Participants

Wouter van Kempen, CEO of DCP Midstream (DCP)

Nate Abercrombie, The Stock Podcast

Interview Transcript

Nate: Wouter, thank you very much for coming onto the podcast. It's a pleasure being here and having the opportunity to speak with you. So thanks a ton.

Wouter: You're welcome. I'm looking forward to it. My first podcast ever. I'm excited.

Nate: So can we talk about your background first? Just where you came from. That's actually a question that I've always wanted to ask you is where you came from and what brought you to the United States?

Wouter: Yeah, it's kind of funny, because you and I, in your prior life obviously have had many, many meetings together, so why not dive a little deeper? I'm from the Netherlands originally so that's the funny accent. It's definitely not a Denver, Colorado where DCP's headquartered and where I'm living now. So I actually started my career in the Netherlands after I got my master's degree in economics. I started with General Electric. So GE at that time had its largest offshore outside the U.S. investments were in the Netherlands, which used to be the plastics business that they don't own any more. They divested that in the early 2000s. But that's where I started. I started at the financial management program over there and then moved to a GE from the Netherlands to London to Belgium to Massachusetts to Singapore to Connecticut. So that was just the first ten, eleven years of the career. And then moved over from General Electric to Duke Energy to Charlotte, North Carolina. So I went down south. Also with Duke Energy for seven years and then came to DCP midstream August 1st, 2010. So I'm here now eight years and change. It's a fantastic company, a lot of fun. It's been an interesting ride. I don't know if we counted probably six crude cycles, five NGL cycles, a number of gas cycle. So it's been nice. It's been a lot of fun.

Nate: Yeah. And when you came to DCP, did you move directly to Denver?

Wouter: Yeah, I moved directly to Denver with my family. We came from Charlotte over here to Denver and I started over here at DCP running the mid continent of business and I was in charge of strategy and mergers and acquisitions for the company. And then fairly quickly, the portfolio expanded. The last role was the chief operating officer, which basically was everything, all the regions, all the business units, all the corporate functions were reporting to me. And then I became the CEO on January 1st, 2013. So that's almost coming up to six years. That's pretty crazy as well.

Nate: Yeah. And so Duke then to DCP. I would like to hear about the background of the history of DCP. But the initials DCP stand for…?

Wouter: So here's an interesting one. So, I did this actually in this same room. We're sitting here in our boardroom and this is where pretty often I do lunches or things with just a group of people that work for us, just random take fifteen people in a room, spend an hour together, and talk about business, get their thoughts on how things are going, what goes well, what doesn't go well. And I was sitting here actually, and this probably four or five months ago, and I asked that same question to someone. I said, “How many of you know what DCP stands for?” Because it was a pretty young crowd just sitting in the room here. And the funny thing is that most people didn't know anymore. And that's probably a good thing because the D stands for Duke Energy, the C and the P stands for ConocoPhillips, and neither of those companies is involved in this joint venture anymore.

So we've seen a lot of different ownership of this joint venture. The D became Spectra Energy and then Spectra Energy became Enbridge. So the D is now an E, if you think about it, and the C and the P is now Phillips 66. So most people don't know anymore what the D, the C, and the P stand for. And I think that's probably a good thing because, yes, we have two controlling shareholders between Phillips 66 and Enbridge. But at the same time, we are a large publicly traded entity. And not kind of going back all the time to what was this is probably a good thing. And I think if you go and think about the history of this company, it goes back eighty plus years.

So it's been an amalgamation of different midstream companies that were bought and put together. So not talking about what the D, the C, and the P stand for any more is probably a good thing. At the same time, for us as a large publicly traded entity, we're a Fortune 500 company and it’s still really, really good, I think, especially for investors, to know that you do have a decent sized public float, but you also have two large companies that together have over $150 billion of market cap that have a controlling stake in these entities. And I think that can be very beneficial.

Nate: Yeah. Have you ever thought about rebranding?

Wouter: No, not really. I think DCP in this industry is a household name. Everybody knows DCP. We kind of did a minor rebrand, if you think about it, if you go back to December 31st, 2016, our ticker symbol at that time was DPM and a publicly traded entity, it was called DCP midstream partners, and the general partner that was sitting on top of it was named DCP midstream. We changed our ticker symbol to DCP on January 1st, 2017 and the company is now named DCP midstream and the partners is really gone.

And we did that because we had a lot of assets sitting in that private entity, that controlling entity, and we bought all of those with the publicly traded entity. And that at that time, there was really no reason to have two names, DCP midstream and DCP midstream partners. So we renamed everything DCP midstream. We changed the secret ticker symbol to something that makes more sense, DCP. So that's probably the rebrands. I don't think we would ever do anything different. And DCP, as I said earlier, it's a household name. Everybody knows it in the industry. So why change it? Where we started, most people literally don't know anymore what the D, the C, and the P stand for.

Nate: Yeah. Now even my wife knows what DCP is and she's an engineer. I think she's worked on some of your projects, the construction component of the projects. So, for the longest time, she was like, “Oh, yeah, DCP. That rings a bell.” And so anyway…

Wouter: Good. I hope she controls the investment portfolio in the house and used them on buying stocks.

Nate: She's not, but based on my performance this month, maybe she should. So I would like to hear just a little bit more about what it is that DCP does. You're a midstream company. You're the largest processor of natural gas in the United States, even North America maybe even.

Wouter: Yeah. We always kind of look at it in the lower forty-eight. I never really looked at the Canadian side of that, but you're probably right.

Nate: So could you just tell me, if you gave somebody a primer on, like the highlights of DCP, what highlights would you focus on?

Wouter: Well, I think a couple of things. I think a lot of people, first of all, it's important to understand what does a midstream company really do? People understand what producers do. People tend to understand what people downstream do, refiners. What does a midstream do? A midstream company, we're sitting right in the middle, as the name kind of talks about it, but the easiest way to say it, we're sitting really in the middle between energy production on the one side and then energy consumption on the other side. So everything that needs to be done after you take natural gas or crude out of the ground, by transporting it, by separating the methane and the methane is the gas that everybody burns in their stove and everybody knows natural gas to do. There are impurities in our different pieces in there. NGLs, which are natural gas liquids, you need to separate those. So that is really what we're doing from a gas processing point of view.

