TRANSCRIPT
Q4 2015 EARNINGS CALL

PHILLIPS 66 PARTNERS (NYSE: PSXP)
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PHILLIPS 66 PARTNERS PARTICIPANTS

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CALL PARTICIPANTS

Jeremy Tonet, *JP Morgan*

Kristina Kazarian, *Deutsche Bank*

Brian Zarahn, *Barclays*

Elvira Scotto, *RBC Capital Markets*

Ryan Levine, *Citigroup*

Steve Sherowski, *Goldman Sachs*

Barrett Blaschke, *MUFG Securities*

TRANSCRIPT

Operator

Welcome to the Fourth Quarter 2015 Phillips 66 Partners Earnings Conference Call. My name is Saly and I will be your Operator for today's call. At this time, all participants are in a listen-only mode. Later, we will conduct a question and answer session. Please note that this conference is being recorded.

I will now turn the call over to C.W. Mallon, Manager, Investor Relations. C.W., you may begin.

C.W. Mallon – Phillips 66 Partners – Manager, Investor Relations

Good afternoon and welcome to the Phillips 66 Partners Fourth Quarter Earnings Conference Call. With me today are Tim Taylor, President of Phillips 66 Partners; Kevin Mitchell, Vice President and CFO; Bob Herman, Senior Vice President, Operations; and Tom Liberti, Vice President and Chief Operating Officer. The presentation materials we'll be using during the call can be found on the Events section of the Phillips 66 Partners website along with supplemental financial and operating information. We'll have time for questions at the end of the presentation.

Slide 2 contains our Safe Harbor statement. It is a reminder that we will be making forward-looking statements during the presentation and the question and answer session. Actual results may differ materially from what we present today. Factors that could cause actual results to differ are included here as well as in our filings with the SEC.

With that, I'll turn the call over to Tim Taylor for some opening remarks.

Tim Taylor – Phillips 66 Partners – President and Chief Executive Officer

Thanks C.W., and good afternoon everyone. As you can see from the graph on Slide 3, Phillips 66 Partners continues to deliver strong quarter-over-quarter distribution growth while maintaining a solid coverage ratio. We're on track to achieve a 30% compound annual growth rate on distributions from fourth quarter 2013 through 2018. Growth in our distributions will continue to be supported by dropdown acquisitions from our Parent, Phillips 66, organic capital projects and strategic third-party acquisitions that benefit both the LP unitholders and the General Partner.

During the fourth quarter, we closed on the acquisition of a 40% interest in the Bayou Bridge pipeline project for $70 million, funded in equal parts with cash and equity issued to Phillips 66. We expect the first leg of this project, which extends from Nederland, Texas to Lake Charles, Louisiana, to be in service by the end of the first quarter.

We had a good fourth quarter as our revenues were largely shielded from low commodity prices. Adjusted EBITDA was up 19% and distributable cash flow was up 15%. This strong performance supported the recently declared fourth quarter distribution of $0.458 per unit. That's 7% higher than the third quarter and represents a 35% increase over the fourth quarter of 2014. Since the IPO, we have increased distributions at a compound annual growth rate of 41%. Coverage also increased in the fourth quarter to 1.44x while leverage decreased from just under 4x EBITDA to 3.8x. We're committed to

maintaining PSXP's investment grade credit rating as we grow, and we target long-term leverage of 3.5x EBITDA. We believe PSXP's financial strength and flexibility provides a competitive advantage in the current market environment.

The fourth quarter capped a year in which PSXP was able to deliver significant growth. In 2015, we increased Adjusted EBITDA by 89% and distributable cash flow by 78% over 2014. We accomplished this with over $1.1 billion of acquisitions and through the start-up of organic capital projects. We funded this growth by raising $1.5 billion in the capital markets.

As we look forward to 2016, we're committed to our EBITDA and distribution growth plans. We also expect that the equity and debt capital markets will be available to us for financing acquisitions.

Now, I'll turn the call over to Bob Herman to discuss our operations and organic growth projects.

