DCP Midstream, LLC
Condensed Consolidated Financial Statements for the Three and Six Months Ended June 30, 2013 and 2012
(Unaudited)

DCP MIDSTREAM, LLC
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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DCP MIDSTREAM, LLC
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)
(millions)

	June 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9	$ 4
Accounts receivable:		
Customers, net of allowance for doubtful accounts of $2 million for both periods	859	886
Affiliates	159	172
Other	30	35
Inventories	51	105
Unrealized gains on derivative instruments	47	57
Assets held for sale	20	—
Other	38	30
Total current assets	1,213	1,289
Property, plant and equipment, net	7,981	7,331
Investments in unconsolidated affiliates	1,159	872
Intangible assets, net	323	336
Goodwill	722	723
Unrealized gains on derivative instruments	13	10
Other long-term assets	255	223
Total assets	$ 11,666	$ 10,784
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable:		
Trade	$ 1,286	$ 1,065
Affiliates	37	37
Other	51	51
Short-term borrowings	389	958
Current maturities of long-term debt	250	250
Unrealized losses on derivative instruments	54	65
Accrued taxes	62	32
Other	299	317
Total current liabilities	2,428	2,775
Deferred income taxes	92	92
Long-term debt	5,111	4,443
Unrealized losses on derivative instruments	8	11
Other long-term liabilities	145	146
Total liabilities	7,784	7,467
Commitments and contingent liabilities		
Equity:		
Members' interest	2,496	2,413
Accumulated other comprehensive loss	(7)	(9)
Total members' equity	2,489	2,404
Noncontrolling interest	1,393	913
Total equity	3,882	3,317
Total liabilities and equity	$ 11,666	$ 10,784

See Notes to Condensed Consolidated Financial Statements.

DCP MIDSTREAM, LLC
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(millions)

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Operating revenues:				
Sales of natural gas and petroleum products	$ 2,369	$ 1,682	$ 4,583	$ 3,783
Sales of natural gas and petroleum products to affiliates	344	431	683	1,062
Transportation, storage and processing	110	77	210	174
Trading and marketing gains, net	9	59	6	69
Total operating revenues	2,832	2,249	5,482	5,088
Operating costs and expenses:				
Purchases of natural gas and petroleum products	2,278	1,620	4,420	3,641
Purchases of natural gas and petroleum products from affiliates	51	135	101	399
Operating and maintenance	170	173	338	326
Depreciation and amortization	76	37	145	157
General and administrative	66	63	126	136
Total operating costs and expenses	2,641	2,028	5,130	4,659
Operating income	191	221	352	429
Earnings from unconsolidated affiliates	7	10	16	17
Interest expense, net	(52)	(47)	(102)	(103)
Income before income taxes	146	184	266	343
Income tax (expense) benefit	(4)	1	(4)	(3)
Net income	142	185	262	340
Net income attributable to noncontrolling interests	(64)	(53)	(93)	(64)
Net income attributable to members' interests	$ 78	$ 132	$ 169	$ 276

See Notes to Condensed Consolidated Financial Statements.

DCP MIDSTREAM, LLC
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)
(millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	**2012**	**2013**	**2012**
Net income	$ 142	$ 185	$ 262	$ 340
Other comprehensive income:				
Net unrealized losses on cash flow hedges	—	(1)	—	—
Reclassification of cash flow hedge losses into earnings	1	4	2	9
Total other comprehensive income	1	3	2	9
Total comprehensive income	143	188	264	349
Total comprehensive income attributable to noncontrolling interests	(65)	(55)	(93)	(71)
Total comprehensive income attributable to members' interests	$ 78	$ 133	$ 171	$ 278

See Notes to Condensed Consolidated Financial Statements.