So we take the gas at the wellhead after a producer has drilled a hole and they're starting to bump oil or natural gas, we transport that natural gas to one of our gas processing facilities that we have. We got sixty different gas processing plants throughout the country. In that gas processing plant, what we do is we separate the residue gas from the natural gas liquids, the NGLs, the natural gas gets shipped one way via pipelines and markets and the NGLs tend to get shipped in a raw make format to the end markets which tend to be at the U.S. Gulf coast. And have to U.S. Gulf coast, what happens there, you take the NGLs and you separate them via a process called fractionation into ethane, butane, isobutane, the individual components and those then get shipped, transported to chemical companies to refineries and users or export markets now a lot as well. So that's kind of what we're doing. We're the largest and NGL producer in the country as well. We have 60,000 miles of pipe so we got a lot of different pipelines. We operate in 16 different states, 2,700 people on the team that work with us. And we're really integral part of everyday life for every single person. We probably have about 10% or so of the overall natural gas that comes out of the ground in the lower forty-eight go through one of our processing plants.

Nate: 10%? Wow.

Wouter: If you think about if all 2,700 of our folks stop working for a day, it's probably not a great outcome. So we're really a big part of the overall energy infrastructure here in lower forty-eight in the United States.

Nate: Yeah. And which basins would you consider core or which basins would you highlight for investors who may have an idea as to where oil and gas is coming from currently, but they don't know which basins are core, which basins are really critical to DCP's operations?

Wouter: Yeah. So we take the company and we separate the company and we have two major business units in the company. We have our gathering and processing business that probably makes up little over 50% of our overall earnings. And then we have the marketing and logistics business, which makes up a little bit below.

The gathering and processing, I just explained what it is and why we have all of those gas processing plants are really places like the DJ Basin here in Colorado, the Permian Basin, west Texas and southeast New Mexico, the midcontinent tends to be Oklahoma and Kansas and the Eagle Ford towards the south on the U.S. Gulf coast and we have some offshore business. We have an east Texas business as well.

So those are the gathering and processing segments. The logistics in the marketing segment is long haul pipelines, so NGL pipelines that go from each of these basins that I described, and they take the NGLs by a large diameter pipelines into the market centers on the U.S. Gulf coast. That could be Mont Belvieu or Sweeney or Corpus [Christie]. So those are really the two major segments and the pieces within the business. And then what we've been doing as a company we've been adding, especially in that logistics business, we've been adding a bunch of different segments to that.

So the NGL pipelines, really, we started building that over the last six, seven, eight years or so. If you go back to when I joined the company in 2010, probably 90% of our overall cash flow profile and our earnings all came out of processing. Today, as I described, it's much more 50/50. So it was much more closely, much more balanced, and it is because we've been growing so much and investing so much in NGL pipelines. We're now building residue gas pipelines as well. So we were the first ones out there together with Kinder Morgan to build and announce the Gulf coast express pipeline that is going to come out of the Permian Basin into the U.S. Gulf coast.

We're working with two other companies and building residue gas here in the DJ Basin in Colorado. And then we recently announced that we are building and will take an ownership interest in two fractionators that Phillips 66 is building in Sweeney as well. So for us, it really has become this very much integrated, full value chain logistics service company that we have been building and continue to build.

Nate: Yeah. Could you talk a little bit about the types of contract? So just from an educational perspective, I think it'd be helpful to hear your description of the history of DCP's contracts and kind of where the industry is headed and where DCP is headed in terms of when you sign up a new customer, is it always going to be fee based going forward? Do you not want any more commodity types of exposure on the processing side? Any insight there would be helpful.

Wouter: Yeah. So, so historically, when a lot of the current midstream companies were parts of larger companies and they historically all were part of big oil and gas companies. That's kind of how this industry started. Producers on the midstream assets and then producers decided that this is pretty capital intensive. Our shareholders don't really pay us for it. It's also something that is very different than what we do. So maybe we don't need to own these assets. And companies like DCP started opening up, and I mentioned earlier that we're an amalgamation of different assets from different companies and that's really how this company started. So the contract structure historically was what is called a percentage of proceeds contract, so POP. What that basically means is your long gas and your long liquids, that's how you get paid. We buy, as DCP, the gas and the liquids at the wellhead from the producer.

So 100% of the gas at the wellhead and the liquids becomes ours, DCP. We then transport it, bring it through our processing plant. And at the end of the processing plant, the tailgate of the processing plant, we basically settle up with the producers. And if you have a contract that is an 80/80 POP, so an 80/80% percentage of proceeds, it means that we give 80% of the natural gas back to the producer at the tailgate of our plant. We give the NGLs back to the producer at the tailgate of our plant and then that we are long and we get paid by owning 20% of the gas, 20% of the NGLs. That's historically how a lot of this business work. We still have res and that's how our business is set up, especially here in the DJ Basin in Colorado. The business is really still set up like that. We have really very solid contracts for us as a midstream company, we have very attractive contracts and we probably could change those into fee-based contracts if we want to. But the contracts are really very attractive for us. So we will keep those as a percentage of proceeds. So we're long the gas, long the liquids. And the reasons why these were set up historically like that is it does give you really good alignment between a producer and a midstreamer. When life is good, the midstreamer makes good money. The producer makes good money. We're both drinking champagne, something nice. And if life is not so good and prices are really low, we're still drinking something but it's more like PBR or something a little bit cheaper than that.

So that's how historically these contracts were set up to get really good alignment. But then midstream companies became MLPs, master limited partnerships, and started paying out pretty much their distributable cash flow every year. People want to take some of that variability out. And so you saw a lot of changes from POP contracts to fee based contracts and we have done that in a number of our different regions. We have converted from POP to fee based. There are times where, as I said earlier, here in Colorado, the contracts are really pretty darn solid for us.

We don't really want to give up that POP, but for a lot of our gas processing business, we have shifted from a POP contract to a fee based contract and where we still have commodity exposure, we're trying to deal with that via hedging, hedging the different components of the NGL barrel or hedging gas or condensate or crude positions that we have. And then I spoke earlier about how the whole logistics business, how that one really has grown very significantly for us and that is really a fee-based business in its totality. So that entire business is fee based. So it's pretty attractive for an MLP and a foreign publicly traded entity like ours.

Nate: Yeah. And another thing that's always been very attractive from my perspective, having covered you guys for awhile at my former firm, is learning what life of a lease means and it's not something that every midstream company has and that something that you have a lot of. Could you talk about why that is important and could you also just talk about how you were able to secure life of lease contracts?

Wouter: Yeah. I wish I could say that I secured it but it's brilliant management before us. But it's a great thing and it's really here in Colorado. For whatever reason, different basins just grow up in a different way over time and historically have grown up in different contract structures. And yeah, a lot of that is now coming together where you have much larger midstream companies, people become more publicly traded. But historically, there was a potpourri of different contracts and very often by basin it was different. Here in Colorado, we have life of lease, as you were talking about, which basically means as long as a producer keeps drilling and keeps producing on the acreage that is dedicated to us, it will stay dedicated to us.

