

# [***Q1 2022 Energy Transfer LP Earnings Call - Final***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:65D0-X3D1-DXH2-609B-00000-00&context=1516831)

FD (Fair Disclosure) Wire

May 4, 2022 Wednesday

Copyright 2022 ASC Services II Media, LLC

All Rights Reserved

Copyright 2022 CCBN, Inc.

**Length:** 9949 words

**Body**

Corporate Participants

\* Marshall S. McCrea

Energy Transfer LP - Co-CEO & Director of LE GP, LLC

\* Thomas E. Long

Energy Transfer LP - Co-CEO & Director of LE GP, LLC

\* Thomas P. Mason

Energy Transfer LP - Executive VP, General Counsel & President - LNG of LE GP, LLC

Conference Call Participants

\* Brian Patrick Reynolds

UBS Investment Bank, Research Division - Analyst

\* Chase Mulvehill

BofA Securities, Research Division - Research Analyst

\* Colton Westbrooke Bean

Tudor, Pickering, Holt & Co. Securities, LLC, Research Division - Executive Director of Infrastructure Research

\* Gabriel Philip Moreen

Mizuho Securities USA LLC, Research Division - MD

\* Jean Ann Salisbury

Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

\* Jeremy Bryan Tonet

JPMorgan Chase & Co, Research Division - Senior Analyst

\* Keith T. Stanley

Wolfe Research, LLC - Research Analyst

\* Michael Jay Lapides

Goldman Sachs Group, Inc., Research Division - VP

\* Praneeth Satish

Wells Fargo Securities, LLC, Research Division - Senior Equity Analyst

\* Spiro Michael Dounis

Crédit Suisse AG, Research Division - Director

Presentation

OPERATOR: Hello, and welcome to the Energy Transfer First Quarter 2022 Earnings Conference Call. My name is Brandon, and I'll be your operator for today. (Operator Instructions) As a reminder, this conference is being recorded.

I will now turn the call over to Tom Long, Energy Transfer's Co-CEO. And Mr. Long, you may begin.

THOMAS E. LONG, CO-CEO & DIRECTOR OF LE GP, LLC, ENERGY TRANSFER LP: Thank you, operator. Good afternoon, everyone, and welcome to the Energy Transfer first quarter 2022 earnings call. I'm also joined today by Mackie McCrea and other members of our senior management team, who are here to help answer your questions after our prepared remarks.

Hopefully, you saw the press release we issued earlier this afternoon, as well as the slides posted to our website. As a reminder, we will be making forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. These statements are based on our current beliefs as well as certain assumptions and information currently available to us and are discussed in more detail in our quarterly report on Form 10-Q for the quarter ended March 31, 2022, which we expect to be filed tomorrow, May 5. I'll also refer to adjusted EBITDA and distributable cash flow, or DCF, both of which are non-GAAP financial measures. You'll find a reconciliation of our non-GAAP measures on our website.

I'd like to start today by looking at some of our first quarter highlights. We started the year off with a strong first quarter, where we generated adjusted EBITDA of $3.3 billion and DCF attributable to the partners of Energy Transfer, as adjusted, was $2.1 billion. This resulted in excess cash flow after distributions of approximately $1.5 billion. On an incurred basis, we had excess DCF of approximately $1.1 billion after distributions of $618 million and growth capital of approximately $390 million.

On April 26, we were pleased to announce a quarterly cash distribution of $0.20 per common unit or $0.80 on an annualized basis, which represents a more than 30% increase over the first quarter of 2021. As a reminder, future increases to the distribution level will be evaluated quarterly with the ultimate goal of returning distributions to the previous level of 30.5 cents per quarter or $1.22 on an annual basis, while balancing our leverage target, growth opportunities and unit buybacks.

Operationally, we have a brand franchise with assets in all the major producing basins in the U.S. and saw throughput increase (inaudible) our segments as rig counts continue to improve across the U.S. In addition, we completed construction of several growth projects, which I'll provide more details on shortly.

In March of 2022, we announced a definitive agreement to sell our 51% interest in Energy Transfer Canada for cash proceeds of approximately $270 million. In addition, the sale is expected to reduce our consolidated debt by approximately $450 million. This sale allows us to divest of these noncore assets at an attractive valuation and utilize the cash proceeds to further deleverage our balance sheet and redeploy capital with our U.S. footprint. The transaction is on track and expected to close by the third quarter of 2022.

Also in March of this year, we completed a $325 million bolt-on acquisition of underground storage assets and an ethylene storage header that further enhanced our Mont Belvieu and Nederland positions. This acquisition of the Spindletop asset provides us with an exceptional ethylene storage and transportation header system located strategically between our Mont Belvieu and our Nederland terminals. The header system is connected to multiple ethylene pipeline customers. In addition, it has 2 active storage caverns, 1 cavern under development and the potential to develop at least 4 or 5 more storage caverns. We believe this system will play a major role in connecting ethylene supply in markets along the Texas and Louisiana Gulf Coast as we are seeing significant and unprecedented interest for many of the petchem players in utilizing not only the storage facilities, but also the ethylene header system.

Now for a brief update on the integration of the Enable assets. We continue to expect the combined company to generate more than $100 million of annual run rate cost savings synergies, of which we expect to achieve $75 million in 2022. The majority of our back-office integration is complete, including integration of bank accounts, general ledger and treasury systems. We continue to identify and evaluate a number of commercial and operational synergies that are expected to enhance the operational capabilities of our systems by capitalizing on improved efficiencies and increasing utilization and profitability of our combined assets. This includes opportunities to run plants more efficiently, potentially converting pipelines to different products as well as optimizing our combined assets to provide customers on Enable systems with access to premium markets further downstream through our vast Energy Transfer pipeline network.

I'll now walk you through recent developments on our growth projects. In March, we announced that we have entered into 2 20-year LNG sale and purchase agreements for our Lake Charles LNG project with ENN Natural Gas and ENN Energy Holdings Limited. Under the 2 SPAs, ET LNG is expected to supply 1.8 million tonnes per annum of LNG to ENN Natural Gas and 0.9 million tonnes per annum of LNG to ENN Energy.