Robert Herman – Phillips 66 Partners – Senior Vice President, Operations

Thanks Tim. Starting on Slide 4, total pipeline throughput volumes for the quarter excluding volumes from equity affiliates were 805,000 barrels per day, up 8% from the last quarter. This increase was primarily driven by higher volumes on the Gold Line Products System, Eagle Ford Gathering System and the Cross-Channel Connector.

Total terminal volume throughputs were 907,000 barrels per day, 7% lower than in the third quarter. The terminal volume decrease is mostly attributable to the Clifton Ridge Crude System as a result of lower refinery runs. Average pipeline revenue per barrel increased to $0.51 in the fourth quarter, up from $0.45 in the previous quarter, while average terminal revenue increased to $0.42 per barrel from $0.39 in the prior quarter. Both of these rates excluded equity affiliates.

Turning to Slide 5, we continue to make good progress on our organic growth projects. As Tim just mentioned, we closed on the acquisition of Phillips 66's 40% interest in the Bayou Bridge project, which will deliver crude oil from the Phillips 66 and Sunoco Logistics Partners' Terminals in Nederland, Texas to Lake Charles, Louisiana, and then on to St. James, Louisiana. Construction is underway on the 30-inch Nederland to Lake Charles segment of the pipeline, which is expected to begin commercial operations at the end of the first quarter of 2016. The leg from Lake Charles to St. James is scheduled to commence service in the second half of 2017. The pipeline project is part of a JV with Energy Transfer Partners and the operator, Sunoco Logistics Partners, each of them owning 30%.

Construction of the Palermo Rail Terminal in the Bakken was completed during the quarter on budget and on schedule. We started trucking deliveries and loaded the first rail cars in December. Once the Sacagawea Pipeline is complete, the terminal will also take deliveries via pipeline. The Sacagawea Pipeline should be in operation in the third quarter of 2016.

Going forward, as PSXP executes its growth plans, we expect the Partnership to continue to take on more and larger organic projects to supplement acquisitions from Phillips 66. Highlights of our 2016 capital budget of $314 million include completing the Sacagawea Pipeline, increasing capacity on the Sand Hills Pipeline and continued funding of the Bayou Bridge crude pipeline project.

Now I will turn the call over to Kevin Mitchell to provide a more detailed update on the financial results for the quarter.

Kevin Mitchell – Phillips 66 Partners –Vice President and Chief Financial Officer

Thanks Bob. Good afternoon, everyone. Beginning on Slide 6, fourth quarter revenues and other income was at $102.8 million, up $11.4 million from the third quarter. This increase was driven primarily by higher volumes on the Gold Line and a non-recurring make-whole payment from a joint venture.

Total costs and expenses were $38.2 million in the fourth quarter, down $0.8 million from the prior quarter, mainly driven by lower start-up costs for new projects.

The General Partner's Board recently declared a fourth quarter cash distribution of $0.458 per Limited Partner unit which will be payable on February 12.

This next slide shows our Adjusted EBITDA and distributable cash flow growth since the fourth quarter of 2014. Adjusted EBITDA increased 99% from the fourth quarter of 2014 to the fourth quarter of 2015. Over this same time period, distributable cash flow was also up 99%. We continue to deliver on our plans for a five-year 30% distribution compound annual growth rate for our unitholders through 2018.

Turning to Slide 8, Adjusted EBITDA for the fourth quarter was $87.1 million and distributable cash flow was $74 million. We had maintenance capital expenditures of $2.3 million during the quarter. Total cash distributions will be $51.4 million, resulting in a coverage ratio of 1.44x.

Slide 9 shows our financial position at the end of 2015. We ended the quarter with $48 million of cash and no outstanding borrowings under our $500 million revolving credit facility. Our debt to EBITDA ratio at the end of the quarter was 3.8x on a revolver covenant basis. Long term, we expect leverage to be at our targeted level of 3.5x as organic growth projects come online.

This concludes our prepared remarks. We will now open the line for questions.

Operator

Thank you. We will now begin the question answer session. If you have a question, please press star, then one on your touch-tone phone. If you wish to be removed from the queue, please press the pound key. If you are using a speaker phone, you may need to pick up the handset first before pressing the numbers. Once again, if you have a question, please press star, then one on your touch-tone phone.