DCP MIDSTREAM, LLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(millions)

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Cash flows from operating activities:		
Net income	$ 262	$ 340
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	145	157
Earnings from unconsolidated affiliates	(16)	(17)
Distributions from unconsolidated affiliates	22	19
Net unrealized (gains) losses on derivative instruments	(4)	10
Deferred income tax expense	—	1
Other, net	10	(7)
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	51	516
Inventories	54	(6)
Accounts payable	245	(670)
Other	(72)	(79)
Net cash provided by operating activities	697	264
Cash flows from investing activities:		
Capital expenditures	(791)	(1,021)
Acquisitions, net of cash acquired	—	(60)
Investments in unconsolidated affiliates	(293)	(45)
Net cash used in investing activities	(1,084)	(1,126)
Cash flows from financing activities:		
Payment of dividends and distributions to members	(186)	(299)
Proceeds from debt	1,629	1,258
Payment of debt	(960)	(807)
Proceeds from issuance of common units by DCP Partners, net of offering costs	563	248
(Repayment) borrowings of commercial paper, net	(569)	525
Distributions paid to noncontrolling interests	(74)	(50)
Payment of deferred financing costs	(11)	(15)
Net cash provided by financing activities	392	860
Net change in cash and cash equivalents	5	(2)
Cash and cash equivalents, beginning of period	4	9
Cash and cash equivalents, end of period	$ 9	$ 7

See Notes to Condensed Consolidated Financial Statements.

DCP MIDSTREAM**, LLC**
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(unaudited)
(millions)

	Members' Equity: Members' Interest	Members' Equity: Accumulated Other Comprehensive (Loss) Income	Noncontrolling Interest	Total Equity
Balance, January 1, 2013	$ 2,413	$ (9)	$ 913	$ 3,317
Net income	169	—	93	262
Other comprehensive income	—	2	—	2
Dividends and distributions	(186)	—	(74)	(260)
Issuance of common units by DCP Partners, net of offering costs	100	—	461	561
Balance, June 30, 2013	$ 2,496	$ (7)	$ 1,393	$ 3,882
Balance, January 1, 2012	$ 2,164	$ (12)	$ 537	$ 2,689
Net income	276	—	64	340
Other comprehensive income	—	2	7	9
Dividends and distributions	(254)	—	(50)	(304)
Issuance of common units by DCP Partners, net of offering costs	42	—	206	248
Balance, June 30, 2012	$ 2,228	$ (10)	$ 764	$ 2,982

See Notes to Condensed Consolidated Financial Statements.

1. Description of Business and Basis of Presentation

DCP Midstream, LLC, with its consolidated subsidiaries, or us, we, our, or the Company, is a joint venture owned 50% by Phillips 66 and its affiliates, or Phillips 66, and 50% by Spectra Energy Corp and its affiliates, or Spectra Energy. We operate in the midstream natural gas industry and are engaged in the business of gathering, compressing, treating, processing, transporting, storing and selling natural gas and producing, fractionating, transporting, storing and selling natural gas liquids, or NGLs, and condensate. Additionally, we generate revenues by trading and marketing natural gas and NGLs.

DCP Midstream Partners, LP, or DCP Partners, is a master limited partnership, of which we act as general partner. As of June 30, 2013 and December 31, 2012, we owned an approximate 25% and 27% limited partner interest, respectively. Additionally, as of June 30, 2013 and December 31, 2012, we owned an approximate 1% general partner interest in DCP Partners, for both periods, as well as incentive distribution rights that entitle us to receive an increasing share of available cash as pre-defined distribution targets are achieved. As the general partner of DCP Partners, we have responsibility for its operations. We exercise control over DCP Partners through our ownership and general partner interest and we account for it as a consolidated subsidiary. Transactions between us and DCP Partners have been identified in the condensed consolidated financial statements as transactions between affiliates.

We are governed by a five member board of directors, consisting of two voting members from each of Phillips 66 and Spectra Energy and our Chief Executive Officer, a non-voting member. All decisions requiring the approval of our board of directors are made by simple majority vote of the board, but must include at least one vote from both a Phillips 66 and Spectra Energy board member. In the event the board cannot reach a majority decision, the decision is appealed to the Chief Executive Officers of both Phillips 66 and Spectra Energy.

These condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, that are, in the opinion of management, necessary to present fairly the financial position and results of operations for the respective interim periods. Certain information and notes normally included in our annual financial statements prepared in accordance with generally accepted accounting principles, or GAAP, have been condensed in or omitted from these interim financial statements pursuant to such rules and regulations, although we believe that the disclosures made are adequate to make the information not misleading. Results of operations for the three and six months ended June 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013. These unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2012.

The condensed consolidated financial statements have been prepared in accordance with GAAP. Conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and notes. Although these estimates are based on management’s best available knowledge of current and expected future events, actual results could differ from those estimates. These condensed consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries where we have the ability to exercise control and undivided interests in jointly owned assets. We also consolidate DCP Partners, which we control as the general partner and where the limited partners do not have substantive kick-out or participating rights. Investments in greater than 20% owned affiliates that are not variable interest entities and where we do not have the ability to exercise control, and investments in less than 20% owned affiliates where we have the ability to exercise significant influence, are accounted for using the equity method. Intercompany balances and transactions have been eliminated.

Certain amounts in the prior year’s condensed consolidated financial statements have been reclassified to the current year presentation.

2. Agreements and Transactions with Related Parties and Affiliates

Dividends and Distributions

No tax distributions were paid during the six months ended June 30, 2013. During the six months ended June 30, 2012, we paid tax distributions of $138 million, based on estimated annual taxable income allocated to Phillips 66 and Spectra Energy according to their respective ownership percentages at the date the distributions became due. During the six months ended June 30, 2013 and 2012, we declared and paid dividends of $186 million and $161 million, respectively, to Phillips 66 and Spectra Energy, allocated in accordance with their respective ownership percentages. During the six months ended June 30, 2013 and 2012, DCP Partners paid distributions of $71 million and $47 million, respectively, to its public common unitholders.

DCP Sand Hills Pipeline, LLC and DCP Southern Hills Pipeline, LLC

During the fourth quarter of 2012, we completed the sale of a one-third interest in DCP Sand Hills Pipeline, LLC, or Sand Hills, and DCP Southern Hills Pipeline, LLC, or Southern Hills, to both Phillips 66 and Spectra Energy, for aggregate consideration of approximately $919 million. The proceeds from this transaction were used to repay borrowings under our term loan and for general corporate purposes. As a result of this transaction, we, Phillips 66 and Spectra Energy each own a one-third interest in the two pipeline projects.

Phillips 66 and CPChem

Long-Term NGL Purchases Contract and Transactions — We sell a portion of our NGLs to Phillips 66 and Chevron Phillips Chemical LLC, or CPChem. In addition, we purchase NGLs from CPChem. Approximately 40% of our NGL production is committed to Phillips 66 and CPChem under an existing 15-year contract, which expires in 2015. Should the contract not be renegotiated or renewed, it provides for a five year ratable wind-down period through 2020. The NGL contract also grants Phillips 66 the right to purchase at index-based prices certain quantities of NGLs produced at processing plants that are acquired and/or constructed by us in the future in various counties in the Mid-Continent and Permian Basin regions, and the Austin Chalk area. We anticipate continuing to purchase and sell commodities with Phillips 66 and CPChem in the ordinary course of business.

Spectra Energy

Commodity Transactions — We sell a portion of our residue gas and NGLs to, purchase natural gas and other petroleum products from, and provide gathering, transportation and other services to Spectra Energy. Management anticipates continuing to purchase and sell commodities and provide services to Spectra Energy in the ordinary course of business.

