined 2017 hedge position, commodity sensitivities, and margin breakdown. Our focused DCP 2020 strategy execution has delivered strong results, driven by growth in fee-based earnings and cost savings initiatives. Looking to 2017, the combined DPM fee-based and hedged cash flow is forecasted to be over 70%, with the commodity-exposed margin representing below 30% of the portfolio. This provides stable cash flows and downside protection, but still leaves upside potential in the current commodity price environment.

And you can see that DCP’s NGL commodity sensitivity is much lower, driven largely by our contract realignment efforts. To give some perspective, in 2013, a $0.01 change per gallon in NGL had a $13 million impact to net income. In 2017, this has decreased by approximately 60% and is now down to $5 million. Sensitivities to natural gas and crude oil are unchanged from 2016, however, are also down materially from 2013 levels.

In closing, we remain keenly focused on risk management, which includes proactively managing commodity exposure through our active hedging program that we’ve successfully executed over the years. And with the recent improvement in commodity prices, we executed 2017 NGL gas and crude hedges now approximating 30% of our 2017 [equity line]. So again, with our successful increase in fee-based margin, coupled with our proactive hedging program, our fee-based and hedged cash flow is now over 70% for 2017, and we’re actively looking for opportunities to grow this percentage. With that, I’ll turn it back over to Wouter for some summary remarks.

Wouter van Kempen - DCP Midstream Partners LP - CEO

Thanks, Sean. As I mentioned in my opening remarks, this transaction simplifies the ownership and capital structure of the newly combined DCP, and will create long-term value for DPM investors and for DCP Midstream’s owners, Phillips 66 and Spectra Energy. With the addition of DCP’s premier footprint in the Permian and Delaware Basins, the DJ Basin, the SCOOP and STACK plays, and the remaining one-third interest in Sand Hills and Southern Hills, our investors will now own the largest NGL producing and gas processing company in the United States, with a strong platform for organic growth.

Given all that we’ve accomplished during this downcycle, combined with a much more constructive industry outlook, this is the right time and the logical next step to execute this transaction, and it sets DCP up for continued long-term success, and provides us with a path to grow our distribution. With that, we will turn the call back to the operator and take your questions. Operator, please open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Our first question comes from Gabe Moreen with Bank of America Merrill Lynch.

Gabe Moreen - BofA Merrill Lynch - Analyst

Good morning, everyone. A question for you in terms of the trade-off between balance sheet and future distribution growth? Can you just talk about that a little bit? And also, whether regaining an investment-created credit rating here eventually is a goal? Or are you just comfortable BB, high-BB?

Sean O’Brien - DCP Midstream Partners LP - CFO

Good morning, Gabe, it’s Sean. Number one, I mentioned this transaction we are well within our covenant levels as we start out so that’s a great place to be. It also reminds you of the quantifying transaction for DPM and the credit facility. So for three quarters, we get a little room in terms of the credit metrics as they go up to 5.5. In terms of the investment grade, we feel the Company is already pretty comparable to many of our investment grade counterparts.
Where this transaction, what this does, is it guarantees us a strong coverage ratio, we are well within our covenant metrics, and as Wouter highlighted and I highlighted it gives us a great line of sight to future growth, with the potential to raise the distribution as well as to strengthen the credit metrics over time. We’ve also, very importantly if you think about it, we’ve got our fee and hedged cash flows now more than 70%.

I think we’ll continue to grow that. The rating agencies look at that pretty strongly so that gives us a good line of sight to investment grade. But I'll remind you, the RAs, they take you down very quickly when you want to get back to IG. Is going to take some time, but I think -- we’ve had conversations, obviously, with all three of the rating agencies through this transaction and they’ve been very positive about it.

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Gabe Moreen - BofA Merrill Lynch - Analyst

Thanks, Sean, I guess following up in terms of whittling down the pro forma commodity exposure, can you just talk about the mix between trying to layer on additional hedges and how much want to leave open in your position ideally -- versus additional contract restructurings over time?

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Sean O’Brien - DCP Midstream Partners LP - CFO

Bottom line, I like to be, I think we’ve always said we’d like to be north of 70% -- we are at 72% today. I do expect that to grow. We’ve seen some good run up in commodities over the holidays, over the last part of last year, and we are pretty active hedging program. So I would expect us to start or approach the 75% to 80% this year. That is in our target range, and that’s where I’d like to definitely get the Company to.

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Wouter van Kempen - DCP Midstream Partners LP - CEO

Gabe, this is Wouter, let me add to that. Your question about contract realignment and contract restructuring -- in my remarks I told you we were close to $200 million that we’ve added to the bottom line here in the last two years. If you go back to the end of 2014, early 2015, our goal was to add about $200 million by the end of 2017.

So we are basically a year ahead on that program, and that program is probably significantly done by now. We are going to continue to see, obviously, the benefits but we have pretty much attacked what we wanted to attack and what we wanted to get out of this program.

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Gabe Moreen - BofA Merrill Lynch - Analyst

Understood, thanks, Wouter and Sean. The last one from me is in terms of other peers have obviously done some of the IDR restructuring in conjunction with looking at their assets base and MLP structure. Was an IDR restructuring debated here? Was that something that could potentially happen down the line?