On Monday of this week, we also announced the signing of a 20-year LNG purchase and sell agreement with a subsidiary of Gunvor Group for 2 million tonnes of LNG per annum. And yesterday, we announced the signing of another long-term LNG offtake agreement with SK Gas, an affiliate of the Korean conglomerate SK, for 0.4 metric tonnes per annum for a term of 18 years. The purchase price for all these agreements is indexed to the Henry Hub benchmark plus a fixed liquefaction charge and the LNG will be delivered on a free-on-board basis. The SPAs will become fully effective upon the satisfaction of the conditions precedent by ET LNG, including reaching FID.

We are also in active negotiations with a number of other high-qualified customers, and we expect to make an announcement of additional offtake agreements in the weeks ahead. As we have previously stated, we expect to finance a significant portion of the capital cost of this project by means of the sale of equity in the project to infrastructure funds and possibly to 1 or more industry participants in conjunction with the LNG offtake agreements. We are currently targeting FID for this project in the fourth quarter of this year.

Recent events in Europe highlighted the importance of LNG from the United States, a country with abundant natural gas supply and strong geopolitical ties to Europe. We are hopeful that our Lake Charles LNG project will be a significant factor in the long-term solution for global energy needs.

Looking at Mariner East pipeline system, during the first quarter of this year, we completed construction of the final phase of the Mariner East pipeline, which brought our total NGL capacity on the Mariner East pipeline system to more than 365,000 barrels per day, including ethane. For the first quarter of 2022, NGL volumes in the Mariner East pipeline system and Marcus Hook terminal remains steady. Since the end of the first quarter, we have seen an uptick in volumes through the pipelines and expect to see incremental revenue and volume growth for the remainder of the year.

And our Pennsylvania Access project, which allows refined products to flow from the Midwest supply regions into Pennsylvania, New York and other markets in the Northeast, started flowing refined products in January of this year. At our expanded Nederland Terminal, NGL volumes remained strong during the first quarter, including export volumes under our Orbit ethane export joint venture. For the first quarter, we loaded approximately 8 million barrels of ethane out of the facility. And for full year 2022, we continue to expect to load more than 40 million barrels of ethane with that increasing to up to 60 million barrels for 2023. We also expect our LPG export volumes at Nederland to continue to grow in 2022.

In total, we continue to export more NGLs than any other company or country and our percentage of worldwide NGL export remain at nearly 20% of the world market. We are seeing long-term increases in NGL demand and market value both here in the U.S. as well as internationally. We expect to participate in this growth as well as increase our market share as our franchise is uniquely well situated to benefit from this expanding market. We are seeing strong interest from overseas customers seeking additional supply from the United States, and we have recently secured sufficient commitments to move forward on the ethane expansion.

Even though we expect to expand our ethane export capabilities at both Marcus Hook and Nederland terminals, these commitments provide us with the opportunity of expanding at either terminal. Therefore, we are evaluating which location would be best suited for our next ethane expansion project.

We continue to evaluate the opportunity to develop a petchem project along the Gulf Coast. If we are able to reach FID, we believe that our cracker will be a very unique world-class facility, providing unparalleled access to the lowest cost feedstock through our pipeline systems, as well as unparalleled access to downstream domestic and international ethylene and propylene markets through our pipelines, our storage facilities and our export terminal. We're in discussions with a number of high-quality customers as we work to secure long-term tolling type commitments prior to reaching FID. And we also intend to have a significant partnership with one or more industry participants. Additionally, we will continue to evaluate potential M&A opportunities in the petchem space.

Turning to Cushing South pipeline. In June 2021, we commenced service on the 65,000 barrel per day crude oil pipeline providing transportation service from our Cushing Terminal to our Nederland Terminal, which also provides access for Powder River and DJ Basin barrels to our Nederland Terminal via an upstream connection with our White Cliffs Pipeline.

In the first quarter of 2022, we completed Phase 2, which nearly doubled the pipeline's capacity to 120,000 barrels per day. The majority of the capacity is under take-or-pay contracts and the pipeline is already utilized in both Phase 1 and Phase 2 capacity to move volumes south to our Gulf Coast terminals, providing significant revenue potential as the ARBs improve.

Next, in April, we placed into service the Ted Collins Link, which provides market connectivity for our Houston terminal. The Ted Collins Link gives us the ability to fully load and export WTI barrels as well as low-gravity Bakken barrels out of the Houston market, demonstrating Energy Transfer's unique ability to provide a neat Bakken barrel to markets along the Gulf Coast.

In April, we completed our inaugural shipment of oil from our Houston terminal for export utilizing this system and expect our export volumes to grow throughout the year. Our Permian Bridge Project, connecting our gathering and processing assets in the Delaware and the Midland Basin, were placed into service in October of 2021. In addition, in the first quarter of 2022, we completed an expansion of Permian Bridge, which brought the pipeline's total capacity to over 200,000 Mcf per day. This project allows us to move rich gas out of the Midland Basin to utilize available Delaware processing capacity more efficiently, while also providing access to additional takeaway options. It is being utilized to provide operational flexibility between our processing facilities in the 2 basins.

Current Permian Basin plant inlet processing volumes are over 2.2 Bcf per day and we're evaluating our options to meet increasing production from the basin. Construction of our new 200 million cubic foot per day Grey Wolf processing plant in the Delaware Basin has commenced. The Grey Wolf plant is supported by new commitments and growth from existing customer contracts and is expected to be in service by the end of this year. In addition to providing incremental revenue to our Midstream segment, once in service, the volumes from the tailgate of the plant will utilize our gas and NGL pipelines for takeaway, providing additional revenue streams for our intrastate and NGL segments.

And due to significant producer demand, we anticipate moving forward with a second processing plant in the Permian Basin for which we are currently determining the best location. The plan has already included in our 2022 growth capital forecast. We continue to be very excited about our pipeline project from the Permian Basin to address the growing needs for additional natural gas takeaway. This project has significant advantages over competing projects. It would include the construction of a new intrastate pipeline from the Midland Basin to our extensive pipeline network south of the DFW area, paralleling existing right of way.