And that's very different than, at times, you're now competing for five-year contracts, ten year contracts for GMP. And what people don't always understand is that our assets are very long-lived assets. We probably have gas processing plants in the fleet that are thirty, forty, fifty years old. The straight pay back for a gas processing plant is probably five to seven years. We tend to invest five to seven times (inaudible 19:45) multiples. We always talk about that, which means make basically you have a five to seven X, kind of a seven year or so pay back that you're getting on these projects. So building a couple of hundred million dollar gas processing plant, having a five year contract knowing that it doesn't really pay out until seven years from now, that's a bit risky.

So having that life of lease contract knowing that those producers that we're doing business with in the DJ Basin, they are not the only going to be here tomorrow, a year from now, two years from now, they're going to be here ten years, twenty years, thirty years from now. And we continue to do business together. So it's pretty attractive for us. It's very, very attractive, I think, for our investor base. Overall, if you look at that, the DJ Basin is a good size business for us and it's a good part of our overall gathering and processing business that we have. So it's great to have that. And then, the Permian and the midcontinent historically always have been percentage of proceeds contracts as well. We've at times taken and converted some of our larger contracts to fee based and then a place like the Eagle Ford, which is a much more recent development, it really grew up as a fee-based kind of basin.

Nate: Thanks for that. So ethane recovery, ethane rejection is something that, again, comes up a lot during your earnings calls. What is that? Why is that something that analysts on Wall Street seem to always ask you about during the earnings calls?

Wouter: Yeah, so I spoke about the NGL barrel and so ethane is the biggest component of the NGL barrel, takes up about 45% or so of the barrel. And you can do two things with ethane. You can reject it, which means you leave it in the gas stream and you basically sell it as methane, as natural gas, or you can extract it and you can get paid by its component and put it in the NGL stream. So for us, everyday, what we're trying to do is optimize. How do you get paid more? How do you get a better net back for your producer? How can they make more money and how can we make more money? One of the components there is do you reject the ethane and leave it in the gas stream or do you recover it and you're selling it separately as C2, as ethane.

Nate: Because when you recover it, it costs money, right? And if you reject it, it's not an expense for you.

Wouter: No, it's not. But the real thing is if on a relative basis, if ethane is cheaper than methane, I'm better off selling it as methane versus if C2, ethane, trades higher than natural gas on its BTU value, then you're better off selling it as ethane. And there's limitations to this because you've got to be able to make pipeline specs. You can't just full board just say, okay, I'm just rejecting completely. That doesn't really work. But there is ways how you can deal with that. And on average, to kind of put things in perspective, the last quarter, we probably rejected 55,000 or 60,000 barrels per day of ethane. That was ethane that we could have taken out of the gas stream and we could have sold it as ethane.

But for us, it was worth more to sell it as natural gas. So we ended up selling it as natural gas. So that range, 55,000, maybe little bit lower, 50,000 or so, it's important because there's a financial impact to it. The other piece that's important right now and the reason why people tend to reject more today than probably six months ago is that pipelines, NGL pipelines, are getting pretty full. Fractionators are getting pretty full. So if you can create space, basically, on your pipelines by selling it as natural gas versus putting it in an NGL pipeline and then putting it through a fractionator, that's a way to deal with bottlenecks that we have in the industry, if that makes sense.

Nate: Yeah. That makes perfect sense and I'm glad you touched on that because you mentioned optimizing the system and one of the things that I started learning about towards the end of last year was your ICC, correct me if I'm wrong, integrated control center?

Wouter: No, integrated collaboration center. Everybody can control. We need to collaborate. To control better, we've got to collaborate.

Nate: And so you built the ICC with the end game objective of optimizing system even further. But I would really appreciate to hear your explanation, your description of what the ICC does and why it's so important for DCP's operations.

Wouter: So let me give you a little bit broader background there to kind of put everything a little bit in perspective. So we spoke earlier that I'm not a product of this industry. I haven't been a midstreamer my entire life. I grew up in General Electric Corporation, Duke Energy, large companies. When I was with General Electric, I worked all over the world. I worked in long cycle businesses, short cycle businesses. And I remember sitting in a meeting in our Tulsa office in Oklahoma a couple of years ago. I think it was like 2014. And we were talking about automation and what can we do around automation and what are we as a company doing about that? So I started asking a bunch of questions and I didn't really get the answers that I hoped for or expected. And what was really interesting is, and the analogy I used at that time was, I remember working for GE in the early 2000s and this was the GE power systems business.

And when you came into the GE power systems building in Atlanta, behind the reception was a humongous two story glass wall and a two story room where operators were sitting there looking at every single gas turbine that GE owns and has installed somewhere and they were looking at data, how was it running and just gathering big data, doing remote diagnostics, remote operation and things like. And so this was fifteen years ago and I was like, why is it that here, at DCP, we can't do that? And if you think about digital transformation and the opportunity that happens around digital, it really started coming together for me. And so there is an opportunity for us in this industry to do something very, very different in how we work, how we operate, how we run these very capital-intensive businesses that are very remotely located, that are very geographically dispersed.

And there's got to be some real big opportunity here. And just as a going on the side a little bit, I very often show people a chart, and it's a McKinsey chart that shows a bell curve and basically it shows who are the digital innovators, what industries, and then who are the digital laggards. Well, digital innovators, I'm like, you can figure it out for yourself, right? What do you do digitally. You do probably travel, banking, some shopping online. So those are the types of industry, financial services, retail, travel, that are very much digitally advanced from an industry point of view. You go to the left of the bell curve, you see chemical companies, oil and gas, and utilities. So you got two ways to look at this. Wow, there's a lot of downside here, or the cup is half full way of looking at it and say, wow, there's an awful lot of upside here.

Because if we figure out what some of these other companies did and we applied it to our business and we probably have a much more rapid adoption curve and the benefit of being a little bit later that other people have made mistakes that you can learn from and the technology probably has become more readily available and cheaper. So getting back to how did we think about the ICC? It was really about how we can completely change the way we operate our industry and our business. Let me give you an example. We have people historically, sort of three, four years ago, people drove forty-two million miles a year. That's a lot of miles. I once looked up how many times back and forth to the moon and it's actually multiple times. That's a lot of miles that you have there.

Nate: 42 million miles within DCP?

Wouter: Within DCP, our operators that are driving from A to B, that are driving from field office to a set of compressors that are somewhere an hour and a half, two-hour drive to check, hey, does it work? Or knowing that it doesn't work but not knowing what doesn't work. So they go there, drive over there and say, yep, it doesn't work. Unfortunately, I don't have a $2 widget with me. And now I got to go drive back, pick up my $2 widget because it wasn't sitting on my truck. Go back again and reinstall it. And obviously, I'm over simplifying. But (inaudible 29:22), if you compare it to that example I gave in the early 2000s of GE power system looking at older remote diagnostics for our gas turbines and we have a lot of this equipment sitting in the field that is supposed to work, supposed to run, God, how can we optimize that?