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Wouter van Kempen - DCP Midstream Partners LP - CEO

Gabe, you have to take this a bit of a step back. We believe this is absolutely the right structure. It simplifies the overall organization very significantly. We and our owners believe in MLPs. We believe they are the right vehicles, but they are the right vehicles if managed well and structured well.

And I think that is why there have been significant issues in the past with potentially other MLPs. What we announced today also gives us a perfect alignment between the general partners and the limited partners. I think that’s a great thing for everybody and I want to remind you if you take a look back over the past 10 years we have gone through two very major down cycles -- 2008 and 2009, and then 2015 and 2016.

And 2015 to 2016 was probably the worst down cycle we have seen in 30 years. We have never cut our distribution. If you take a look at all of that together, if you combine that with the great IDR relief, if needed, through 2019 you combine it with $0.5 billion of growth projects that we just announced with very strong returns, giving good line of sight to distribution growth -- we really believe this structure is the right structure.
Gabe Moreen - BofA Merrill Lynch - Analyst

Understood, thanks Wouter.

Wouter van Kempen - DCP Midstream Partners LP - CEO

Thank you.

Operator

Our next question comes from Shneur Gershuni with UBS.

Shneur Gershuni - UBS - Analyst

Good morning, guys. Before I get to my questions I want to clarify a couple of your responses to Gabe’s questions. You’re currently 60% fee-based right now, and with hedges it takes you to 72%? And Wouter, you said you were mostly done with what you wanted to do with respect to the contracts.

So is that how we should think about this business going forward? Or do you use the higher commodity price environment to try to push the contract level to up to say, 70% or do you just like to use hedges more than anything else?

Wouter van Kempen - DCP Midstream Partners LP - CEO

It’s Wouter, you have got it right from the comments you made. There are still always ongoing opportunities for us to take contracts that roll off and restructure them, and go more to fee-based and most likely we will do this. If you think about our contract realignment process that we went through in our initiative for $200 million to the bottom line, that was taking a very significant look at all of our evergreen contracts, all the other contracts that were due, and that is what created that effort and the $200 million.

There are, in the normal course of business, additional things and additional projects that may rollover and we will probably -- if the returns are the right returns -- get those to fee-based as well. So we will continue to look at adding more fee-based if we can, and as Sean said we will continue to add hedges as well to the overall organization.

Shneur Gershuni - UBS - Analyst

Okay, another follow-up to Gabe's question on the IDRs. Is it fair to conclude that if you had attempted to convert the IDRs with this transaction, and pay somewhat of a premium, that basically coverage would be below 1X, and that's why it didn't make sense?

Wouter van Kempen - DCP Midstream Partners LP - CEO

I'm not going to debate the what-ifs and other things, but we all know what the going rate is for buying out AGP and IDRs, and it is fairly significant. So obviously, if you would put a multiple on the IDRs, then it's a very significant amount. We don't think it was the right thing to do. As I said earlier we are tremendously comfortable with the structure that we have.

Again I want to reiterate the fact that MLPs work really well and MLPs with IDRs can work tremendously well if there is alignment between all the different parties. And I think we've proven over the last 10-plus years that we always have very good alignment between ourselves, between Phillips 66 and between Spectra Energy, and we've always made this work for people.
We have never cut distributions. We have always worked and looked toward sustainable distribution growth for our investors, and we've always done that. Again I know there was a lot of discussions around IDRs for everybody, but it is about how do you structure it, how do you get things set up the right way and do you have access to capital at a competitive rate?

I think what I said earlier we announced $0.5 billion of growth projects, both on the gathering and processing side and the NGL side in different basins, and those are all going to come with very accretive returns to the unit holders.

Shneur Gershuni - UBS - Analyst

Transitioning into my questions, you've made significant improvements and cost reductions over the last two years. I think on the third quarter conference call, you said you were down to $0.31 a gallon is kind of a breakeven. Does this combination allow you to make any more meaningful improvements or that's how we should think about where you are at in terms of cost?

I recognize it's a huge improvement for where you were, just wondering if there is a more opportunities with this combination?

Sean O'Brien - DCP Midstream Partners LP - CFO

A couple of things, Shneur, we talked about the improvements and we talked about the impacts of DPM which correlates, but I would tell you in terms of the transactions, it wasn't built on massively on efficiencies because obviously we run the assets today. One benefit, as you think about for the DPM unit holder, is a lot of the cost efficiencies and targets we've had over the last 12 to 18 months were on the assets that were up at LLC.

So those benefits and the continued benefits, we are not through with it. We still have some efficiencies to come in 2017 that will benefit the whole Company - DPM- at the end of the day. But I think we're through, I think there are continued efficiencies that we'll see as we move forward. But the bulk of the cost initiatives, we're through them at this point.

Shneur Gershuni - UBS - Analyst

Just looking at your EBITDA and leverage guidance, I was wondering if you could walk us through the correct number to back out of your EBITDA guidance for the legacy DPM earnings? When you compare it to where the street is at right now, is it lower? And secondly, you have a leverage target of five times, but in the slides you noted that it's a bank definition. Where do you see leverage on more traditional definitions, against a backdrop of not expecting to issue substantial equity this year, but you've got some CapEx? I wonder if you could square all of that for us?