DCP Partners

On March 28, 2013, we contributed an additional 46.67% interest in DCP SC Texas GP, or the Eagle Ford system, and an $87 million fixed price commodity derivative hedge for a three-year period to DCP Partners for aggregate consideration of $626 million, plus customary working capital and other purchase price adjustments. DCP Partners financed $490 million of the consideration with the net proceeds from DCP Partners' 3.875% 10-year Senior Notes offering, $125 million was financed by the issuance at closing of an aggregate 2,789,739 of DCP Partners' common units to us and the remaining $11 million was paid with DCP Partners' cash on hand. DCP Partners also reimbursed us $50 million for 46.67% of the capital spent to date by the Eagle Ford system for the construction of the Goliad plant, plus an incremental payment of $23 million as reimbursement for 46.67% of preformation capital expenditures. As a result of this transaction, DCP Partners owns 80% of the Eagle Ford system, and we will continue to consolidate the Eagle Ford system through our ownership and general partner interest in DCP Partners.

Transactions with other unconsolidated affiliates

We sell a portion of our residue gas and NGLs to, purchase natural gas and other petroleum products from, and provide gathering and transportation services to, unconsolidated affiliates. We anticipate continuing to purchase and sell commodities and provide services to unconsolidated affiliates in the ordinary course of business.

The following table summarizes our transactions with related parties and affiliates:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(millions)			
Phillips 66 (a):				
Sales of natural gas and petroleum products to affiliates	$ 330	$ 246	$ 656	$ 246
Transportation, storage and processing	$ 1	$ —	$ 1	$ —
Purchases of natural gas and petroleum products from affiliates	$ 5	$ 14	$ 5	$ 14
Operating and general and administrative expenses	$ —	$ 1	$ 1	$ 1
ConocoPhillips (a):				
Sales of natural gas and petroleum products to affiliates	$ —	$ 170	$ —	$ 788
Transportation, storage and processing	$ —	$ —	$ —	$ 5
Purchases of natural gas and petroleum products from affiliates	$ —	$ 41	$ —	$ 179
Operating and general and administrative expenses	$ —	$ (2)	$ —	$ (1)
Spectra Energy:				
Purchases of natural gas and petroleum products from affiliates	$ 11	$ 50	$ 34	$ 144
Operating and general and administrative expenses	$ 2	$ 2	$ 4	$ 6
Unconsolidated affiliates:				
Sales of natural gas and petroleum products to affiliates	$ 14	$ 15	$ 27	$ 28
Transportation, storage and processing	$ 2	$ 5	$ 5	$ 10
Purchases of natural gas and petroleum products from affiliates	$ 35	$ 30	$ 62	$ 62

(a) In connection with the Phillips 66 separation, ConocoPhillips is not considered a related party for periods after April 30, 2012 and Phillips 66 is considered a related party for periods starting May 1, 2012.

We had balances with related parties and affiliates as follows:

	June 30, 2013	December 31, 2012
	(millions)	
Phillips 66:		
Accounts receivable	$ 141	$ 152
Accounts payable	$ (16)	$ (14)
Other assets	$ 3	$ 2
Spectra Energy:		
Accounts payable	$ (1)	$ (6)
Other assets	$ 4	$ 1
Unconsolidated affiliates:		
Accounts receivable	$ 18	$ 20
Accounts payable	$ (20)	$ (17)

3. Inventories

Inventories were as follows:

	June 30, 2013	December 31, 2012
	(millions)	
Natural gas	$ 23	$ 23
NGLs	28	82
Total inventories	$ 51	$ 105

4. Property, Plant and Equipment

Property, plant and equipment by classification were as follows:

	Depreciable Life	June 30, 2013	December 31, 2012
		(millions)	
Gathering and transmission systems	20 - 50 years	$ 7,171	$ 6,919
Processing, storage and terminal facilities	35 - 60 years	3,317	3,035
Other	3 - 30 years	326	310
Construction work in progress		1,681	1,494
Property, plant and equipment		12,495	11,758
Accumulated depreciation		(4,514)	(4,427)
Property, plant and equipment, net		$ 7,981	$ 7,331

Interest capitalized on construction projects for the three and six months ended June 30, 2013 was $15 million and $27 million, respectively. Interest capitalized on construction projects for the three and six months ended June 30, 2012 was $21 million and $35 million, respectively.