How can we drive that better? So that's one piece of what we're doing in the ICC is really dispatching and trying to dispatch how we do work, looking at all of our compressor stations, looking at all of our plants, looking at all of our pipelines. Are they working okay? If they're not working okay, what is the reason why they're not working okay? So you can send people out hopefully before something really bad happens. So that is one piece of what we're doing there. The other piece of what we're doing in an ICC is optimizing all of the ways that we can make most money out of these sixty plus processing plants that we have. Here's an example that I've given a lot to people to kind of put it in perspective. These processing plants, look at them as small little quarter of a billion dollar refineries.

If out of each of those you can get $2,500 a day more, doesn't sound like an awful lot of money, but if you do it at $2,500 times 365 days a year times sixty processing plants, that's $50 million. That's pretty significant money. I told you earlier that we're investing at five to seven X multiple. So take to seven X, we have to invest $350 million dollars to get $50 million. So if you can do that by just optimizing your assets, running them better, that's a humongous opportunity. So that's what we're doing in an ICC. And we're sitting here on the 25th floor in a Republic Plaza building in Denver. You go two floors down to 23rd floor is where we have that ICC.

So we have there 24/7, we have very experienced operators sitting there, engineers working with our plants, working with our field people trying to optimize everything that we do to sixty processing plants, 60,000 miles of pipeline, all the compressor stations that we have, and trying to make sure that we get the most money out of that for both our producers, our customers, as well as for ourselves and for our shareholders. So it's pretty interesting. It's very, very different than a normal control room, and as you said earlier, does the first C stand for control? No, because it's an integrated collaboration center. We have literally millions and millions of data points coming together, real time.

SCADA is looking in a rear view mirror. Everybody has SCADA. This is not about SCADA. Yes, SCADA is coming in here, but we take SCADA with real time market data for all of the different pricing and components that we're having, real time engineering data, commercial data. We have over 8,000 different contracts. All of those points come together and we're optimizing every minute. What can we get out of these processing plants and out of our system? And then we're working with a company in Mumbai where we have PhDs sitting that are looking at our system as well, so we have PhDs looking at our system overnight, all the time, and say, okay, what little tweaks can you make into your system so you can get that extra dollar out of it. So it's really super interesting.

Nate: Yeah. Is anybody else doing it?

Wouter: You never say never. I think we were faster than anybody else around this and I have an interesting story there around someone that asked on an earnings call, a competitor CEO got asked by an analyst and say, hey, I heard DCP is doing this thing with technology and this ICC and what are you guys doing about it? And the answer was, well, we have SCADA on everything. And to me, that was actually the perfect affirmation that, yes, we are ahead because if people think that technology is SCADA then they have missed what has happened in the last thirty years in the bigger world because obviously everybody has SCADA but SCADA is a rearview kind of historical look backwards type of data system.

And as I said earlier, everybody has SCADA but that is not what this is about. The interesting thing and why this is so difficult is we're literally having real time millions and millions of data points coming into our system and then combined it with real time commodity prices with real time contractual data, engineering data. So you've got real time simulations of theoretical value, what you can make given pricing data, given gas flow data in the fields and how you can optimize that for your shareholder. So I think it is very, very different what we're doing. I think we're still in the early innings. We have had great success. We probably invested $20 million or so in 2017. By our own calculations, we probably got all of that back and then some by just optimizing our plants and we continue to invest pretty hard in this and I think it's a great opportunity for this company to operate a business completely different from how it historically has been operated.

And I think it can create great things, better reliability, and in the end, for our customer, reliability is important. We're almost like, if they never hear of us, never see of us, and all of our stuff always works, that means life is good for them. So better reliability at ICC, at a digital transformation that we're doing is a huge part of that. Better safety. Safety is tremendously important in our business. So if can take people off the road and they don't have to drive instead of sending people into a situation where they don't know what happens, we know what has happened with equipment so people can be prepared going into situations, like a firefighter. If a firefighter, hey, it would be great for a firefighter, I assume, to know if they go into a building that's on fire, what's in that building and how dangerous is the situation they put themselves in. And for us just knowing where do you put your operators and what type of situations I think is tremendously helpful from a safety point of view.

So it's about reliability. It's about safety. I also think it's about quality of life. We have operators that get called out at 2:00 AM on a Saturday morning because equipment goes down. If we can get to a place where we have better reliability and that means that our operators in the field don't have to work as much overtime or don't get called away on a Sunday afternoon when they are at the birthday party of one of their children or so, I think that would be tremendously powerful for us. So it has tremendous benefits overall. And then the financial impact is pretty enormous, if you put it all together.

Nate: Yeah. I mentioned my wife and the fact that DCP came up, so I'm from Oklahoma and we drive there for Christmas every other year and it was on one of those drives we decided we weren't going to go I70 to I35. We were just going to go straight shot. So there's nothing.

Wouter: We do business in a lot of nothing.

Nate: Nothing except for a couple of, at least from what I saw, and there's probably more now, but DCP compressor stations. And my wife says I've worked with them before. So that's why it came up. And it's in the middle of nowhere.

Wouter: It's in the middle of nowhere. We have a lot of people that have to drive pretty far to get to some of the equipment because a lot of oil and gas development happens where there's not a lot of people. But it gives a great opportunity as well.

Nate: So could you talk about the growth strategy going forward? Which basins are you most optimistic about and why?

Wouter: All of this information is on our website and people who are listening to this can go to dcpmidstream.com, look on the investor relations part of the website. You'll see all of our quarterly earnings reports and presentations, our most recent investor presentation is always on there, and what you will see us talk about and highlight is really what we've been doing for the last couple of years where we continue to change shifts of this business by not being a GMP gathering and processing only or gathering and processing centric business to fully integrated midstream service provider. And I think we pretty much are getting close to being there. We have invested very significantly in our logistics business. So those are these long haul NGL pipelines, residue gas pipelines that are building fractionation that we're participating in together with Phillips 66. There's been very significant billions and billions of dollars have gone towards that part of the business and we've seen some very significant growth there.

We continue to like the gathering and processing business as well. But it's a very capital-intensive business and it's a business where you've seen a lot of private equity come into the space. So the barriers to entry are relatively low in the GMP business, couple of hundred million dollars and the management team gets you into that business, and in this day and age, a couple of hundred million dollars is not that much anymore because there's so much private equity money that is trying to chase growth opportunity. So for the GMP business on the processing side, we are very selective of where we want to do things. We were talking earlier about having contractual protection. So here in Colorado, we have great contractual protection so we like the state of Colorado, the DJ Basin, and we've done some pretty significant investments in the DJ Basin and will continue to do so.