From there, our vast pipeline systems provide significant flexibility to deliver natural gas to premier markets along the Texas Gulf Coast, including Katy, Beaumont and the Houston Ship Channel as well as to Carthage with potential deliveries to most major U.S. trading hubs and markets. Given the strong interest we are seeing for this project and ongoing producer discussions, we hope to announce additional information soon. In the meantime, we are working on time-sensitive surveys and the regulatory process has already begun. This project is an ideal solution for natural gas growth out of the Permian Basin and is clearly the best choice for customers in regard to timing, cost, flexibility and the access to multiple premium and liquid markets.

Given the proposed route and our ability to utilize existing assets, we believe we could complete construction of the project in the 2 years or less once we have reached FID. In the meantime, modernization and debottlenecking work on our Oasis pipeline continues, which will add an incremental 60,000 Mcf per day of much needed capacity out of the Permian Basin. This capacity is expected to be available by the end of 2022.

Next, construction on the Gulf Run Pipeline, which is a 42-inch interstate natural gas pipeline with 1.65 Bcf of capacity is underway. Gulf Run is backed by a 20-year commitment for 1.1 Bcf per day from Golden Pass LNG and will provide natural gas transportation between the Haynesville Shale and the Gulf Coast, connecting some of the most prolific natural gas producing regions in the United States with the LNG export market. Pipeline construction is underway and is expected to be completed by the end of 2022. As demand continues to grow out of the Haynesville, we expect to move forward with an expansion project in the not-too-distant future.

Turning to our Trans-Panama Gateway Pipeline. We are working closely with the appropriate entities within Panama to successfully bring this project to fruition. Panama's geographic location and favorable investment climate make this an attractive project. We remain optimistic about the Trans-Panama Gateway pipeline and the significant value it will bring to markets around the world.

Now for an update on our alternative energy activities. We continue to pursue a number of projects related to carbon capture, including sequestration, enhanced oil recovery and utilization projects. We are in active discussions with several developers who have applied for Class 6 sequestration permits with the EPA in Louisiana in close proximity to our facilities that would be good candidates for carbon capture and sequestration. Unfortunately, the approval process for these sequestration permits generally takes 2 to 3 years to obtain.

However, in addition to our desire to lower our carbon footprint, we remain focused on our primary business, which is providing the essential energy infrastructure necessary to grow domestic energy production which is vital to ensuring our country's energy security and the growing needs worldwide, providing additional supplies of clean, affordable and reliable natural gas and vital natural gas liquids is the most logical and quickest way to reduce ***emissions***, while also significantly improving the quality of life for billions of people in developing nations around the world.

With the significant growth in our natural gas transportation and natural gas liquids segments, along with our extensive export capabilities through our NGL terminals and with line of sight to reach FID for our Lake Charles LNG project, we expect to continue to play an important role in reducing ***emissions*** while improving living conditions throughout the world.

Now let's take a closer look at our first quarter results. Consolidated adjusted EBITDA was $3.3 billion compared to $5 billion for the first quarter of 2021. Results for the first quarter of 2021 included a contribution of approximately $2.4 billion from Winter Storm Uri. Excluding this contribution, first quarter 2022 adjusted EBITDA would have been up approximately 25% over the first quarter of 2021.

DCF attributable to the partners as adjusted was $2.1 billion for the first quarter of 2022 compared to $3.9 billion for the first quarter of 2021, again, as a result of the impact to the prior period from Winter Storm Uri. For the first quarter, we saw higher transportation volumes across all of our segments as well as a full quarter contribution from the Enable assets that were acquired in December 2021. On April 26, we announced a quarterly cash distribution of $0.20 per common unit or $0.80 on an annualized basis. This distribution will be paid on May 19 to unitholders of record as of the close of business on May 9. This distribution represents a 30% increase over the first quarter of 2021 and represents another step in our plan to return additional value to unitholders, while maintaining our leverage ratio target of 4 to 4.5x debt-to-EBITDA.

Now turning to results by segment, starting with NGL and refined products. Adjusted EBITDA was $700 million compared to $647 million for the same period last year. This was primarily due to higher fractionation and refinery services margins, higher terminal services margins related to increased throughput at our Nederland Terminal in the first quarter of 2022, as well as an increase in our Northeast blending and optimization activities. NGL transportation volumes on our wholly owned and joint venture pipelines increased to 1.8 million barrels per day compared to 1.5 million barrels per day for the same period last year.

This increase was primarily due to increased export volumes feeding into our Nederland Terminal and higher volumes from the Permian and Eagle Ford regions. And our average fractionated volumes were 804,000 barrels per day compared to 726,000 barrels per day for the first quarter of 2021. We recently tied our 1-day maximum throughput record through the fracs at over 960,000 barrels. And for the month of April, we reached an all-time monthly throughput record averaging well over 900,000 barrels per day.

For our crude oil segment, adjusted EBITDA was $593 million compared to $510 million for the same period last year. This was primarily due to higher transportation volumes on our Texas crude pipelines, improved performance on our Bakken and Bayou Bridge pipelines, increased throughput at our Gulf Coast terminals as well as the addition of the Enable assets in December of 2021.

Crude oil transportation volumes increased 4.2 million barrels per day compared to 3.5 million barrels per day for the same period last year, driven by higher crude oil prices, higher refinery demand and Winter Storm Uri impacting crude oil production in the prior period.

For our midstream, adjusted EBITDA was $807 million compared to $288 million for the first quarter of 2021. This was primarily due to the acquisition of the Enable assets in December of 2021 and an increase related to favorable NGL and natural gas prices as well as increased production in the Permian and South Texas regions. In addition, the first quarter of 2021 included a negative impact related to Winter Storm Uri that did not occur in the first quarter of 2022. Gathered gas volumes were 17.3 million MMBtus per day compared to 12 million MMBtus per day for the same period last year due to the addition of the Enable assets, increased production in South Texas as well as additional gathering capacity from the Permian Bridge Pipeline in West Texas. Permian Basin volumes continue to be strong and Midland inlet volumes remain at or near record highs. We are utilizing the Permian Bridge daily to optimize our available processing capacity as well as increasing our processing capacity in the area to accommodate incremental demand we are seeing.