Depreciation expense for the three and six months ended June 30, 2013 was $70 million and $132 million, respectively. Depreciation expense for the three and six months ended June 30, 2012 was $30 million and $143 million, respectively.

We revised the depreciable lives for our gathering and transmission systems, processing, storage and terminal facilities, and other assets, effective April 1, 2012. The key contributing factors to the change in depreciable lives was an increase in the producers' estimated remaining economically recoverable reserves, resulting from the widespread application of techniques, such as hydraulic fracturing and horizontal drilling, that improve commodity production in the regions our assets serve. Advances in extraction processes, along with improved technology used to locate commodity reserves, is giving producers greater access to unconventional commodities. Based on our property, plant and equipment as of April 1, 2012, the new remaining depreciable lives resulted in an approximate $60 million reduction in depreciation expense for each of the three and six months ended June 30, 2012.

Asset Retirement Obligations — As of June 30, 2013 and December 31, 2012, we had $93 million and $91 million, respectively, of asset retirement obligations, or AROs, in other long-term liabilities in the condensed consolidated balance sheets. During the first quarter of 2012, we recorded a change in estimate to increase our AROs by approximately $12 million. The change in estimate was primarily attributable to a reassessment of anticipated timing of settlements and of the original ARO estimated amounts. For the three and six months ended June 30, 2013, accretion expense was $2 million and less than $1 million, respectively. For the three months ended June 30, 2012, accretion expense was $1 million and for the six months ended June 30, 2012, accretion benefit was $1 million. Accretion expense is recorded within operating and maintenance expense in our condensed consolidated statements of operations.

The following table summarizes changes in the asset retirement obligations, included in our balance sheets:

	June 30, 2013	December 31, 2012
	(millions)	
Balance, beginning of period	$ 91	$ 73
Accretion expense	—	3
Liabilities incurred	2	15
Balance, end of period	$ 93	$ 91

5. Investments in Unconsolidated Affiliates

We had investments in the following unconsolidated affiliates accounted for using the equity method:

	Percentage Ownership	June 30, 2013	December 31, 2012
		(millions)	
DCP Sand Hills Pipeline, LLC	33.33%	$ 365	$ 263
DCP Southern Hills Pipeline, LLC	33.33%	312	253
Discovery Producer Services, LLC	40.00%	261	222
Texas Express Pipeline Joint Venture	10.00%	80	41
Front Range Pipeline Joint Venture	33.33%	68	24
Main Pass Oil Gathering Company	66.67%	24	24
Mont Belvieu Enterprise Fractionator	12.50%	21	18
Mont Belvieu I Fractionation Facility	20.00%	16	15
Other unconsolidated affiliates	Various	12	12
Total investments in unconsolidated affiliates		$ 1,159	$ 872

There was an excess of the carrying amount of the investment over the underlying equity of DCP Sand Hills Pipeline, LLC, or Sand Hills, of $10 million and $2 million as of June 30, 2013 and December 31, 2012, respectively, which is associated with interest capitalized during the construction of the Sand Hills pipeline. The Sand Hills pipeline was placed into service in the second quarter of 2013, and the excess carrying amount is being amortized over the life of the underlying long-lived assets of Sand Hills.

There was an excess of the carrying amount of the investment over the underlying equity of DCP Southern Hills Pipeline, LLC, or Southern Hills, of $8 million and $2 million as of June 30, 2013 and December 31, 2012, respectively, which is associated with interest capitalized during the construction of the Southern Hills pipeline. The Southern Hills pipeline was placed into service in the second quarter of 2013, and the excess carrying amount is being amortized over the life of the underlying long-lived assets of Sand Hills.

During the six months ended June 30, 2013, we invested an additional $148 million for our one-third interest in Sand Hills and Southern Hills, combined, to fund continued construction on the pipelines.