Sean O'Brien - DCP Midstream Partners LP - CFO

We will start with the EBITDA question. We obviously haven’t given standalone DPM guidance for 2017, and I think your question was, do we feel we are a little below estimates? I think most of the consensus had us close to about 1.0 or slightly below 1.0, so we can help you reconcile that. Obviously we’re adding the 8X multiple to this transaction, about $480 million to $500 million, via LLC.

As you think about the leverage ratio, we say the bank ratio less than 5.0 because obviously that is what matters on our facility. We’ve always targeted between 3x and 4x debt metric, obviously, in times of growth or in times of commodity swings. It can flex up or down, but those are still the ranges we think we will be able to get to in the long run.

This transaction keeps us well within our covenants. I mentioned again from a covenant perspective, we get 5.5X for up to three quarters because it is a qualifying transaction. Our goals haven’t shifted around 3X or 4X times, we still think we can achieve that. Definitely, as we move forward and see continued EBITDA contribution for some of these growth projects that is going to have very positive benefits on our leverage ratio as well.
Shneur Gershuni - UBS - Analyst

Finally, the capital spend you talk about, how much do you think is going to be directed to the Permian SCOOP-STACK? Will you be able to extend into the core of the Delaware and is the Kingfisher an opportunity as well?

Wouter van Kempen - DCP Midstream Partners LP - CEO

I think it’s a combination of various items, Shneur. We announced an expansion on Sand Hills which absolutely goes into the core of the Delaware Basin with our NGL business, which is very profitable and growing very significantly for us.

We think there are opportunities on the northern end of the Delaware Basin where we have a tremendous footprint around our Zia II plant, to potentially do expansions there. The STACK and SCOOP area – we are pretty full, so we have got to find ways to see how can we take volumes out of that area, either direct them to places like eastern mid continent, where we have capacity available, or try to find other ways to grow our overall processing capacity.

And if you look at the DJ Basin, like we announced the $0.5 billion, the $400 million roughly, was the first plant, but in my comments I made and the agreement we have with the producers, there is a second plan for 2019 as well. So you can add another close to $300 million, $400 million, $500 million to that as well. I think that gives you a pretty good insight of where we are sitting with the $1.5 billion to $2 billion.

Shneur Gershuni - UBS - Analyst

Thank you, very much guys. Appreciate the color.

Operator

Our next question comes from Kristina Kazarian from Deutsche Bank.

Kristina Kazarian - Deutsche Bank - Analyst

Good morning, guys. A clarification on one of the questions Gabe asked earlier? If I was thinking about the Company before the transaction, my thought and where consensus sat was that DPM’s DPU growth was going to come back sometime in the next year to two years?

Can you talk to me about how this transaction changes the timeframe to growth? I know you haven’t given formal guidance, but what’s the rate long-term coverage level, or growth rate just given the new commodity sensitivity profile and how we should be thinking about that?

Sean O’Brien - DCP Midstream Partners LP - CFO

A couple things -- I’ll start, Kristina. We always have given the 1.1 to 1.2 on the distribution coverage ratio targets. I think as you are alluding to, with this transaction with a little more commodity sensitivity, we would definitely target the higher end of that range going forward. But I think on the positive side as you think about it, we talked about being in the right environment at the right time.

The assets that have come down have massive earnings potential. As we move into recovery -- we have no ethane recovery in the forecast we’re giving you -- and then you add all the growth that is coming to DPM through this transaction, the potential growth. The $0.5 billion that we have going right now, plus the additional growth in some of these key areas that are tied in a large way to Midstream LLC -type assets.
I think it gives us massive opportunity, as we've indicated in our remarks, at current strip prices, the coverage ratio from an accretion perspective puts us well above 1.0. That's a direct result of this transaction. Then you have all the $1.5 billion to $2 billion - $0.5 billion that's in flight of growth that we are going to execute on.

That gives us a great line of sight to continue as a combined Company to look for a pathway to raise the distribution. So I think it improved in my perspective the outlook for DPM and its ability to grow the distribution down the road.

**Kristina Kazarian - Deutsche Bank - Analyst**

Asking a question Gabe asked in a different way about the steps in this transaction? Historically, from my perspective tax bases had been a challenge to selling or settling on a price with DCP? Given this transaction and the way you guys have structured it now, does this change anything relative to making it more compelling for either parent to sell their ownership interest without having to handle tax liabilities?

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

I said two things, this was a tax efficient transaction for the owners. So that is step 1, so that's a very good positive. In terms of how it changes for the owners going forward, I don't think there is any material change around basis or the outlook for the owners going forward.

**Kristina Kazarian - Deutsche Bank - Analyst**

You guys also talked about having ownership interest and thinking about them and how they are coming into the decision-making process? Can you touch a little bit around thoughts with Enbridge now up at the top? And maybe how that's impacting the decision processes, especially considering other alternatives with their subs, or it just thoughts there?