In our Interstate segment, adjusted EBITDA was $453 million compared to $453 million for the first quarter of 2021. During the quarter, we benefited from the addition of the Enable assets as well as the volume growth on our Transwestern Rover and Trunkline systems as a result of increased rates and higher utilization due to more favorable market conditions and volume growth in the Haynesville Shale. While volumes have continued to improve, this growth was partially offset by a decrease due to gains recorded in the first quarter of 2021 related to Winter Storm Uri operational gas sales. In addition, adjusted EBITDA was impacted by contract expirations and a shipper bankruptcy on our Tiger pipeline.

More recently, we have seen steady growth in the Interstate segment with Transwestern continuing to benefit from high prices and demand for gas delivery out west, and Trunkline and Tiger both seeing strong demand related to increased activity on the Gulf Coast and in the Haynesville Shale. In fact, we are currently seeing record volumes from Tiger.

And for our intrastate segment, adjusted EBITDA was $444 million compared to $2.8 million for the first quarter of last year. The change was primarily due to the absence of higher earnings from Winter Storm Uri in the first quarter of 2021, which was partially offset by the addition of the Enable assets in December of 2021. Since the end of the first quarter, we have seen heavy utilization on our HBL system due to increased demand for gas takeaway out of the Permian as well as strong volumes in South Texas. In addition, due to increased activity in the Haynesville Shale, our RIGS pipeline system is currently flowing at or near capacity. We expect this demand to continue through the rest of 2022.

Now turning to our 2022 adjusted EBITDA guidance, given our strong performance in the first quarter as well as continued increasing demand for our products as we move through the rest of the year, we now expect our adjusted EBITDA to be between $12.2 billion to $12.6 billion. This is up compared to our previous guidance of $11.8 billion to $12.2 billion.

And moving to our growth capital update for the 3 months ended March 31, 2022, Energy Transfer spent approximately $390 million on organic growth projects, primarily in the midstream, interstate and NGL and refined products segment, excluding SUN and USA compression CapEx. For full year 2022, we now expect growth capital expenditures, including expenditures related to the recently acquired Enable assets to be between $1.8 billion to $2.1 billion compared to our previous forecast of $1.6 billion to $1.9 billion. Our revised growth capital reflects the addition of spend associated with our new Permian gas takeaway pipeline.

Now looking briefly at our liquidity position as of March 31, 2022. Total available liquidity under our revolving credit facilities was approximately $2 billion, and our leverage ratio was 3.55x per the credit facility. We continue to have strong support from our banking partners, and in April 2022, we amended our $5 billion revolving credit facility to extend the maturity to April 2027, with substantially the same terms and pricing. We continue to expect to generate a significant amount of cash flows in 2022, which will be strategically allocated in a manner that best positions us to continue to improve our leverage, invest in high-returning growth projects and return value to our unitholders. And we expect to continue to pay down debt throughout the year with excess cash flow from operations.

During the first quarter, we saw strong performance from all of our segments with significant volume growth supported by improved production and increased demand that we expect to continue throughout 2022. We have already seen further improvements in production, market conditions and domestic and international demand for our products since the end of the first quarter, and we expect this to positively impact all of our segments for the remainder of 2022. Our balance sheet remains strong and we remain focused on improving our financial flexibility and paying down debt. As we approach our leverage target range, we will continue to evaluate returning additional capital to our equity holders through distribution growth on a quarterly basis. We remain bullish about the future of our industry and the need for natural gas and natural gas liquids.

As we look for additional ways to address existing and new demand for our products, we will continue to evaluate and pursue strategic growth projects that enhance our existing asset base and generate attractive returns like our Permian gas pipeline project. And we will also look to make progress on the alternative energy front, which can further enhance and effectively grow our energy franchise.

Operator, please open the line up for our first question.

Questions and Answers

OPERATOR: (Operator Instructions) And from Bernstein, we have Jean N. Salisbury.

JEAN ANN SALISBURY, SENIOR ANALYST, SANFORD C. BERNSTEIN & CO., LLC., RESEARCH DIVISION: I just have a couple of questions about Lake Charles. Exciting that you're targeting FID in fourth quarter of 2022, can you just kind of walk us through besides getting contracts, the other things that would need to happen for that? I think there was an engineering review going on. I think you need a FERC extension, getting a partner, but all of the stuff around reaching FID.

THOMAS P. MASON, EXECUTIVE VP, GENERAL COUNSEL & PRESIDENT - LNG OF LE GP, LLC, ENERGY TRANSFER LP: Yes. This is Tom Mason, I'm in charge of our LNG project, and we're really excited about where we are today. We've got really strong demand from really high-quality customers. We're really confident about reaching FID. Of course, the marketing and the offtake agreements is key to getting a deal done.

The other things that you mentioned are underway that the update on the EPC bid process, bid refresh is underway. We filed an application for an extension of our construction deadline with the FERC. We understand that's in process, and we're confident that we'll receive approval of that in the near future. So I think things are going well, and we're really excited about it.

JEAN ANN SALISBURY: Okay. So you see the contracting as sort of the time-critical path, I guess?

THOMAS P. MASON: Yes. Yes. And we're -- world's kind of gone upside down with what's going on in Ukraine and it's kind of accelerated the demand. But yes, the contracts are the gating item that we're really making good progress.

MARSHALL S. MCCREA, CO-CEO & DIRECTOR OF LE GP, LLC, ENERGY TRANSFER LP: This is Mackie. Let me add just one thing, if I could, Jean, sorry about that. I was listening to Tom Long and listened to Tom Mason and they're pretty even keeled, laid back. And I don't think -- they're excited but they don't really show how excited we are in this LNG project has really taken off. It's sad it took a travesty like what's going on in Ukraine to wake up the world. It certainly has woken up Europe and Asia and China. Hopefully, they'll wake up some of our administrators, but Tom has done a fantastic job, and we've got an enormous amount of interest, as you can imagine, and we are shocked if we don't get to FID by the end of this year and look forward not only to get that project down the road and signed, but also look forward to all the upstream pipeline transportation business will come with that project.