Jeremy Tonet with JP Morgan is online with a question.

Jeremy Tonet – JP Morgan

Good afternoon.

Tim Taylor – Phillips 66 Partners – President and Chief Executive Officer

Hi Jeremy.

Jeremy Tonet – JP Morgan

Congratulations on the strong quarter there.

Robert Herman – Phillips 66 Partners – Senior Vice President, Operations

Thank you.

Jeremy Tonet – JP Morgan

I was just wondering if you guys could refresh your thoughts as far as with distribution growth and with coverage ratio, how you think about the balance there. I know you have the five-year target that's intact there but if I look at the excess coverage this quarter, if you annualize that that's about $100 million of retained cash flow there and that can lessen the need to access the capital markets. I was wondering if you could just kind of help us think through how those things balance off.

Tim Taylor – Phillips 66 Partners – President and Chief Executive Officer

Jeremy, at a high level, I think we still maintain our longer term target ratio, the 1.1; but clearly with the organic projects that we have, we like to execute those with that facility, and also, frankly, we just need to make sure that we can manage through any type of smaller bumps in the road or something to continue to make sure that we get great cash reserves as we execute the growth program.

Tom, do you have anything to add?

Tom Liberti – Phillips 66 Partners – Vice President and Chief Operating Officer

I think that's right. As our organic program continues to rise, you'll see different fluctuations in that coverage ratio over the quarters, Jeremy.

Jeremy Tonet – JP Morgan

Great. Thanks for that. Looking at organic growth opportunities, you guys have a bunch of attractive projects in front of you now but I'm just wondering with the commodity price environment as it is today and lower producer activity, and granted, you guys are more downstream in general, just wondering as far as your organic growth opportunities at the next layer of opportunities, have things changed a lot or how do you think about that these days?

Robert Herman – Phillips 66 Partners – Senior Vice President, Operations

So, Jeremy, I think the way we think about that is our attention is starting to focus more on projects at the sponsor current level that will build out either our existing transportation and terminal systems or are to help the flexibility around our refining assets. I think projects that are dependent on increased volumes from producers are less attractive right now and may have to change their place in our queue a little bit and we'll pull forward projects that don't necessarily depend on E&P type volumes.

Jeremy Tonet – JP Morgan

So, net-net is it fair to say even in this type of environment things haven't changed too much for you guys as far as what the dropdown pool could be and how that looks going forward?

Robert Herman – Phillips 66 Partners – Senior Vice President, Operations

No. I think if you look at it from our sponsor level, the $1.1 billion that we've talked about as being dropped down to PSXP by the end of 2018 is well intact. Those are the type of projects that either the EBITDA exists today already and is part of our droppable assets, or its projects that we are actively completing. Then I think in the longer run, in the 2018 and beyond, we really are starting to focus a lot on those projects that are buildouts of current systems.

Jeremy Tonet – JP Morgan

Great, thanks. One last one if I could. I think your balance sheet strength and liquidity position is really the envy of a lot of peers out there that have to scale back their growth projects desire or targets because they just don't have the balance sheet to support it. I'm wondering if this might present incremental opportunities to you guys who have stronger currency, stronger balance sheet, better leverage, better liquidity. Is that an incremental opportunity set for you guys in the current environment, or are you just happy with everything you have right now?

Tim Taylor – Phillips 66 Partners – President and Chief Executive Officer

Jeremy, I think when we just look across the opportunities it's really about what is the best value and accretion to the Partnership; and I think our balance sheet lets us look both at building as well as strategic acquisitions like we talked about. So, I think it's certainly something that we consider, but in the end it's really about what can we really do to drive the value and the growth at the Partnership level, and so we're open to a range of options. It's nice that we have the financial flexibility to take a look at all those things.

Robert Herman – Phillips 66 Partners – Senior Vice President, Operations

I think if you look at it, we're in the enviable position of having the balance sheet to go buy something; but we certainly don't feel pressured to have to go buy something with a rich backlog of projects that we can still execute.