We like the Permian Basin as well. So I think there are some more opportunities there from a processing point of view. The Eagle Ford is an attractive area, but there is significant overbuilt that has happened there in the last number of years. So you won't see us build new plants in the Eagle Ford for probably quite some time. But if you start racking and stacking the logistics business is probably, if we had one dollar to spend, we probably would spend it on the logistics business. If we had another dollar to spend, the second dollar goes to the processing business and then most likely into Colorado, so our north business unit here in Colorado.

Nate: Yeah. So you mentioned the DJ and you mentioned Colorado. You say you're going to keep investing here. I had this question about proposition 112 that I wanted to ask because I thought this interview was going to take place before the election, but fortunately, that was something that I personally was opposed to and I certainly know that you guys were opposed to it.

Wouter: We appreciate your vote, and the vote of the majority of Coloradans because, in the end, the majority of Coloradans say this is something that doesn't make sense and so.

Nate: But is it a concern longer term and given the fact that we don't have anything in, I think there was another proposition that wasn't approved that would have made it a little bit more difficult for people to get things on the ballot. Going forward, how are you thinking about that risk?

Wouter: Yeah. The way the Constitution is written here in Colorado where you basically have a right to referendum, you've got to think about how do you deal with that? So we are fairly optimistic. I think we're optimistic that in the end, Coloradans will, A, do the right thing and they showed they've done the right thing and that this Proposition 112, which was a 2,500 foot setback for oil and gas development was way too radical. It would have, I think, had unbelievable negative impacts on the economy of the state of Colorado. Hundreds of thousands of jobs were on the line, billions of dollars in tax revenue were on the line for the state of Colorado. So the right thing was done at the ballot box.

The question now is, okay, what happens in 2020 is something going to happen again? I think I've been reasonably open about this that we probably need to have a real in depth discussion here fairly soon to make sure that this doesn't come up in 2020. I don't think it's good for the industry. I don't think it's good for the state. And the one thing that you have here in the state of Colorado is, Denver as you know, is growing like a weed. It's just expanding and expanding. In the eight years that I've lived here, I've seen an unbelievable difference in how it continues to expand and Weld County where most of the Colorado oil and gas development is, used to be pretty far away, but urban urbanization is getting closer and closer and you got to find a way on how does urbanization and oil and gas industry, how do you coexist? And we got to find a way to do that. And I think probably by the legislator we will come to a way that hopefully is a reasonable way to coexist where, in the end, we need energy. We all enjoy our iPhones. We all enjoy all the luxuries of life that we have. And by the way, you can say that you're driving a Tesla, in the end, that Tesla is still powered by hydrocarbons because we don't have the renewable energy, the sun doesn't shine every day, the wind doesn't blow every day to fill up those batteries, and even if you had it, you can't even produce the tesla because all of the components that you have are taking hydrocarbons and oil and gas to develop it and to build it.

So we got to figure out how we keep the great way of life that we have here, not only in Colorado, but in the entire world, the developed world, but at the same time, understanding that we also have to deal with neighbors. And how do you find a good balance between that. I think in the end we will come to a good balance here, hopefully before 2020, between industry, between the legislator and make sure that we find a way where we can continue to develop jobs here in the state of Colorado. And we're developing a lot of jobs as an industry. How we continue to invest in the state, and at the same time, also make sure that we understand we have people that live close by.

Nate: A guy I used to work with, his wife wanted to buy a tesla, and he said, okay, we'll do it, but only if we can find a way to make the license plate say fueled by coal instead of they just think it's electricity and it's clean. And so I hear you.

Wouter: I probably would make it fueled by NG, as in natural gas, but yeah, that's probably the better way of doing it. But I get your point. The good thing is that maybe that license plate is still available.

Nate: Yeah. Maybe. Could you talk about the competitive landscape today? I mean, I do recall throughout 2017 and parts of 2016 when the Permian, everybody was talking about the Permian. It was the topic de jour of oil and gas land. And I think that people wanted to see DCP get into the Permian in a really big way. And I personally think, and I know that there are other investors that think you were extremely disciplined in how you were thinking about the investment opportunity in the Permian. Could you talk about the reasons why you were so disciplined? Why you didn't jump in maybe the way that some people wanted you to?

Wouter: The Permian is a great basin. And we have a very, very significant position in the Permian, not only with our processing business but also with our logistics business, but I mentioned earlier two things. One of them is how much money it takes to build a gas processing plant, how long it takes to get a payback. And then I also mentioned about private equity. A lot of people are running around trying to set up companies so what you get in our business almost always, and these are commodity based business always have this problem where you get an overbuilt and people are very excited and then we're oversupplying the market and the reason why we are starting at $51 WTI today versus mid to high sixties less than a handful of weeks ago is because everybody is worried about oversupply. We've got too much crude hitting the markets.

And the problem for us is that when we put our infrastructure in place, it is very expensive. And the payback period is fairly significant. Producers can throttle up and down much quicker than we can do as midstream. So producers can move rigs in the field, drill wells in a matter of weeks. For us, to build a gas processing plant, it's almost like a two-year cycle. If you look here in Colorado, it's eight months to permit it. We've got to engineer it, we've got to design it and then you got to build it. You're close to two years. So I thought there was a good likelihood of significant overbuild on the processing side in the Permian Basin. We've seen it. The most recent one that we saw was in the Eagle Ford. We built from 2010 to 2016 or so. We probably, as an industry, got to about nine BCF of processing capacity in the Eagle Ford for the last couple of years, probably three BCF, 33% of that has been sitting idle.

It's billions of dollars of capital that an industry has invested and it's sitting idle and not creating a return for shareholders. So we looked at it and said, well, it's pretty likely that may happen again in the Permian Basin, and especially because there's so much competition from private equity that are trying to build and then flip out some of the pricing was pretty difficult as well. So the terms weren't great and the fact that you had a lot of people going in trying to build was not great. So we looked at that and say, "Well, there's probably other ways that we can play this." And that's why we did a lot of investments in our logistics business. I think I mentioned earlier that together with Kinder Morgan and now Targa and us, DCP, we're building Gulf Coast Express, which is the first long haul residue gas pipeline taking gas from the Permian Basin into the U.S. Gulf Coast because there is no more capacity to get natural gas out of the basins.

So that's a very significant project for us. It's hundreds and hundreds of millions of dollars. But it's a way to say I still played Permian but I'm not playing it just with one producer or one kind of small part of it. We're basically playing a series of producers, you play the basin versus the county and your contractual structure is much nicer on these. Gathering and processing plants, you normally don't get firm commitments. Yeah, you may get an acreage dedication, but if the producer decides not to drill that acreage, tough luck. On a natural gas residue pipeline, people will have to buy and commit to the space for ten years. So no matter what, we will get paid, which is pretty darn attractive obviously for us. It's pretty attractive for the shareholders.