JEAN ANN SALISBURY: Well, that's a lot of excitement. I'm also excited. And then just as a follow-up to that, can you kind of comment on whether you're actually seeing European utilities sign contracts? It seems like there's been a lot of contracts recently, but not really from them. Do you see that as going through the marketers? Or just any commentary that you can provide on that would be helpful.

THOMAS P. MASON: Well, it's an interesting question because the utilities are kind of struggling with trying to satisfy their immediate and near-term demand for gas, as you could imagine. But for long-term contracts, they're still interested. I think there's been kind of some issues with financial matters based on the high prices obtained for natural gas currently. And so there could end up being some government guarantees for some of the longer-term offtake contracts, so we're certainly in contact with them. But you're right, there's kind of been a lack of real commitments for long-term contracts at this point.

OPERATOR: From JPMorgan, we have Jeremy Tonet.

JEREMY BRYAN TONET, SENIOR ANALYST, JPMORGAN CHASE & CO, RESEARCH DIVISION: I just want to start off with the EBITDA guide uplift here. I want to dive in a little bit for what's happening in 2022 here. If you could break down the drivers, being it better-than-expected volumes? Or is it better-than-expected price that's the driver here? And if I look at the first quarter results, and I annualize that, granted, there's some seasonality in the business, so it would kind of point to over the high end of the new range. So just wondering what some of the puts and takes could be there?

THOMAS E. LONG: This is Tom Long, Jeremy, I'll take off with that. Clearly, the first quarter, we're very, very excited about. We've got great results out of the optimization team. When you look at our assets, even as we went through, I think you'll note the intrastate segment. But as you look out through the rest of the year, we've been pretty conservative on pricing, which was another, obviously, a big component of it as we took the guidance up. And we've -- we were very intentional on staying conservative on that. So we'll see how the rest of the year really plays out.

But I would say that the first quarter, you can see the amount we're up, and that's really basically the amount that we took the guidance up overall as the run rate. If you were really looking at that first quarter from a result standpoint, probably in the range of maybe $225 million to $250 million, you could put into the [pay call] and it's the onetime type bucket, but nonrecurring type. But at the same time, we do have a fantastic team and a great asset base. So optimization is something that will always play a big role in our results.

JEREMY BRYAN TONET: Got it. That's helpful there. And as I think about the CapEx uplift there. Just wondering, is that really just related to the Permian gas project? Are there other projects to call out there for the CapEx raise? I'm just wondering, is '23 moving around as well higher? Just any kind of thoughts on the cadence of CapEx here would be helpful.

MARSHALL S. MCCREA: Yes. This is Mackie again, Jeremy. There are -- we've got a lot of moving parts, as you can imagine, to our partnership, where as you know, we're building Grey Wolf, we have decided we are going to build another plant and try and figure out exactly where that's going to go. We have a lot of gathering opportunities. Most of our large projects, multibillion-dollar projects are built out, and that's really to earlier question, as we go into this year into future years, we're able to bring a lot of volume and a lot of revenue in those assets that we've already completed.

But for the most part, it is -- we do have [Orion] in there, we do have Grey Wolf and -- the portion of Orion in there and do have Grey Wolf and then this other plant that we've talked about expanding here in the near future.

OPERATOR: From UBS, we have Brian Reynolds.

BRIAN PATRICK REYNOLDS, ANALYST, UBS INVESTMENT BANK, RESEARCH DIVISION: Maybe just as a follow-up to CapEx and maybe looking out a little bit further to 2023. We've seen some recent attractive capacity et added by peers. And your comments in the prepared remarks about reaching record frac volumes. I was just curious about how Energy Transfer is thinking about fracade at this point, just given that I believe it's half complete at this point. And potentially one of the CapEx needs left to complete that project?

MARSHALL S. MCCREA: Yes, Brian, that's a great question. As we speak, we're moving more volumes out of the Permian and more volumes out of the Eagle Ford than we've ever moved NGL volumes. So we are going to have to make that decision sooner than later. We're at our full max capacity right now running around 960. However, we don't want to move forward until we have secured long-term commitments for that next frac. We do anticipate that happening possibly in the next quarter-or-so, maybe sooner. But we're going to -- as we've done, we're going to be prudent around our capital and we'll spend that capital when needed, but we do anticipate making that decision in the not-too-distant future.

BRIAN PATRICK REYNOLDS: So just to clarify, that could just be upside to '22 CapEx? Or is that mostly 23?

MARSHALL S. MCCREA: It'd be mostly in '23.

BRIAN PATRICK REYNOLDS: Okay. Appreciate it. And then as my follow-up, a lot of progress on the LNG front with the recent flurry of contracts. Just kind of curious if you could provide some thought process around the ultimate ownership structure and potentially bringing in partners, whether that's a financing partner or a strategic partner, just given the ultimate interest in LNG and ultimately, how that would fit in the ultimate Energy Transfer portfolio?

THOMAS P. MASON: Yes. This is Tom Mason. We -- as we previously announced, we plan to do some portion of equity sell down to primarily infrastructure funds. There's lots of money that are looking for high-quality, long-term cash flow from a project like this. So we think that's going to be a really good way of financing it. We expect that we keep at least 25% of the project, haven't made final decisions on that yet, but it's going to be -- there's just a lot of interest in the equity side of this project.

OPERATOR: From Wells Faro, we have Praneeth Satish.

PRANEETH SATISH, SENIOR EQUITY ANALYST, WELLS FARGO SECURITIES, LLC, RESEARCH DIVISION: Just sticking on Lake Charles. I guess if you didn't move ahead with the project, can you quantify how much of a gas demand pull this could have on your existing pipes? I guess it would be Trunkline and Gulf Run that feeds into it. How much spare capacity do you have on Trunkline? Would you have to expand either Trunkline or Gulf Run because of Lake Charles?