**Wouter van Kempen - DCP Midstream Partners LP - CEO**

Obviously the Spectra Energy and Enbridge transaction hasn't closed yet, and I will not speak on behalf of either Spectra or Enbridge other than Enbridge is fully supportive of this transaction, is aware of this transaction. And that's probably where it really sits. And if there's any opportunities in the future with any other type of assets, I'm sure that we all sit around the table and take a look at that to see if that makes sense.

As I've always said to people, it's got to work for everybody in the equation. So it's got to work with the other owner, for Phillips 66 and it's got to work for Spectra and Enbridge combined. But I think it's too soon to talk about that. I also think those questions are obviously well-placed towards Spectra and towards Enbridge directly.

**Kristina Kazarian - Deutsche Bank - Analyst**

The last one for me, just to make sure I'm getting this right, and I know you said it a couple of times, but the highlight of the deal is immediately accretive on current strip with the calendar year 2017 DCS range is a little wide? Can you help me understand, is it accretive both on the bottom and top end of the range?

And maybe talk a little more about - I know you did this on slide 13 and 14 - but the sensitivities on each side of the range?
Sean O'Brien - DCP Midstream Partners LP - CFO

The sensitivities, obviously we've given you a commodity range so that is driving some of the delta in the range. If you think about the higher end of the range, I think I alluded to, if you think about the growth capital we talk about some additional growth capital in the high end range which would tie to improved commodity. It is accretive in my opinion on both ends.

One, obviously with the growth on the high end at current strip, we're well above the 1.0. Here's the way you have to think about it on the low end. We've talked a lot about the downside protection, up to $100 million annually. That's accretive to me.

If we are in the low end in this environment, there is the IDR giveback, which to me basically moves you to that 1.0. If you look at our numbers that would definitely put you to 1.0 or better, and still even leave you some additional downside protection. So I feel is accretive both at the low end and obviously at the high end of our range.

Kristina Kazarian - Deutsche Bank - Analyst

Thank you, guys.

Operator

Our next question comes from Jeremy Tonet with JPMorgan.

Jeremy Tonet - JPMorgan - Analyst

Good morning. I just want to think about equity needs here. Given the $1.5 billion to $2 billion of growth CapEx you're talking about in the higher leverage, since it's a partnership now can you help us think through the pace of equity issuance? Or if there are thoughts about alternative equity given the higher yield for DPM and the IDR burden here?

Sean O'Brien - DCP Midstream Partners LP - CFO

In terms of equity in the short run if you think about 2017, we've got the $400 million plus of cash coming over. We mentioned we originally would take our revolver down to zero. We had about $200 million, roughly, on the revolver so we will be cash positive here in the short run.

We'll have some growth, we've given you some growth levels and of course we have the maturity coming later in the year. But in terms of 2017, with the growth that we've outlaid, we don't see any massive need or material need for any equity into 2017. As we go forward, we talk about the up to $2 billion of growth, obviously we would target our normal 50/50 cap structure that we've always given out there and continue to access the equity markets as needed.

In terms of cost of capital, I think we alluded a couple of times, as you think about the projects that Wouter gave you some detail around, you think about the DJ at 5x to 7x EBITDA multiple. You think about the Sand Hills at a 2x EBITDA, these are incredibly accretive projects. One of the benefits of the portfolio that is coming into DPM as a combined Company is this massive organic potential at very strong returns.

We feel pretty good, not a lot of equity needs in my opinion in 2017, but hopefully in a stronger environment we will have to continue to raise capital.
Wouter van Kempen - DCP Midstream Partners LP - CEO

And maybe, Jeremy, to add to that, I think the only equity needs that -- or the only way we'd potentially do equity in 2017 is by opening up our ATM. I think that really is the only way we would go after equity.

Jeremy Tonet - JPMorgan - Analyst

As far as alternative equity like [traps] or anything like that, probably not in the mix at this point?

Wouter van Kempen - DCP Midstream Partners LP - CEO

I absolutely don't think that is in the mix. I think we have had discussions about that with all of you about that for the last two years. The other structures are significantly more expensive than what we have in the current structure and I've always looked at those [note as for] anybody as an opportunity.

They were safety nets for people because they didn't have any other option, and as we've shown in this transaction, we clearly have many other options and are very comfortable with how we, under the current structure, finance our growth.

Jeremy Tonet - JPMorgan - Analyst

Thanks. Just for maintenance CapEx, is this kind of a run rate level for what we should expect? Any color you could provide there?

Sean O'Brien - DCP Midstream Partners LP - CFO

The way we look at it, Jeremy, is a return to more run rate levels. As I mentioned earlier it does assume some increase in well connect activities and obviously you now have with $100 million to $145 million guidance you've got the assets at LLC part of it.

What I would tell you in terms of long-term run rate, if we continue to see recovery, if we continue to see more volumes coming on to the system, I would expect it to kick up a little bit. I think we've given numbers, historically, if you did some of the math, you'd see closer to $200 million as a run rate for the Company. We have done some things around efficiencies to take that down.

Approaching a more normalized run rate, but it will be a high-class problem if we continue to see growth and see this number go up a little bit.

Jeremy Tonet - JPMorgan - Analyst

Just for modeling purposes, was it last night's close, or what was the unit price implied for the deal to get the exact unit count?