There was a deficit between the carrying amount of the investment and the underlying equity of Discovery Producer Services, LLC, or Discovery, of $29 million and $30 million as of June 30, 2013 and December 31, 2012, respectively, which is associated with, and is being amortized over the life of, the underlying long-lived assets of Discovery.

There was an excess of the carrying amount of the investment over the underlying equity of Main Pass Oil Gathering Company, or Main Pass, of $7 million at both June 30, 2013 and December 31, 2012, which is associated with, and is being amortized over the life of, the underlying long-lived assets of Main Pass.

There was a deficit between the carrying amount of the investment and the underlying equity of Mont Belvieu I Fractionation Facility, or Mont Belvieu I, of $5 million at both June 30, 2013 and December 31, 2012, which is associated with, and is being amortized over the life of, the underlying long-lived assets of Mont Belvieu I.

Earnings (loss) from unconsolidated affiliates amounted to the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(millions)			
Discovery	$ 1	$ 2	$ 2	$ 8
Sand Hills	(1)	—	(1)	—
Enterprise Fractionator	3	6	7	6
Mont Belvieu	4	2	8	3
Total earnings from unconsolidated affiliates	$ 7	$ 10	$ 16	$ 17

The following tables summarize the combined financial information of unconsolidated affiliates. The amounts included for the six months ended June 30, 2013 include corrected operating revenues, operating expenses and net income for the three months ended March 31, 2013 of $114 million, $77 million and $37 million, respectively. This change has no impact to our earnings from unconsolidated affiliates in our condensed consolidated financial statements.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(millions)			
Income statement:				
Operating revenues	$ 136	$ 96	$ 257	$ 216
Operating expenses	$ 86	$ 62	$ 165	$ 125
Net income	$ 50	$ 33	$ 91	$ 90

	June 30, 2013	December 31, 2012
	(millions)	
Balance sheet:		
Current assets	$ 240	$ 165
Long-term assets	3,953	3,037
Current liabilities	(230)	(194)
Long-term liabilities	(68)	(67)
Net assets	$ 3,895	$ 2,941

6. Fair Value Measurement

Determination of Fair Value

Below is a general description of our valuation methodologies for derivative financial assets and liabilities, which are measured at fair value. Fair values are generally based upon quoted market prices or prices obtained through external sources, where available. If listed market prices or quotes are not available, we determine fair value based upon a market quote, adjusted by other market-based or independently sourced market data such as historical commodity volatilities, crude oil future yield curves, and/or counterparty specific considerations. These adjustments result in a fair value for each asset or liability under an “exit price” methodology, in line with how we believe a marketplace participant would value that asset or liability. Fair values are adjusted to reflect the credit risk inherent in the transaction as well as the potential impact of liquidating open positions in an orderly manner over a reasonable time period under current conditions. These adjustments may include amounts to reflect counterparty credit quality, the effect of our own creditworthiness, the time value of money and/or the liquidity of the market.

- Counterparty credit valuation adjustments are necessary when the market price of an instrument is not indicative of the fair value as a result of the credit quality of the counterparty. Generally, market quotes assume that all counterparties have near zero, or low, default rates and have equal credit quality. Therefore, an adjustment may be necessary to reflect the credit quality of a specific counterparty to determine the fair value of the instrument. We record counterparty credit valuation adjustments on all derivatives that are in a net asset position as of the measurement date in accordance with our established counterparty credit policy, which takes into account any collateral margin that a counterparty may have posted with us as well as any letters of credit that they have provided.

- Entity valuation adjustments are necessary to reflect the effect of our own credit quality on the fair value of our net liability position with each counterparty. This adjustment takes into account any credit enhancements, such as collateral margin we may have posted with a counterparty, as well as any letters of credit that we have provided. The methodology to determine this adjustment is consistent with how we evaluate counterparty credit risk, taking into account our own credit rating, current credit spreads, as well as any change in such spreads since the last measurement date.