MARSHALL S. MCCREA: Yes. This is Mackie, Praneeth. Absolutely, we'll be looking to expand Trunkline, we'll be looking to expand Gulf Run as we talked about on this call, and we'll continue to pursue the project in West Texas, that will also, we anticipate, feed into this. So the beauty about our pipeline network, both intra and interstate, unlike most of our competitors, we can aggregate the large volumes from multiple basins and bring it to points like this to Henry Hub into Lake Charles.

So we mentioned on -- when Tom started out and his reading is that we will be probably going out for an open season on Gulf Run here sometime the latter part of May. We think there will be a significant amount of interest. But at the end of the day, we will be anticipate transporting up to 2.5 to 2.7 Bcf a day into Lake Charles into additional markets in that area through our pipeline network.

PRANEETH SATISH: Got it. And then I think you noted Haynesville production has really started to pick up the last few months. Are you seeing any interest for long-term contracts on your pipes in the region? And I guess, specifically, I'm asking about Tiger. Is there a path to maybe contract this pipe up? Or is it more kind of interruptible volumes that are flowing on it right now?

MARSHALL S. MCCREA: Well, as was mentioned earlier, we are almost at full capacity. A lot of that is month-to-month. However, we have even recently contracted up. I'll give you an example, we contracted up a producer that will ramp up to 550,000 a day that will utilize both Tiger capacity, Gulf Run capacity and capacity through our intrastate pipeline network in Carthage. So we just cater to whatever the producer looks for as far as what they're trying to get to on the Gulf Coast.

And we -- our issue right now is we got to go find more capacity. Haynesville is growing faster or as fast as any other basin, and we will play an integral part like we already are in finding a way out of that area. In Gulf Run, there's one major outlet along with our other intrastate pipelines and Trunkline.

OPERATOR: From Credit Suisse, we have Spiro Dounis.

SPIRO MICHAEL DOUNIS, DIRECTOR, CRéDIT SUISSE AG, RESEARCH DIVISION: A few cleanup questions on Lake Charles, if we could. Just a multipart question here, but just curious how you guys are thinking about expected project returns? And maybe what sort of CapEx we could think about going forward? Is this a pretty typical midstream return, maybe 6 to 8 multiple? Or can you do better than that? And then as you think about getting to FID, is there a level of capacity you're trying to contract first? What does that look like? And then finally, something you're talking to several partners here on this, ultimately, how much of this project are you kind of willing to sell down? Is there a target number in mind?

MARSHALL S. MCCREA: This is Mackie. Sure. Tom may follow up on this, but we have a lot of projects and the capital to pursue those projects. We've got to be prudent about that. So there are certainly thresholds, and we certainly will make sure that we meet those thresholds. A lot of the revenue that we anticipate receiving from the LNG project is really from the pipeline infrastructure from bringing -- transporting natural gas to this facility. So at the end of the day, we'd have no problem on it as low as 25%. We'll operate it. We will bring all the volume in there, and we will be more than happy with that level.

As far as what level to get to FID, as we've mentioned, we probably have twice the interest that we have capacity for right now in our 15 million tonnes, so we are highly optimistic that we will fully contract this out, but we'll certainly make that type of business decision as we get closer, especially as we get closer to the end of the year and get all these contracts lined up to when we'll move forward. But we'll make the right business at that time. But as we say, we're highly optimistic that we'll have this fully contracted by the end of the year.

SPIRO MICHAEL DOUNIS: Yes. No, that's super helpful. Second one, on CapEx. You always used to talk about the sort of long-term CapEx run rate range of $500 million to $700 million for the growth side. And I haven't seen that reference in a while. And obviously, that was before Enable and really before this current ***environment***. It sounds like you've got a lot in the hopper, a lot of exciting things to talk about. But just curious how you're thinking about that run rate going forward, especially as you're growing the distribution. What sort of CapEx annually should we think about you guys spending going forward to maintain your sort of capital parameters?

THOMAS E. LONG: This is Tom Long. You've clearly touched upon the fact that we've got a lot of great projects here, no doubt. We haven't got any of them to FID. So the $500 million to $700 million that we put out, we're probably not prepared to put out 2023 at this stage. I will tell you as we go through the year and as these projects get approved, we probably will go ahead and update that. But at this time, this is -- we really don't have another -- further update other than these projects as we move forward to getting them to FID.

OPERATOR: From Goldman Sachs, we have Michael Lapides.

MICHAEL JAY LAPIDES, VP, GOLDMAN SACHS GROUP, INC., RESEARCH DIVISION: I have two, they're kind of unrelated. One, just in the Northeast, how are you thinking -- I know you just got Mariner East online, and I know finishing up 2 and 2X and I know it's been a lengthy process. How are you thinking, though, about the potential to expand if there is potential to expand 2 and 2X, or the broader kind of West to East system? And how do you think about it if there's opportunity to expand Marcus Hook?

MARSHALL S. MCCREA: Mike, this is Mackie. Gosh, we are so happy to be at the end of the road on Mariner after all these years. We've built an incredible network there of 3 different pipelines. They can move a variety of products. We have enormous capability by just adding pumps to significantly increase the throughput on that. It's really where additional costs will come in for any storage or chilling type assets that we'll have to build at Marcus Hook.

As we alluded to earlier on this call, we have sufficient volumes for another ethane expansion at Marcus Hook. We're not sure if that's best suited or if it's better to expand at Nederland next, we'll be making that decision over the coming weeks, but we certainly expect over the next year or 2 to be expanding Marcus Hook in a big way.

As I said, we built quite a franchise with a lot of money, a lot of time, a lot of effort and a lot of stress. We're past all that. We've got an enormous amount of customers around the globe. We're talking to as many as 600,000 barrels a day of NGL markets out there. So there's plenty of markets out there. And so our job from a commercial standpoint is to go secure more commitments, which we have done, and we'll be moving forward on expanding Marcus Hook and Nederland over the next several years.