Wouter van Kempen - DCP Midstream Partners LP - CEO

We closed the transaction on January 1st. The owners basically took back combined about 31.1 million DPM units. And if you do that, then what we utilized is a 20 day VWAP, you get to about $36.10, somewhere in that range of the price for the owners.

Jeremy Tonet - JPMorgan - Analyst

Great, thanks. That's it for me.
Operator

Our next question comes from Selman Akyol with Stifel.

Selman Akyol - Stifel Nicolaus - Analyst

Thank you, good morning. I know you said your guidance did not include anything from ethane uplift, or just assumed projection? And I think previously you said $100 million, is that still a good estimate?

Wouter van Kempen - DCP Midstream Partners LP - CEO

That's a very good estimate.

Selman Akyol - Stifel Nicolaus - Analyst

On slide 10, where you outlined the expansion projects in terms of the $1.5 billion to $2 billion — and I know you've got the $500 million in flight for this year. But as we think about the remaining $1.5 billion there, can you talk about what multiples you see that at in terms of the rest of it?

Wouter van Kempen - DCP Midstream Partners LP - CEO

It really depends a little bit, but as I mentioned in my remarks, the DJ Basin we talk about 5x to 7x multiple. I think that's always a pretty good way of looking at gathering and processing type of investments.

The logistics side, it depends on what you were doing. Adding the pump stations to our current investments, I mentioned that is a 2x multiple. So if there are other things we can do around that, expanding pipeline, putting some laterals in, things like that, that will give us some pretty low multiples. If you have to go to building a brand-new pipeline from scratch, you're getting a little higher and probably getting into that 6x, 7x multiple.

Selman Akyol - Stifel Nicolaus - Analyst

Just in terms of the $1.5 billion to $2 billion, and I'm two years out and I'm doing a look back -- I guess which one of the four segments would you say gets the lion's share of the investments?

Wouter van Kempen - DCP Midstream Partners LP - CEO

I think you have pretty good line of sight to the DJ Basin. I told you 395 today, and there will be another plant in 2019. If you take a look at that, you would simplify -- simply multiply by 2 to get you pretty good line of sight there.

Selman Akyol - Stifel Nicolaus - Analyst

Thank you very much.

Operator

Our next question comes from James Weiser with Wells Fargo.
James Weiser - Wells Fargo Securities - Analyst

Good morning. Just a couple of balance sheet questions. Does this transaction trigger any change of control provisions in the bonds at LLC? And would you expect all those LLC bonds to remain outstanding post-transaction?

Sean O'Brien - DCP Midstream Partners LP - CFO

It does not trigger any change of controls, and we do expect those bonds to remain outstanding post-transaction.

James Weiser - Wells Fargo Securities - Analyst

Okay. Secondly, in terms of the revolver, I know you have plenty of capacity under your $1.25 billion facility at DPM, but you are losing the capacity to LLC? Would you anticipate redoing the facility? Is there anything in particular you are looking for in terms of credit capacity or covenants or anything like that?

Sean O'Brien - DCP Midstream Partners LP - CFO

A couple things I'll recap. There was no change of control on the DPM revolver, so it's still in place, the $1.25 billion, James. Obviously with the cash coming in this transaction, as I mentioned, we are not drawn on the facility right now.

In terms of where we do go with that facility -- oh, and on covenants, I mentioned since its a qualifying transaction the covenants triggered a 5.5 for three quarters. We are assessing and will continue to assess that revolver as you think about the new Company, and again a high-class problem. A line of sight to increase growth.

We will continue to assess that revolver and look at potentially modifying it or amending it where we feel needed. And I'll point out the revolver goes through May of 2019, so we have our normal course of addressing and looking at our liquidity a little bit ahead of time. It covers us for right now. We are well within the covenants, we'll continue to assess, is it the right size and does it have the right metrics.

James Weiser - Wells Fargo Securities - Analyst

That's all I had, thank you.

Operator

Our next question comes from Craig Shere with Tuohy Brothers.

Craig Shere - Tuohy Brothers - Analyst

Good morning, congratulations. A follow-up on Gabe and Kristina's questions, I want to clarify, it is coverage not leverage metrics that define distribution growth decisions over the next couple of years? Is that correct?

Wouter van Kempen - DCP Midstream Partners LP - CEO

Yes, you always take those together and try to weigh them, try to balance them, and try to find the right way where in the long-term you get to the sustainable distribution growth that we're looking for.
Craig Shere - Tuohy Brothers - Analyst

Okay, but to be clear, you’re not looking for a certain leverage metric before you think about distribution growth? You’re looking to achieve a certain level of distribution coverage, which obviously will help the balance sheet a bit, but --

Wouter van Kempen - DCP Midstream Partners LP - CEO

Yes, but they all kind of hang together correctly. In the end it is very difficult to take one of those uniquely -- and all of these hang together, and you have got to make sure that in the end we are taking a look at, what is our long-term growth outlook. What do we look -- how does the balance sheet look like, what is the right time for us to continue to grow the distribution?