- Liquidity valuation adjustments are necessary when we are not able to observe a recent market price for financial instruments that trade in less active markets for the fair value to reflect the cost of exiting the position. Exchange traded contracts are valued at market value without making any additional valuation adjustments and, therefore, no liquidity reserve is applied. For contracts other than exchange traded instruments, we mark our positions to the midpoint of the bid/ask spread, and record a liquidity reserve based upon our total net position. We believe that such practice results in the most reliable fair value measurement as viewed by a market participant.

We manage our derivative instruments on a portfolio basis and the valuation adjustments described above are calculated on this basis. We believe that the portfolio level approach represents the highest and best use for these assets as there are benefits inherent in naturally offsetting positions within the portfolio at any given time, and this approach is consistent with how a market participant would view and value the assets and liabilities. Although we take a portfolio approach to managing these assets/liabilities, in order to reflect the fair value of any one individual contract within the portfolio, we allocate all valuation adjustments down to the contract level, to the extent deemed necessary, based upon either the notional contract volume, or the contract value, whichever is more applicable.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While we believe that our valuation methods are appropriate and consistent with other market participants, we recognize that the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. We review our fair value policies on a regular basis taking into consideration changes in the marketplace and, if necessary, will adjust our policies accordingly. See Note 8, Risk Management and Hedging Activities, Credit Risk and Financial Instruments.

Valuation Hierarchy

Our fair value measurements are grouped into a three-level valuation hierarchy. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 — inputs are unadjusted quoted prices for *identical* assets or liabilities in active markets.

- Level 2 — inputs include quoted prices for *similar* assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

- Level 3 — inputs are unobservable and considered significant to the fair value measurement.

A financial instrument's categorization within the hierarchy is based upon the input that requires the highest degree of judgment in the determination of the instrument's fair value. Following is a description of the valuation methodologies used as well as the general classification of such instruments pursuant to the hierarchy.

Commodity Derivative Assets and Liabilities

We enter into a variety of derivative financial instruments, which may include exchange traded instruments (such as New York Mercantile Exchange, or NYMEX, crude oil or natural gas futures) or over-the-counter, or OTC, instruments (such as natural gas contracts, costless collars, crude oil or NGL swaps). The exchange traded instruments are generally executed on the NYMEX exchange with a highly rated broker dealer serving as the clearinghouse for individual transactions.

Our activities expose us to varying degrees of commodity price risk. To mitigate a portion of this risk, and to manage commodity price risk related primarily to owned natural gas storage and pipeline assets, we engage in natural gas asset based trading and marketing, and we may enter into natural gas and crude oil derivatives to lock in a specific margin when market conditions are favorable. A portion of this may be accomplished through the use of exchange traded derivative contracts. Such instruments are generally classified as Level 1 since the value is equal to the quoted market price of the exchange traded instrument as of our balance sheet date, and no adjustments are required. Depending upon market conditions and our strategy we may enter into exchange traded derivative positions with a significant time horizon to maturity. Although such instruments are exchange traded, market prices may only be readily observable for a portion of the duration of the instrument. In order to calculate the fair value of these instruments, readily observable market information is utilized to the extent it is available; however, in the event that readily observable market data is not available, we may interpolate or extrapolate based upon observable data. In instances where we utilize an interpolated or extrapolated value, and it is considered significant to the valuation of the contract as a whole, we would classify the instrument within Level 3.

We also engage in the business of trading energy related products and services, which expose us to market variables and commodity price risk. We may enter into physical contracts or financial instruments with the objective of realizing a positive margin from the purchase and sale of these commodity-based instruments. We may enter into derivative instruments for NGLs or other energy related products, primarily using the OTC derivative instrument markets, which are not as active and liquid as exchange traded instruments. Market quotes for such contracts may only be available for short dated positions (up to six months), and an active market itself may not exist beyond such time horizon. Contracts entered into with a relatively short time horizon for which prices are readily observable in the OTC market are generally classified within Level 2. Contracts with a longer time horizon, for which we internally generate a forward curve to value such instruments, are generally classified within Level 3. The internally generated curve may utilize a variety of assumptions including, but not limited to, historical and future expected relationship of NGL prices to crude oil prices, the knowledge of expected supply sources coming on line, expected weather trends within certain regions of the United States, and the future expected demand for NGLs.