MICHAEL JAY LAPIDES: Got it. And then one follow-up, totally unrelated to that. Can you -- we talked about it on multiple earnings calls and at multiple conferences. Can you give a little more detail on the potential project in Panama? Just -- I'm trying to get my arms around size, around -- a little bit around kind of the terrain of route you're thinking about the complexity of construction. Is this kind of a multiyear construction process that could be a difficult construction process?

And I'm trying to think about kind of a ballpark range of kind of dollar commitment on your end and whether you want to be the full owner of that type of project.

MARSHALL S. MCCREA: Yes, Mike, we're still pretty early in this process. We couldn't be, like a lot of this, more excited about the relationships that we built down there and the operating [range] for that. It's premature to begin talking about capital or even the exact routes for a number of reasons. We're going through a process that's required in that country. But we're very excited. We think, at the end of the day, this could be a very significant international hub for the world, not just for the Caribbean or the Western Coast of North and South America, but also, of course, for Asia. So it's a little bit preliminary to get any major details, but we remain very excited about that.

OPERATOR: From Wolfe Research, we have Keith Stanley.

KEITH T. STANLEY, RESEARCH ANALYST, WOLFE RESEARCH, LLC: I wanted to start on the distribution. So you've now had 2 quarters where you raised it pretty quickly and pretty steadily. What factors are going to govern sort of the pace of increases going forward? And if the balance sheet is on track, I mean the business is doing very well. Is there any reason to think it won't be more of the same of what we've seen in the past 2 quarters until you get back to that $1.22 goal?

THOMAS E. LONG: Yes. Keith, it's -- you probably touched upon one of the most commonly asked questions here right now. It's -- we really don't want to get out in front of the board. I know that we've been saying that we'll evaluate this quarter by quarter. Clearly, a great start to the year with the first quarter results and what we've seen. So let us kind of get through each quarter and have the discussion with our Board on this as we move forward. There's other things that are factored in here when we talk about our capital allocation, and that's a lot of these great projects that we're talking about here today. And likewise, just to continue to look at the leverage metrics.

But I do want to reiterate what you said. We have made great progress toward moving toward our target of that 4 to 4.5. As you know, each agency calculates that a little bit differently. So I encourage you to reach out to each of them to see kind of where they're at. But we're getting closer to the 4.5, so let all those -- let us look at all those factors quarter-by-quarter as we move through the year, and that will go into that decision each quarter.

KEITH T. STANLEY: Great. And sorry, I have more on Lake Charles. First, just confirming, I mean, it's -- it sounds like 3 trains. I think, Mackie, you referred to 2.5 Bcf a day and the 15 Mcba capacity figure. So you're thinking 3 trains. And then second, I'm just thinking if you sold down the project to only a 25% ownership interest, just given the economics around that, what in your equity sort of investment need in the export facility then be an extremely small number?

THOMAS P. MASON: Yes, this is Tom Mason. Yes, it would be -- obviously, we would expect to have some promoted interest from the -- on the equity side. So our capital requirements would be relatively small and of course, spaced over a 4-year period or so. So the returns can be quite good based on -- with little capital being deployed.

THOMAS E. LONG: And this is Tom Long, I'll chime in a little bit more. I'll just add a little bit more to that. It's a little bit early to try to put a number on that. We haven't really -- other than having some inbounds, we really haven't started a lot of discussion on the equity until we move through the contracting phase. So it's one of those that over the next couple of quarters as we continue to -- Tom and his team continue to make great progress on the contracting that we will be able to put our thumb a little bit more on that number.

KEITH T. STANLEY: Got it. And 3 trains is the right way to think about this at this point?

THOMAS E. LONG: Yes, correct.

OPERATOR: From Tudor Pickering Holt, we have Colton Bean.

COLTON WESTBROOKE BEAN, EXECUTIVE DIRECTOR OF INFRASTRUCTURE RESEARCH, TUDOR, PICKERING, HOLT & CO. SECURITIES, LLC, RESEARCH DIVISION: So just jumping back to the base business. Tom, you mentioned the optimization earnings in intrastate. I think when we look at the Waha to Katy spread, it was actually relatively flat quarter-on-quarter, but you all still saw a pretty significant step up there. So just wondering if you can update us on what the dynamics were that drove that optimization opportunity.

MARSHALL S. MCCREA: Yes, this is Mackie. There's a number of things, and we've said it before. It happened during Uri. We have such an extensive pipeline system throughout Texas. We have an incredible amount of storage strategically placed well in the Houston area and also in the DFW area. We're connected to the vast majority of the power plants either directly or indirectly, will connect to every major LDC in Texas. And so any time there's any kind of volatility or price movements, we're really able to capture that as well as spreads from day to day.

There were times in that quarter where the spreads were higher from -- going from East Texas to West Texas, there was a period of days where the basis spread was, gosh, I think $1 higher for at least a day-or-so higher in Waha [than] Katy. So it's just our optimization team optimizing our assets and our pipelines and our storage at every opportunity that we have. And with the assets we have, those opportunities arise quite often in a really cold weather times, high demand and also high heat days.

COLTON WESTBROOKE BEAN: Understood. Appreciate that. And then just on the Enable now that you have the majority of operations integrated. Can you update us on the level of synergies you were able to realize in Q1? And when you'd expect to hit that $100 million run rate?

THOMAS E. LONG: We have quantified it for the year of -- talking about this year of -- of $75 million is what we've put out there. As far as the first quarter, don't really have a specific number at this point for that number broke out, but I think overall, we still expect to hit that $75 million this year. But I will say that we feel very good about the $100 million run rate annually as we look out. I think it's also just worth noting overall that all the results, we have moved very quickly on getting all these integrated, but I will tell you that all the results that have has come in even through the first quarters we've integrated have been above and beyond any of the projections that we had run in the merger as we were going through putting those numbers into the S1. So we're very, very excited about this transaction, and it's turning out to be a very, very good project for us. So acquisition.

OPERATOR: From Mizuho, we have Gabriel Moreen.