Nate: Yeah. You mentioned WTI and I think that one of the things that's always frustrated me whenever, or did frustrate me when I would speak to a portfolio manager about midstream company or different midstream companies that had exposure to different commodity prices and you're the largest natural gas processor in the United States. When you hear things out of Trump's mouth about OPEC and you hear commentary around the price of oil, does that even register for you? Are you more focused on really what the price for natural gas and natural gas liquids is rather than oil price and so investors should ignore what the oil price is because there has been this decoupling of natural gas liquids as a percent of oil prices? I'm just curious whether or not the commodity aspect of your business at least today gives you a little bit more comfort for what's going to happen in the future.

Wouter: No, that's a great question. If you go to our investor presentations, we disclose basically the sensitivities that we have to our various products. So NGLs, natural gas and crude oil, we look at all of them and within NGLs, we obviously look at all the different components, ethane, propane, etc. But a penny of NGLs give us after hedges about $4M of EBITDA up and down. Natural gas actually has gone up more recently. So, ten cents of natural gas gives us about $8M of sensitivity up or down. And then crude is actually of small sensitivity. A dollar of crude is about $2M swing into our overall EBITDA or DCF for the year. So yes, crude is the smallest components, but if you would go on Yahoo or anything like that and you would look at an overall sensitivity to the DCP share price, you can take crude and you can take our share price and it's pretty darn close. Which holds true for most of the people in this industry, even though crude is not the biggest component. At the same time, I think crude is one of those, it's how people look at the industry as a whole.

The other piece where it's linked is, even though we're a gas processor, the gas that we process is associated gas, so it really depends on people drilling crude. And most of the gas outside of the Marcellus and the Utica, in the lower 48, most of the gas production that you're seeing and the gas processing activity that you're seeing is associated gas. So it is definitely linked to crude. If you look at where our stock price has been trading over the last couple of weeks you can put crude next to it and it correlates tremendously well. At the same time, I can look at what has natural gas done over the last couple of weeks, we've actually seen natural gas over $4. That's a long time ago that we sold north of $4 natural gas, more than intraday or one day kind of cold front coming by. You would look at it and say, if I just applied these simple sensitivities that we disclosed, it’s probably that natural gas was probably a bad thing for us and probably would offset the down side that we have on overall crude. But as I said earlier, I think people are looking in general at, hey, crude is just how we're looking at what is the overall outlook for this industry. If crude goes down and at a significant time period it’s going to stay below $50 or goes into forties, you're probably seeing some pullback from producers and some of the overall activity may go down. I'm not 100% sure that that would be terrible.

Nate: Oh, really? Why?

Wouter: I think, as I said earlier, this is a commodity-based business and commodity-based businesses tend to be boom and bust. I much rather would see a very steady price in commodities first just swinging up and swinging down because everybody's super excited one day and then the next day, when things go down, everybody is, “Oh God, human doom and the world is going to come to an end.” I think I started this podcast by talking about how I've seen since 2007, I believe, I don't know, six, seven different crudes and NGL cycles and I'm like, these cycles just happen and you got to figure out as a company how to weather through these cycles. It is what it is, It's not great, it's not a lot of fun, but in the end, steady prices wouldn't be a bad thing because it means it doesn't attract all of the faster capital as well. I think we've seen it over the last three, four years where you had a lot of faster private equity capital and seasonal opportunity here comes in and then kind of pulls back and in the end, that way, I don't think that's the best thing for the industry.

Nate: You mentioned the private capital and I remember some of the multiples that were being discussed and just some of the acquisition multiples that private equity firms were paying for assets in the Permian. Do you ever sit and just think about how ludicrous the difference between what those assets are being traded for on a private basis versus what something like your business that has significant economies of scale leveraged to all the great basins and then you also actually have like a mouse trap that has been built and you look at your multiple. Do you ever kind of just think about, I’ll rationalize?

Wouter: I don't know how to rationalize it. Obviously, I look at it, we all look at it. I think everybody is frustrated by it. I can remember a recent earnings (unclear 00:56:34). Someone, a company had bought a set of assets from a private equity company and we happened to have billions of dollars in that part of the world. And I remember in the Q and A talking about it and say, guys, if you really thought that was a great deal, then obviously DCP Midstream is a screaming buy at these prices, because we're trading at a multiple that is significantly lower than that. And by the way, we're doing much broader things and we have much better contract portfolio. Life of lease, percentage of proceeds deepened money. We don't only half processing plants here up in the DJ basin. We own all the NGL takeaway pipelines that we're building, owning by ourselves or part owning with others and we are building residue gas pipeline, we have fractionation at the US Gulf Coast. So, golly, if you like (unclear 00:57:32) so much than you should trade us up $10 right here right now. But unfortunately, that's not how the game is played. It's a marathon, not a sprint.

Nate: Yeah, definitely, definitely.

Wouter: But I think overall what it does it shows some of the underlying issues that you have in an industry. if private equity can trade assets at multiples that publicly traded companies like ourselves or any of the other companies that are out there cannot afford than something is wrong in the marketplace. And that's not a great thing. I always wonder, hey, where is that going to stop, where it that going to end. I think in a number of cases (unclear 00:58:18) and what I said earlier, you will create overcapacity in markets and you go historically over the last five, six, seven, eight, nine, ten years, you go back and you look at some of the acquisitions that have been done. I probably would want to be on the sell side versus being on the buy side. A lot of the bigger deals that people have done didn't work out very well for the buying companies and their shareholders. That's why we're were talking about discipline. We tend to be very disciplined around that and say, you know what, don't buy someone else's dream, don't buy someone else's hockey stick. If we can invest in assets that we know really, really well, like here in the DJ basin or (unclear 00:59:02) and Southern Hills and (unclear 00:59:03) Pipeline Systems are making investment together with Phillips 66 and building fractionation at the US Gulf Coast and is contracted, that's probably where you want to, invest our investor money and invest our shareholders' money because those are I think better investments than just rolling the dice and trying to buy someone else's dream.

Nate: Yeah, and I think the way that I phrased it was, it's very similar to the second to last question that I usually have in these interviews, which is what do you think is most misunderstood about DCP stock? The valuation, the business, the industry, and you know, just highlighting the fact that there is a small subset of people with lots of money out there that will pay top dollar for yeah, assets in a popular basin. But do you think there's something else? Is there something else that's misunderstood at least particularly for, DCP, what's the market missing? Why is there just this huge divergence in acquisition multiples?