I want to reiterate again that for us it is always about sustainable long-term distribution growth. We’ve gone through two major cycles over the last 10 years and we have never cut. And I think we are different than other people from that point of view, and that is something we will always continue to look at and we hold very dear.

Sean O’Brien - DCP Midstream Partners LP - CFO

Craig, the only thing I would add is, obviously these projects, we’ve talked about the returns, we’ve talked about the line of sight to distribution growth. I would also point out, though, that one of the lenses I focus on is really, are they debt accretive. And I can tell you these projects are. Not only are they going to help us grow the distribution, they will help us improve our credit metrics over time as well.

Craig Shere - Tuohy Brothers - Analyst

Understood. I’m sorry if I missed it, but have you commented about distribution policy up to the LLC sponsors, going forward?

Wouter van Kempen - DCP Midstream Partners LP - CEO

Part of the great thing about this transaction, and what I mentioned is the simplification and absolute perfect alignment between the GP and the LP. If you talk about the owners, about Phillips and Spectra, there were no distributions. They were that far gone, there were distributions in 2015 and 2016.

Between the ownership that they have and the GP and LP units, they will be paid just like an LP unit holder, and they will probably get paid up to $300 million or so in 2017. So I think that is a great thing for the owners. The owners, I look at this and say, they voted with their feet.

It was not a sellout, it was not, hey, give us cash and we are leaving. Their ownership increased, almost doubled in the entity from 21% to 38%. So it clearly showed the earnings power of these assets and how the owners believe they were much better off getting paid in equity, in units, versus getting paid in cash.

Craig Shere - Tuohy Brothers - Analyst

Great. That $100 million in potential ethane uplift that is not incorporated into your 2017 guidance at all, does that $100 million figure assume full recovery eventually?
Sean O’Brien - DCP Midstream Partners LP - CFO

Yes, it assumes full recovery eventually. One thing I do want to point out, and we talked about this, is that $100 million is very focused on the logistics side of the business, the frac pick up, obviously the pick up in earnings on our pipelines. We did not intentionally include a commodity uplift.

People will have to assume at what commodity prices you are back in to full recovery. So that is one other benefit. Now with these combined assets, there will be obviously commodity uplift on top of that.

Craig Shere - Tuohy Brothers - Analyst

Understood, I appreciate it. Thank you.

Operator

Our next question comes from Chris Sighinolfi with Jefferies.

Chris Sighinolfi - Jefferies LLC - Analyst

Good morning, guys. I just want to clarify a couple things if I could. Sean, there was an earlier question about the transaction multiple and what it implied EBITDA wise on the respective sides of the prior companies? You know, the arrangement around DPM versus LLC, and now the pro forma numbers you've given out?

I was curious, are you making any adjustments in that 8x number? I know there is an IDR waiver commitment that you've made, I don't know if that is included or not.

Sean O’Brien - DCP Midstream Partners LP - CFO

No, that is not included in the 8x.

Chris Sighinolfi - Jefferies LLC - Analyst

And the EV you are using is the equity value you took, plus the debt, minus the cash?

Wouter van Kempen - DCP Midstream Partners LP - CEO

Take the $3.9 billion consideration and divide it by 8, and that will give you number which is roughly where we are.

Chris Sighinolfi - Jefferies LLC - Analyst

Okay. I ask because it implies fairly significant -- I think this is what Shere was getting after - it implies fairly significant downside relative to what the street had modeled on DPM, so I guess I just want to confirm that?
Chris, Sean mentioned as well we have not given any guidance for 2017, so I can't comment on where the street was for 2017. I do want to remind you that obviously DPM standalone has fairly significant exposure to places like Eagle Ford and East Texas. We are still in kind of a down cycle. We are not out of this down cycle, the rigs haven't returned to the Eagle Ford in a significant way. So that obviously should be reflected in standalone 2017 DPM. Sean and team have done a tremendous job around layering in new hedges for the organization. But at the same time we lost some pretty significant hedges in the first quarter of 2016 as well. If you look at all of that together, then probably things start making quite a lot of sense.

Okay. And then with regard to - I think this is just a follow-up on Craig's question - so the elimination of the LLC revolver and the conversion of these LP interests, so there is no limitation therefore on sponsor receipts cash, and you said, Wouter, it is the same as though they own the LP themselves?

Absolutely. Part of the piece of beauty of this transaction, perfect alignment, nice, good simplification, everybody has the same line of sight in how we get paid.

The final question for me, I know you had spent a lot of time in your prior presentations talking about the ethane opportunity? You fielded a couple questions this morning on it. You know that the 2017 guidance doesn't assume it, but can you give us your latest thoughts on the time profile around how and when you think that shows up for your assets? And maybe as a starting measure, just what the current conditions are for your asset-based? You talked about several hundred thousand barrels a day of rejection occurring in and around your assets, but wondering what's going on there today?

We today, probably around 65,000 barrels of ethane rejection. Ethane has gone up, which is a good thing but at the same time gas prices have gone up as well. So in the end you what need is a differential to go up and that really hasn't happened just yet. We are still in fairly significant ethane rejection. We are cautiously optimistic that we will see some ethane recovery starting here in 2017. If you take a look at all the chemicals and chemical companies, and what they're doing with their cracker expansion, those are going to come online. We do believe some of them may start to come online in 2017 and into 2018.