GABRIEL PHILIP MOREEN, MD, MIZUHO SECURITIES USA LLC, RESEARCH DIVISION: Maybe I can ask on the proposed petchem cracker project. I just was wondering, clearly, it would exceed your cost of capital. I'm just wondering to what extent that project would, I guess, integrate with some of your other assets, whether NGL pipelines, whether you kind of be looking for commitments, further upstream with that project or whether it's really just a stand-alone -- view it as a stand-alone project?

MARSHALL S. MCCREA: Gabe, this is Mackie. No, absolutely not a stand-alone. It would be like we do all of our business. We look for synergistic benefits and revenues, both upstream and downstream. So the project that we're targeting and gaining a little bit momentum with a lot of very high-quality customers would give us access to what we believe will be very inexpensive or less expensive gasoline components a year from now when maybe gasoline demand will start kind of leveling out. At some point, we do believe that some of the feedstock for this particular cracker that we're designing would be very advantageous to feed this.

In addition to that, along with our Spindletop asset that we just bought and our plans to kind of connect the dots between Louisiana and Houston with an ethylene system and a propylene system. This petchem also has access downstream to not only our pipeline network and our storage network, but also had access to our export business for international deliveries.

So now we're looking -- yes, we're looking for a project very similar to LNG, where we'd probably be a minority interest with some promoted partners in that and would have it fully contracted with significant both upstream and downstream revenue as part of that project.

GABRIEL PHILIP MOREEN: And maybe if I could just follow up. Another Mid-Con processor this morning talked about the expectations for growth in '23. I'm just wondering if in any of your secondary basins you kind of concur with that -- in any of your secondary basins, you'd concur with expectations for growth in '23. And to the extent that that's the case, whether you'd be running out of space or you need to spend any CapEx there.

MARSHALL S. MCCREA: Yes. Let me do this just quickly go. So we talked about the Permian Basin, we're building a plant there. We're going to build another plant. We'll continue to evaluate that. In Haynesville, we'll continue to evaluate new pipelines out of that area. Eagle Ford, we're sitting pretty good, at least for the next year or 2, we've kind of built out, but we will be looking toward the end of this year of whether or not we need to expand that or not.

So really stepping up in the Mid-Con in Oklahoma. We are -- we have seen the rigs move back in. We're getting our arms around the Enable assets. Our team is very excited about what's going on there. Our commercial team is working very hard on synergizing those plants and how to be more efficient and profitably operate those. Of course, ultimately, we will be bringing those NGLs into our system. But right now, we don't contemplate adding any additional cryogenic plants up in the Mid-Continent or in Oklahoma, we certainly watch that closely and make sure we stay ahead of that once they're needed.

OPERATOR: From Bank of America, we have Chase Mulvehill.

CHASE MULVEHILL, RESEARCH ANALYST, BOFA SECURITIES, RESEARCH DIVISION: I guess one question, I guess, related on the petchem side. You talked about M&A opportunities in the petchem space. So I don't know if you could talk about what part of the petchem value chain that you're targeting specifically here on the M&A side? And whether you're kind of looking to build scale in the petchem space? Or are you looking for maybe minority ownership so you can work closer with a petchem partner?

THOMAS E. LONG: This is Tom Long. I'll take off and then Mackie may add a little bit more. But we have been evaluating various acquisition opportunities. We still feel like that's a good way to enter it. But at the same time, we've got a very good team and we're quite comfortable with starting with a greenfield type project. So we're going to continue to look at those. And yes, it would -- it could be a partial joint venture, if you will. We're quite open to that in order to be able to step into the skill set that it takes to move into this or it could be a total acquisition. So we're looking at basically all the above as we evaluate this, including a greenfield build.

MARSHALL S. MCCREA: Yes. I think the only thing I'd add to that is with [Kelcy's] desire to get into petchem, we'll look at anything. We're going to look at everything that becomes available, chase any opportunity. And if once something looks attractive, we'll go after it.

CHASE MULVEHILL: That's the Kelcy disclaimer. A quick follow-up, sorry to come back to Lake Charles. But when we think about the permitting on like -- sorry, the contracting on Lake Charles, are you looking -- are these contracts just tolling fees? Or do they actually have some commodity upside exposure as well?

THOMAS P. MASON: They're basically a liquefaction charge, but there is a component like most of the contracts on the Gulf Coast that are tied to Henry Hub plus a percentage above that. So there's -- the higher natural gas prices are, there is room for additional cash flows from that.

MARSHALL S. MCCREA: Yes. And this is Mackie, I'll add one thing to that. We intend to contract out about 15 million tonnes. But as you know, that's nameplate, and there's fairly significant volume above that, that we'll be able to take advantage of as time goes on when we see a blowout in prices between the U.S. and Europe and Asia.

OPERATOR: We will now turn the call back over to Tom Long for closing remarks. Mr. Long, you may proceed.

MARSHALL S. MCCREA: This is Mackie, and before Tom does that, let me just say one thing. We've done this from time to time, but I kind of joked a little bit earlier how excited we are, and we are. We're excited about the assets that we have. We're excited about the employees that we have. And if you just kind of walk through real quickly, just in this quarter, our intrastate volumes were up 17%, our interstate volumes were up 15%, our midstream volumes were up 14%. Our NGL's record volumes, as I alluded to earlier, were up 17%. We try to make a decision around our next frac in the next probably 6 months, really proud about our crude. We've grown over 20% from quarter-to-quarter in a very tough crude ***environment*** where there's not as many barrels available out there in the Permian and our team has done an excellent job there. And we've also really gained a lot of traction through our terminals and increased that by 17%.

So as I mentioned earlier, what's happening with Ukraine, we hope will wake up our country and wake up our leaders to how important natural gas is and natural gas liquids are not only because of affordability, reliable and all that, but for security, not only for the U.S. but also for the world. So hopefully, we wake up because we need our leaders too.

THOMAS E. LONG: All right. Well, thank all of you for joining us today, and we look forward to any follow-up questions you might have.

OPERATOR: Thank you, ladies and gentlemen. This concludes today's conference. Thank you for joining. You may now disconnect.

[Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.]

**Load-Date:** May 7, 2022

**End of Document**