Wouter: Well, I don't think that divergence in acquisition multiples is not a DCP specific story. I think it's everybody that's publicly traded. I sat this last Summer in the last month or so. I sat with a two other CEO'S of competitors. We were at an industry event and we were talking about acquisitions and we were all joking that we don't even take the books anymore. So if the bank comes out with a book and says, "Hey, do you want to bid on this?" 99 out of 100 cases, we don't even take the book anymore because we know we're not going to win the auction anyhow. And you know, to win it, we would have to do things that I don't think are wise with what is our shareholders' money. I talk with folks about this, I got a fiduciary duty to the DCP shareholder and the shareholder in the end is who allows us to invest their money and I think I want to do nothing that very disciplined way and I think our team wants to do that in a disciplined way.

So I think that's just a big divergence between publicly traded entities and privately held entities right now. And I think over time that will change and it may flip over and it may become a buying opportunity. So, it's a marathon, it's not a sprint. I think overall, looking at DCP, you said it earlier, we have a amazing, amazing footprint of assets. We are not the most flashy company. You probably will never wake up seeing some really crazy flashy headlines from us.

Nate: But maybe from me after this podcast.

Wouter: Maybe after this absolutely flashy podcast, that's always good. Investors won't wake up and say, "Oh heck, what did management do with my money today?" You won't, you're not gonna see that because we stick pretty close to our knitting. We are also not a company that screams from everywhere, how big we are or what we do. We tend to be a pretty down to earth group of people. We have a lot of experience here. I think we are very disciplined. We spoke about that earlier and I think that's important. Being very, very disciplined around what you do. We're creating a pretty exciting place for people to work and that's important. We're at virtually full employment and in, in the US right now. Also getting good people to want to work with you, stay with you. You got to create an exciting place to work.

Some of the technology transformation that we're doing I think is tremendously exciting. But if you think about what do people not understand, when I start talking with people about the opportunity around technology for instance, and it's very interesting that a lot of investors in our space, a lot of analysts, they don't really want to talk about that, which is really strange and especially for me coming from different companies in different industries because it's just very, very important in other industries. People in this industry, the only thing they want to talk about is growth. And I have this discussion many times. You were probably part of an investor dinner at some time or an investor meeting that we had where I said, "Guys, we've been sitting here now for an hour and a half. The only thing you want to talk about is growth. "

And yes, that is very, very important. Growth is massively important. But let's say in 2018 we're going to spend between 800 to 900, million dollars of capital. That's a lot of money. But we still have 12, 13 billion dollars of assets that we're actually running every day. If we can get one percentage point more of productivity or operating leverage out of that 12 or 13 billion dollars of assets, that will dwarf what we do on that seven, eight, nine hundred million dollars of capital that we are spending every year, you got to do both of them well, but investors tend to only want to talk about the growth piece where as a management team, I think we probably spent 70% of the time talking about our installed base of 12, 13 billion dollars of assets that we manage and how we can make those more and more productive. So I think that is one of those things that's misunderstood.

I come from industries where operational excellence, productivity ,efficiencies are very, very important. If you think about GE industrial business, it's all about productivity, about being a local service provider and in this industry people, the only thing they want to talk about is growth, which it just. I think is an interesting observation for me, probably being a lifetime product of this industry in the end, you got to do both, but just growing and spending money, I think you've seen a lot of people in this industry and that's why people don't really like investing in this industry because a tremendous amount of Capital has been destroyed by management teams buying things, building things that were on the gum and it didn't work out. And in the end, you know, distributions got cut and shareholders units holders , we're left holding the bag and that's one thing I'm very proud of, for DCP and our management team. We pay distribution at $3.12 and the history of this company is a publicly traded entity since 2005, 2006. We have never cut our distribution. There's not that many companies out there that can say that. So we've always up cycle, down cycle. We've always protected our unit holders. And I talk a lot about, a promise, a promise made is a promise kept. Again, this is an industry where people make a lot of promises and if you go back, a lot of those promises are not really coming to fruition. So I think if you talk about what is important about DCP. What are some of the things people maybe don't understand. I think that's probably a couple of the things.

Nate: I really appreciate that and I really appreciate the story about sitting with investors and they want to hear about growth because I do recall one of those dinners that I was at in New York and there was someone else that was asking whether or not you would cut the distribution so that you can start really growing, just cut the distribution and start growing and you didn't do that. And I am someone who believes that there is this inherent promise that's made between a shareholder and the management team that you're not going to cut the distribution if you don't have to. My first company management team interview was with Sanchez Midstream and in their most recent earnings call they said... so when they were on the podcast, I think their dividend, the distribution yield was 16, 17%. And then it went all the way up to 24% and the three q call, they said we're cutting the distribution by 67% because we don't think that we're being valued by the dividend. Stock went down 45% that day and it's gone down another 25% since then. And so there's clearly a lot of investors that are interested in the dividend and the distribution. And so I would just like to hear your thoughts on apart from oil and gas prices getting cut in half consistently for four or five years, is there a reasonable situation where you would have to start considering it based on. I mean, you've got this great situation with your sponsors, which we really haven't spoken about. Is there a situation that maybe keeps you up at night that you think about with respect to cutting the distribution?

Wouter: I can talk for all 2,700 people here at DCP. We're not in the business of sitting here and saying, well if something goes wrong then maybe we can fly to Houston or Calgary and meet with Phillips and Enbridge and see how they can help us out. There's, has been one situation where that needed to happen and, they did that. So I can tell you that I don't think that should happen a second time and should ever happen again and we're running his business that something like that doesn't need to happen because in the end that's not why they're in the business and why they own a significant piece of DCP. But I think for us what we're doing is we, you know, very closely look at what is our overall distribution coverage and how do we grow that. We were at 1.35x coverage in the third quarter here of 2018, significantly above what any analyst and investor would have expected. What they did expect. So that's in the end, our goal is to be the most reliable, most safe, fully integrated midstream service provider that can live through every single cycle an upcycle and a downcycle. Which means it, if you go into the up cycle that you still got to contain your cost, you got to make sure that you don't spend too much. Again, in a commodity business when crude oil is, seventy or eighty bucks, everybody has a big smile and everybody says, hey, you know what? Maybe we can spend a little bit more here, a little bit more there, but you don't want to get into the situation that you inflate your cost base because we all know that it will come down at some time and you know you don't want to start cutting.

So the cost basis at that time. It's much better if you've run a steady cost basis through the upcycle and through the down cycle. So we focus on that very, very hard. Making sure we keep the cost in check and make sure that we diversify our margin.