Jeremy Tonet – JP Morgan

Great. That's it for me. Thank you.

Operator

Kristina Kazarian from Deutsche Bank is online with a question.

Kristina Kazarian - Deutsche Bank

Hey guys.

Tim Taylor – Phillips 66 Partners – President and Chief Executive Officer

Hello, Kristina.

Robert Herman – Phillips 66 Partners – Senior Vice President, Operations

Hi, Kristina.

Tom Liberti – Phillips 66 Partners – Vice President and Chief Operating Officer

Hi, Kristina.

Kristina Kazarian - Deutsche Bank

Nice job bringing the Frac 1 and the Caverns online. I've got a couple of quick clarification questions. First on the financing side, and I know Greg talked about this earlier on the call today too, but could give me just more specific numbers about funding expectations both on the equity and debt side, and maybe just talk to me a little bit about what you guys think the current debt capacity is? I know you mentioned in the slides the undrawn portion of the revolver, but just overall on both?

Robert Herman – Phillips 66 Partners – Senior Vice President, Operations

Yes. Kristina, I think as you heard Greg say earlier, we think the markets are open to us on both the equity and the debt side; and with a $300 million-ish run rate of EBITDA now with $1.1 billion to be down there by 2018, that kind of leads you to be able to do the math that we're in the $2 billion-ish range each year for drops and our debt to EBITDA today is 3.8. We said we'd target 3.5. It'll bounce around between 3.5 and 4 as we go, so that kind of starts drawing the math equation for you and we'll use both the debt and equity. If the market timing isn't right for us, I think the good thing about us is with the strong sponsorship of PSX into PSXP we can be a little flexible around timing and how we structure some of the drops.

Kristina Kazarian - Deutsche Bank

Okay. With Frac 1 and the Caverns coming online are these the likely next assets to be dropped? Given how big they are would I have to tranche those?

Tim Taylor – Phillips 66 Partners – President and Chief Executive Officer

Kristina, it's Tim. That's a PSX asset. It's part of that pool and so we don't get specifics and timing of that, but it's certainly part of that pool of Midstream EBITDA that we think ultimately is destined to be in the MLP.

Kristina Kazarian - Deutsche Bank

Okay. Then last one from me, can you guys, when we think about at the PSX level, just remind me what projects might move to FID in the first half? Then on the PSX side, what the organic cap ex number is for '16 and what projects I should be watching for and timing-wise there in '16 as well?

Robert Herman – Phillips 66 Partners – Senior Vice President, Operations

I think in 2016, right, really for us the focus this year is on finishing some of the projects we've gotten started. So, the LPG export terminal at the PSX level is about 60% complete. We would anticipate finishing that and starting that up in the second half of this year. We talked earlier about the Bayou Bridge. The first leg of that comes on here in the first quarter. We've got our DAPL ETCOP equity investments that we're making. Those projects are moving forward. We've got the Sacagawea pipeline—

we have pipeline up there that you should see us start executing soon. We're waiting on one permit from the Corp. of Engineers up there, and then you'll see steel go in the ground. We continue to work the engineering and the commercial sides of Frac 2 for the Sweeny Hub complex. I think you can expect us to try to bring that one to some kind of logical conclusion this year, and that really is around winding up the commercial contracts on the feed for that frac. We're confident about what we want to build and we're working the commercial side real hard right now. We will not build that frac without feed commercially contracted for it.

Tim Taylor – Phillips 66 Partners – President and Chief Executive Officer

Kristina, this is Tim. The other part that we're just continuing to see opportunities around is around our Beaumont asset, with storage and improvements in docks and delivery options, so a smaller scale, but those continue to come in a series of approvals as we really build out and expand around that system, which ultimately drives, we think, a lot of value for PSX on the Midstream level, as we connect really the Texas side on the crude to Louisiana export opportunities, so still have a lot of options developing around that system, as well, that's coming on this year.

Kristina Kazarian – Deutsche Bank

Sounds great. Thanks guys, and nice job on the assets again.

Tim Taylor – Phillips 66 Partners – President and Chief Executive Officer

Thank you.