We think it's a good way to be cautious around how we look at this, and that's why we haven't baked it in. If I take a look at where we are sitting here today, I would hope we are going to see ethane recovery in 2017, and a part of that $100 million more is going to fall through the bottom line.
Okay, thanks so much guys.

Our next question comes from the line of John Edwards with Credit Suisse.

Good morning everybody. Thanks for taking my question. I know you have spoken enthusiastically in support of MLPs but I'm just wondering down the road what your thoughts are regarding to cap IDRs, and eventually take them out?

Obviously it is no secret a number of other industry participants have had to restructure IDRs over the last year. So I'm just wondering what your thoughts are in light of that, and maybe given the simplification transaction you're talking about today, what thoughts were going on regarding taking it to the next step, and maybe simplifying the IDRs all together, taking them out all together?

I'm going to go back to my earlier comments. It's all about the right structure, the right philosophy, not going over your skis and being aligned between the GP and the LP and all of those ingredients are there and are available, you can make MLPs work in a tremendously good manner.

Again I think we have shown that since inception. Everything we have done between the various entities, and I can't talk about what other people have done and why they have done it, and maybe there were other issues they had and things they shouldn't have done in their structure.

But again, I think what is important is look at results, look at performance and actions and if you take all of those together between LLC, between DPM, between Phillips and between Spectra Energy and all the predecessors before it, we have always set this entity up for success. And I think this is another way to look at that.

In the simplest way, the IDR relief that the unit holders are getting, up to $100 million until 2020 through 2019, gives unbelievable phenomenal downside protection and you get all the upside. I think that is a pretty good place to be.

If you get to a certain level in the split, is there a point at which you would look at capping it or reconsidering that position?

We have been in high splits for quite some time now. That is where we are under this transaction and we are comfortable with being in the high splits.

Okay, that's it for me. Thank you very much.
Our next question comes from the line of Michael Blum with Wells Fargo.

**Michael Blum - Wells Fargo Securities, LLC - Analyst**

Good morning everybody. Just a couple of quick ones. First, can you help me reconcile, you are talking about growth, you’ve got $1.5 billion to $2 billion of potential organic investments, but yet you also have this IDR kind of giveback mechanism in place through 2019, so are you sort of contemplating or planning for the potential of less than one coverage over the next three years? I’m just trying to reconcile those two ideas. Thanks.

**Wouter van Kempen - DCP Midstream Partners LP - CEO**

Absolutely not. It is downside protection and that is how we set this up. Making sure there is downside protection with unlimited upsides for the unit holders. We are still in a low commodity environment.

I know that $50 crude on the way up feels a lot better than $50 on the way down but if we were sitting your two years ago or two and a half years ago and saying crude was at $50, we would all be pretty uncomfortable around that. This is all about protecting the downside for everybody in making sure people have the upside.

**Michael Blum - Wells Fargo Securities, LLC - Analyst**

Thank you, very much.

Our next question comes from Gregg Brody from Bank of America.

**Gregg Brody - BofA Merrill Lynch - Analyst**

Good morning, guys. With respect to the debt from DCP Mid that is moving into the new DCP Mid MLP, I believe that is actually structurally subordinated EPM bonds? Is there any intention to guarantee those from that subsidiary where the DPM assets are and the debt is?

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

The debts are pari-passu, the bonds are pari-passu with the DPM level of debt, so there is no need for a guarantee.

**Gregg Brody - BofA Merrill Lynch - Analyst**

Okay, I was just looking at the diagram, maybe its simplifying it. So your intent is for them to be pari-passu? And there is no intent to guarantee but they will have the same assets that are effectively going forth?

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

Correct. The assets and debt both moved.
Gregg Brody - BofA Merrill Lynch - Analyst

Okay. You mentioned there is no change of control which I understand, are there any other covenants at DCP Mid, LLC, that you had to think about to move the bonds? Is there anything restricting movement of bonds?

Sean O'Brien - DCP Midstream Partners LP - CFO

No, no restrictions. I think we hit the big one, obviously the debt and the assets are tied to each other so substantially all, they're both moving so essentially that covered that requirement. In terms of the LLC covenants, obviously that facility went away, and as I mentioned the DPM facility, we are in pretty good shape.

We've got the 5.5x for the three quarters. And I think I had the question earlier, you're looking at potentially doing some modifications to that as we move forward and the answer there is yes. But we feel in very good shape. Great bank group, a very supportive bank group, and obviously we have taken some of the commitments off the table by retiring the LLC facility.

Gregg Brody - BofA Merrill Lynch - Analyst

All right, thank you for the time.

Operator

Our next question comes from the line of Becca Followill with US Capital Advisors.

Becca Followill - USCA Securities LLC - Analyst

Good morning guys. I know the question has been asked but looking at asking it differently. You keep discussing the line of sight toward raising the distribution or resuming growth, and a line of sight toward investment grade. Can you clarify what specifically you are looking for, to do both?