In the end, cost is an important piece, but margin in the end is the most important piece and so we diversified it’s stream and that we're not completely tied to the commodity. We spoke about that at length. How we're doing that. Investing in the logistics business, changing, the business mix of this portfolio and if you take all of that together with a little bit of hedging on top of it as well, you can really make the, the highs and the downs, you start compressing the cycles and in the end you can protect the unit holder and the shareholder that way and you can protect the $3.12 that way.

Definitely. So for us, that $3.12 is tremendously, tremendously important. Has always been, has been through the up cycle has been through the down cycle. And I cannot see sitting here today, I can't see circumstance where I would say we're gonna cut that $3.12. I spoke about fiduciary duties. I have a fiduciary duty to the DCP unit holder and I tend to believe that most DCP unit holders appreciate, you know, the $3.12 that they get in 0.78c increments every quarter from us. And uh, we want to protect that. In the end we will, we will hopefully grow it as well. I think there's more opportunity to continue to grow it. But you know right now I don't think that if we would raise our distributions that we actually, I don't think it would be the prudent thing to do. I think excess distribution coverage, what you have and use that to invest in good projects that we have instead of having to go to the equity markets, the debt markets to finance new growth I think is too much better way to do things.

Nate: So that brings me to another question that I had in here just about self-funding and curious what your thoughts are on just, I guess generally how the industry is heading towards, to the majority of the industry, at least on a market cap weighted basis, is heading towards this direction of becoming self-funding, not issuing shares to fund some of that growth. What are your thoughts on that and how are you thinking about it with respect to DCP units?

Wouter: No, I think in the entity it's the right thing to do. And if you look at DCP, the interesting thing is we haven't issued common equity in four years, so almost four years last time we issued common equity was in the first quarter of 2015. So we've been trying to fund our growth in a variety of different ways. We've sold a bunch of assets. So we've sold assets that weren't really core that we're not really making good returns for us and we actually benefited from the point of view from some of the private equity that those looking to get starter kit you have, we sold our starter kits to other people and we made some pretty good returns on that and we took that capital to then invest in core parts of our business, expanding the logistics business or expanding processing here in the DJ basin. So excess coverage that we have for over our distributions. We also used to sell funds, some of our capital program that we have. So I'm very comfortable with, as an industry, you know, funding significant portions of our growth capital by not going to the equity markets.

Nate: Do you think that's going to go away at some point on midstream companies are going to eventually figure out that the guys like DCP and enterprise, they knew what they were doing and..

Wouter: So I don't think I've asked people about and say, well, do you think the MLP structure, is dead and everybody becomes a c-corp. I think IDR'S incentive distribution rights are probably a thing of the past. And I think we still have IDRs and I talk a lot about, it's not a matter of if, it's more a matter of when those will get eliminated. So instead of distribution rights. I do think those are probably something of the past. Being a c-corp, being an MLP or any other corporate structure, I don't think that is the most important things. I think in the end management, making the right decisions is the most important thing. You can put yourself in a c-corp, go over your skis, do stupid stuff, buy stuff at too high of a multiple or build stuff where you don't have good contractual protection and guess what. You'll take still take your company over it's skis. You will still trash the balance sheet and you'll still have issues.

So just being a c-corp or an MLP that doesn't give you any protection. That protection in the end has to come from the executive suite and the board making decisions about where do you put capital in and how do you run the business? I don't think as much, "Hey, you got to be a c-corp. MLPs are completely dead." I'm not completely buying into that. I think MLPs with the right governance, with the right incentives, with the right pay structure for management— And you know, there's many analysts reports who've written about who are good from that perspective, from corporate governance, and who aren't. And hey, the good thing is we get great grades for our corporate governance from those analysts. Structure is not the most important; it is something that you absolutely got to look at, but it's not the most important. I think good management team, good boards, good investment, good strategy, in the end is what makes the day.

Nate: I'm curious; who are the management teams in the midstream space that you respect and think highly of? Because I personally think very highly of you. Kris Kelly and I talk very often about whether or not we would sell our DCP shares if Wouter went somewhere else, and I'm curious; who do you respect in this industry? I'm sure you respect a lot of people, but which management team do you think really highly of in this space?

Wouter: I think there's a lot of players in this space who are doing a solid job. You look at a company like Enterprise and I think Enterprise obviously has created some very significant value and I think they are commercially tremendously, tremendously smart. So you look at a company like that. I think everybody's got to admire a company like that. But there's many more management teams out there that I think do a really good job and think about the shareholder for the long run. So I think there's multiple out there. I think ONEOK is doing a terrific job with their assets as well.

Nate: Yeah, okay. Thank you. And then the last question that I have in all these interviews is just whether or not you have a funny or interesting story to share from a shareholder meeting or an investor meeting or even an analyst meeting or a conference. Just something that sticks out that you remember that makes you laugh.

Wouter: I think the one that I think was interesting... I don't know if it made me laugh much, but I think it was very different and it talks a little bit about me as a person, gives a little bit of inside of me as a person. Most of the times when you sit with investors, people want to sit with long-only, so people who own the stock. I sat with a very well-respected analyst on a phone call and the person kept talking to me about, "Oh, so many hedge funds are shorting," and I think this was in 2015 time period or so, and they were saying, "Well, if crude goes to $10, life's going to be really bad for DCP Midstream. And I said, "Yeah, you're absolutely right. It will also be tremendously bad for every single other company that touches hydrocarbons in the world." So shorting DCP because stock may go or crude may go down to $10, doesn't make a lot of sense. So I told her, I said, "Who are these hedge funds?" and she started rattling off. I said, "Let's do the following. I want to have a dinner in New York City and we're going to have short-only hedge funds in the room," which is pretty counter. Most people would not sit with the shorts and I said, "Pile them all up, put them in a room, and I'm going to spend an evening with them talking about our business and why they just do not understand the thesis of the business." I think it was a pretty interesting debate, and Irene who runs investor relations for us reminded me that after that, our short interest actually went down reasonably significantly. So I'm like, it's not a super funny story, but I think for the people who were at the dinner, it was a pretty darn animated dinner and I kind of enjoyed it. It's probably the only time that I will sit with short-onlys in the room, but it was a very interesting dinner.

Nate: Well, if you ever do it again, please let me know and I'll ask whichever analyst it is if I can bring this stuff and we can record it because I'm sure that would be an amazing podcast to have published.

Wouter: Only if you're not a short-only, so you can't be there being short. If you're over the only long one in the room, that's fine.

Nate: Wouter, thank you so very much for coming onto the podcast. It's been a pleasure speaking to you.

Wouter: No, likewise. Thanks for doing this. Always, always appreciated having you in the room. You always asked me smart questions when you're with your prior firm and so I gladly wanted to do this.

Nate: I appreciate that. Well, thanks a ton.

Wouter: Thanks.

Nate: Thank you.