Operator

Brian Zarahn from Barclays is on line with a question.

Brian Zarahn – Barclays

Good afternoon.

Tim Taylor – Phillips 66 Partners – President and Chief Executive Officer

Good afternoon, Brian.

Brian Zarahn – Barclays

In the quarter, refined product volumes were strong. How do you think about the sustainability of that level?

Tom Liberti – Phillips 66 Partners – Vice President and Chief Operating Officer

The real strength, Brian—this is Tom—was at the Gold Line, and we think the Gold Line will be fine. It probably won't be at that fourth quarter level, as there's a bit of seasonality in there, but it'll continue to operate at higher levels.

Brian Zarahn – Barclays

Okay, and then turning to crude terminals, you mentioned the decline was largely from Clifton Ridge. Any impact on rail, and understanding that those assets are contracted, but just curious how rail volumes were as part of that mix?

Tim Taylor – Phillips 66 Partners – President and Chief Executive Officer

On the rail side, just at the macro view, at an industry level, clearly the rail asset that we're building in the Bakken—primarily, the Bakken has cleared rail east and west, so those movements are still there, but as you might guess, with the arbs a lot narrower, less rail activity in the fourth quarter versus a year ago, but still a critical part of clearing Bakken production today to market. As pipe capacity comes on, it really is the interplay between takeaway capacity, where they go, and then how does rail fit. We look at it, and believe, our rail facilities are important in supplying Bayway and Ferndale at the PSX level, so that's a critical component, and it's a very efficient rail terminal with—it's going to be a very strong system that feeds into that. So, I think we look at it that way and believe that with the system that we have, and our refining network, that it's an asset that we still will use, but we'll use our own versus third parties.

Tom Liberti – Phillips 66 Partners – Vice President and Chief Operating Officer

Brian, you're exactly right. Clifton Ridge was down with some maintenance work at Lake Charles, so the volumes were down there. Eagle Ford was actually up, because in September, we added Phase 2, so it was at its capacity in the fourth quarter.

Brian Zarahn – Barclays

Then, on pipes, we're going to have in July, the first negative FERC escalator, I guess de-escalator, in many years. Any impact to your system and your contracts?

Tom Liberti – Phillips 66 Partners – Vice President and Chief Operating Officer

Yes, it'll actually have—it'll have a bit of impact. We have escalators, obviously, at the FERC-regulated lines, so there'll be a small impact in revenue.

Brian Zarahn - Barclays

Then, on Bayou Bridge, any change to your cost estimate and sizing of the pipes at St. James?

Tim Taylor – Phillips 66 Partners – President and Chief Executive Officer

No, we're on track there with the volumes committed to underwrite that leg of the pipe, and capital estimates for that project are right where they've been.

Brian Zarahn - Barclays

Okay, and the last one for me. I guess, upstream of Bayou Bridge, how do you view potential delays to startup of DAPL and ETCOP, either from weather or permitting issues?

Robert Herman – Phillips 66 Partners – Senior Vice President, Operations

No, I think our partner who's building that would say that they're right where they expected to be, from a permitting and right-of-way attainment, and surveying, all of those. There's really one significant part of the permitting left to go and that's in the state of Iowa. Those public hearings are done and now just waiting for the public commission process to kind of work its way through. So, I think we feel like we're right on track with that pipe.

Brian Zarahn - Barclays

Thank you.

Operator

Elvira Scotto from RBC Capital Markets is on line with a question.

Elvira Scotto – RBC Capital Markets

Hi, good afternoon, just a quick one for me. Can you maybe talk a little bit about the volumes on Sand Hills and Southern Hills, what you're seeing there, and then kind of the outlook going forward, you know, if we start to see production flow?

Tom Liberti – Phillips 66 Partners – Vice President and Chief Operating Officer

Yes, Elvira, it's Tom. Right now, the capacity on Southern and Sand is 425, as we've been ramping Sand up. Southern stayed at 175, and Sand is now up to 250, from a capacity standpoint. Those lines are running at about 70% or so in the fourth quarter, and they should be ramping even further. The outlook actually for Sand is to expand that to 350, and we've talked about that before, so that'll be coming over the next year or so. Sand ramp-up has been going, actually, quicker than planned. Southern is lagging a little bit, but should start catching up here in 2016.