Sean O'Brien - DCP Midstream Partners LP - CFO

Becca, I would say at the end of the day we are looking for increased -- we have said in the past, I think Wouter even said in his comments, we're not going to just adjust our distribution growth predicated on commodities. So obviously we want these to be solid projects delivering cash flow. They are very accretive projects. We have got a little bit of time for some of these projects to come online.

We've been very fortunate that we had over the last few years strong hedges as well as projects coming online. But there was a period there where we were not deploying a lot of growth. As of today you know have line of sight to $0.5 billion.

So I think in terms of the distribution, that is what we are looking for as more and more of that $1.5 billion to $2 billion of projects we start executing on. We have very direct line of sight to the cash flow.

In terms of the investment grade, as these things come online and they are dead accretive and credit accretive. I think we will continue to look to get our fee and hedge percentages in that closer to 75% to 80%. I think that is something that people will look for and something the rating agencies will look for.

They have given us a lot of credit over the last half decade. They look for obviously not just the discussion around the growth, but how you're executing on the growth and are you delivering those projects. We have a pretty good track record when you think of Sand Hills, Southern Hills, the plants up in the DJ, the plants in the Permian, things like Discovery - Keathley Canyon - of delivering on that.
I think at the end of the day if we execute on the plan we have in front of us and the environment continues to be constructive I think we have a very good shot. Those are the things we are going to look for, to increase distribution and obviously improve our ratings with the rating agencies.

Becca Followill - USCA Securities LLC - Analyst

Would be fair to say you need to get all these projects online, including the second DJ Basin plant, and you need to see coverage above 1.2x and you need to see debt below 4x?

Wouter van Kempen - DCP Midstream Partners LP - CEO

I don’t think so, Becca. I think there are other ways you can get there. We spoke about ethane recovery, $100 million there. It is pretty significant.

There are other ways, sometime when you get a better commodity environment where there’s other ways to continue to get growth. And then you layer the overall organic growth projects on top of that. So I think there is a multitude of levers that potentially can get you there.

Becca Followill - USCA Securities LLC - Analyst

Thank you.

Operator

Our next question comes from Andrew Gundlach with First Eagle.

Andrew Gundlach - First Eagle - Analyst

Good morning, congratulations on the transaction. I'm sorry if I missed this earlier, at a $0.78 or $3.12 annual run rate, what is the dollar amount of the IDRs that you expect to payout per quarter with the new units outstanding, the total dollar amount?

Sean O’Brien - DCP Midstream Partners LP - CFO

I will have to get you the split, Andrew. In Wouter's comments he talked about owners in this transaction with that alignment, the owners own LP and GP distributions. They're getting, as we indicated around $300 million.

Historically, that has been -- I think about 50% has been tied to the IDRs. Maybe I am a little high on that, but that gives you framework of reference. So $300 million of cash flow, maybe about $100 --

Wouter van Kempen - DCP Midstream Partners LP - CEO

Yes, I would look at it this way. Total distributions post the deal are about $618 million. Divide that by 4, that's probably a pretty good proxy of what the quarterly payment is. And then includes both GP and LP --

Sean O'Brien - DCP Midstream Partners LP - CFO

That's everything.
Andrew Gundlach - First Eagle - Analyst

I see. And of that roughly 50% or $300 million, is going to the parents? And of that $300 million - rough numbers - $100 million is being committed for the next four years or so, as downside protection? Is that the way to look at it?

Wouter van Kempen - DCP Midstream Partners LP - CEO

I think that's a good way to look at it.

Andrew Gundlach - First Eagle - Analyst

In addition to that, although its not a contractual part of the deal, there is additional money -- because I'm just referencing your earlier point, Wouter, about an interesting way of looking at this is substantial downside protection at 8% with all the questions pointing toward that upside. And $100 million has been committed, but in theory one could say there additional money available to protect the downside, is that also a way looking at it?

Wouter van Kempen - DCP Midstream Partners LP - CEO

I think those are your words, and I'm not going to say that all of that is available but the $100 million, we think is going to be plenty. We think at current prices where we are sitting we won't have to use a single dollar of that $100 million. But obviously we've always been, and our owners have always been tremendously supportive in this enterprise.

Andrew Gundlach - First Eagle - Analyst

Last question quickly, looking out at the $2 billion of potential spend using a 50/50 debt equity split, what is the incremental IDR? Are you in the high splits?

Sean O'Brien - DCP Midstream Partners LP - CFO

50% is about the right map on that, Andrew.

Andrew Gundlach - First Eagle - Analyst

And remind me what they are, is it 50% or is it 35% -- I just forget the numbers. Analyzing $2 billion spend, what is the IDR take away I need to factor into those dollars invested?
Operator

Our next question comes from the line of Tom Abrams from Morgan Stanley.

Tom Abrams - Morgan Stanley - Analyst

Thanks, my questions have been asked and answered.

Operator

I'm showing no further questions in queue at this time. I would like to turn the conference back over to Ms. Andrea Attel.

Andrea Attel - DCP Midstream Partners LP - IR

Thank you. Thanks everyone for joining us today. If you have any follow-up questions please feel free to give me a call, or Wouter or Sean. Thanks again.

Operator

Ladies and gentlemen thank you for your participation in today's conference. This does conclude the program and you may now disconnect.