Elvira Scotto – RBC Capital Markets

Okay, great, and then may adjust your bigger-picture views on the propane market, and then export capacity, export demand, you know, how big is this propane market globally? Are they going to be able to absorb your excess propane?

Tim Taylor – Phillips 66 Partners – President and Chief Executive Officer

Yes, you know, at the macro level, we're still very long propane in the US, and I think you see that reflected in inventories. We've had a milder winter, which hasn't helped that. But that said, regardless of that, we still have excess propane, it needs to leave the US and find markets in other parts of the world, and I think the markets are there. I think, when you step back, you have options, and as propane becomes available, and if it's priced right, it substitutes against naphtha or other kinds of heating fuels in the global markets. So, I think it's a pretty deep market, as long as logistics infrastructure on both the export side and the receiving side is there. We felt like the shipping capacity is coming along and starting to alleviate that bottleneck, and then we continue to see strong interest on the part of customers, and then I think that we've got that fundamental push, so to speak, out of North America.

Bob's actually been out talking around the globe with customers, so maybe he could talk a little bit about what he hears.

Robert Herman – Phillips 66 Partners – Senior Vice President, Operations

Yes, we were out late in the fourth quarter in both Asia and Europe and talked to several potential and probable customers out there, and I would say there's good interest by end users, some a little bit for domestic use, but primarily petchem users that see the world the same way we do, that the US is going to be the incremental propane producer in the world for them that want more propane, and quite a bit of

butane interest out there. We're actively working our commercial contracts to sell more propane and butane, primarily into the Far East. I think earlier last year, people were trying to figure out what that market was going to do, and we've seen a lot of interest from the customers now back wanting to talk to us.

Elvira Scotto – RBC Capital Markets

Great. Thank you.

Operator

Faisel Khan from Citigroup is on line with a question.

Ryan Levine – Citigroup

Hi, guys, this is Ryan Levine in for Faisel. Just a couple of add-ons, most of my questions have been asked and answered. In terms of the Eagle Ford volumes, you guys had some growth this past quarter. How are you seeing that going forward and what's your outlook there?

Tom Liberti – Phillips 66 Partners – Vice President and Chief Operating Officer

Yes, I think going forward, it should look the same in the first quarter as it was in the fourth quarter. We're pretty much at capacity. We've got a minor small million dollar capex spend still coming up in 2016; but it just basically gives more flexibility than it does add-on volume.

Ryan Levine - Citigroup

Okay, great. Then, there's the $5 million make-whole payment on a JV. What was that related to and what was the cause of that?

Kevin Mitchell – Phillips 66 Partners – Vice President and Chief Financial Officer

This is Kevin. Without getting too much into the detail of who and when and why, it's all tied to the recapitalization that took place at DCP, but I think the important point is it's a one-time payment, so you can treat that as such.

Ryan Levine – Citigroup

Okay. Then, in terms of the equity needs, you guys have expressed confidence around your ability to raise equity. How do you anticipate that being structured, or what flexibility do you have there? When you say "flexibility," are you talking about the sponsor taking back units, or a different call, or convertible features with the security?

Tim Taylor – Phillips 66 Partners – President and Chief Executive Officer

Yes, just looking at it, we would really focus on just equity, conventional equity, so to speak, with PSXP units, and then I think we have a range of options, but we do believe that the equity market to the public is open, and I think that's an important dimension of how we'd like to go to market with that.

Tom Liberti – Phillips 66 Partners – Vice President and Chief Operating Officer

And, you know, we've continually taken back units with all the acquisitions that we've made with PSX, so that's always an option open to us, and the size of that is always optional.

Ryan Levine – Citigroup

Okay, and then the last one for me. Given all that's going on in the market, do you believe that the pricing on drop-downs would be materially impacted, as you look to structure your next dropdown?

Robert Herman – Phillips 66 Partners – Senior Vice President, Operations

Well, I think you have to look at every asset individually and price it accordingly. Some of the sponsor assets that are being built today have got very long lives to them and a lot of growth opportunity from kind of nameplate project dynamics, so we look at all those. We've got a very active Conflicts Committee that works through what the valuation of those projects should be, so we treat everyone separately, but we still feel like we've got some really good quality EBITDA from the sponsor that could come down to the MLP level at good numbers.

Ryan Levine – Citigroup

Okay. Thank you.

Tom Liberti – Phillips 66 Partners – Vice President and Chief Operating Officer

I'd just add on to that, too, the type of asset is important. Newer assets with lower maintenance capex in the near term, mid-term, obviously are going to have a higher DCF than some more mature assets that require more maintenance capital, so those may be more valuable than others.

Operator

Again, if you have a question, please press star, then one on your touch-tone phone. Thank you.

Steve Sherowski from Goldman Sachs is on line with a question.

Steve Sherowski – Goldman Sachs

Hi, good afternoon. We heard several times this quarter from companies with more constrained balance sheets that they're willing to explore JV-ing projects. Is this something that you'd be interested in, or even perhaps increasing your ownership of existing JVs?

Tim Taylor – Phillips 66 Partners – President and Chief Executive Officer

Yes, I look across the space and I think about Explorer Pipeline, for instance, where we increased our stake in that. I look at joint venture projects we have today with DAPL ETCOP, Bayou Bridge. So, I think in the midstream and, you know, the energy world, JVs are a part of how you can do that. I think it's just a question of what's the right value, what's the right method, the timing, and the support in the project, but we're really open to a range of things in that.

Kevin Mitchell – Phillips 66 Partners – Vice President and Chief Financial Officer

But, I also think, Steve, just to build on your first point there, when you look at the projects we've got under construction, we're not out looking for JV partners. I don't have the need to go down that path. I think it's more, to Tim's point, around opportunistically, if there were some others came our way, then we might look at those.

Steve Sherowski – Goldman Sachs

Okay, thanks. Then, more broadly, on the M&A front, are you seeing seller expectations come down at all, and are there perhaps any common characteristics, just in terms of geography or commodity, of deals that you've been proposed?

Bob Herman – Phillips 66 Partners – Senior Vice President, Operations

Yes, I think there's no doubt that the buy-ask maybe is coming in a little bit for us. We look at a lot of things and we compare them to the big backlog of organic build we have. We're really interested, probably, in things that build on our current system or have a strategic fit around one of our refineries. I don't think you'll see us step back at the PSXP level into any new type businesses. We'll continue to be very active in that market and compare those to all the opportunities that we've got in our set.

Steve Sherowski – Goldman Sachs

Okay. Thank you.

Operator

Barrett Blaschke (phon) from MUFG Securities is on line with a question.

Barrett Blaschke – MUFG Securities

Hey, guys. Just kind of continuing on the M&A front a little bit, it seems like we're in a—we are in an unusual time and you guys seem to have an unusually strong hand, compared to some of the other MLPs out there. Do you see opportunities to consolidate any of the other players that maybe are having a rougher time and that could be a fit for your business?

Tim Taylor – Phillips 66 Partners – President and Chief Executive Officer

You know, just in general—I think Bob said it well—you always think about things that build on that system and to get a great portfolio of organic opportunities, and the bottom line, it just has to make sense on the accretion and valuation standpoint of how we go about that. So, there's just a whole range of options on the table, but we're focused on the execution of what we have, but being mindful of opportunities that come up. So, I think we're always looking, but it's going to have to be a disciplined approach to how we go about doing that.

Barrett Blaschke – MUFG Securities

Thank you.

Operator

There are no further questions at this time. I will turn the call back over to C.W.

C.W. Mallon – Phillips 66 Partners – Manager, Investor Relations

Thank you very much for participating in the call today. We appreciate your interest in Phillips 66 Partners. You'll be able to find a transcript of the call posted on our website shortly, and if you have any additional questions, please feel free to contact me. Thanks again.

Bob Herman – Phillips 66 Partners – Senior Vice President, Operations

Thank you.

Operator

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