Each instrument is assigned to a level within the hierarchy at the end of each financial quarter depending upon the extent to which the valuation inputs are observable. Generally, an instrument will move toward a level within the hierarchy that requires a lower degree of judgment as the time to maturity approaches, and as the markets in which the asset trades will likely become more liquid and prices more readily available in the market, thus reducing the need to rely upon our internally developed assumptions. However, the level of a given instrument may change, in either direction, depending upon market conditions and the availability of market observable data.

Interest Rate Derivative Assets and Liabilities

DCP Partners uses interest rate swap agreements as part of its overall capital strategy. These instruments effectively exchange a portion of DCP Partners' existing floating rate debt for fixed-rate debt. DCP Partners' swaps are generally priced based upon a London Interbank Offered Rate, or LIBOR, instrument with similar duration, adjusted by the credit spread between DCP Partners and the LIBOR instrument. Given that a portion of the swap value is derived from the credit spread, which may be observed by comparing similar assets in the market, these instruments are classified within Level 2. Default risk on either side of the swap transaction is also considered in the valuation. DCP Partners records counterparty credit and entity valuation adjustments in the valuation of its interest rate swaps; however, these reserves are not considered to be a significant input to the overall valuation.

Long-Term Assets

We offer certain eligible executives the opportunity to participate in DCP Midstream LP's Non-Qualified Executive Deferred Compensation plan, and have elected to fund a portion of this participation by investing in company owned life insurance policies. These investments are reflected within our condensed consolidated balance sheets as long-term assets and are considered financial instruments that are recorded at fair value, with any changes in fair value being recorded as a gain or loss in the condensed consolidated statements of operations. Given that the value of these life insurance policies is determined based upon certain publicly traded mutual funds whose value is readily observable in the marketplace, these investments are classified within Level 2.

Nonfinancial Assets and Liabilities

We utilize fair value to perform impairment tests as required on our property, plant and equipment; goodwill; and intangible assets. Assets and liabilities acquired in business combinations are recorded at their fair value as of the date of acquisition. The inputs used to determine such fair value are primarily based upon internally developed cash flow models and would generally be classified within Level 3, in the event that we were required to measure and record such assets at fair value within our condensed consolidated financial statements. Additionally, we use fair value to determine the inception value of our asset retirement obligations. The inputs used to determine such fair value are primarily based upon costs incurred historically for similar work, as well as estimates from independent third parties for costs that would be incurred to restore leased property to the contractually stipulated condition, and would generally be classified within Level 3.

The following table presents the financial instruments carried at fair value, by condensed consolidated balance sheet caption and by valuation hierarchy, as described above:

	June 30, 2013				December 31, 2012			
	Level 1	Level 2	Level 3	Total Carrying Value	Level 1	Level 2	Level 3	Total Carrying Value
	(millions)							
Current assets (a):								
Commodity derivatives	$ 17	$ 21	$ 9	$ 47	$ 18	$ 23	$ 16	$ 57
Long-term assets:								
Commodity derivatives (b)	$ 3	$ 7	$ 3	$ 13	$ 2	$ 5	$ 3	$ 10
Company owned life insurance (c)	$ —	$ 29	$ —	$ 29	$ —	$ 23	$ —	$ 23
Current liabilities (d):								
Commodity derivatives	$ (14)	$ (31)	$ (5)	$ (50)	$ (13)	$ (34)	$ (14)	$ (61)
Interest rate derivatives	$ —	$ (4)	$ —	$ (4)	$ —	$ (4)	$ —	$ (4)
Long-term liabilities (e):								
Commodity derivatives	$ (4)	$ (3)	$ (1)	$ (8)	$ (3)	$ (6)	$ —	$ (9)
Interest rate derivatives	$ —	$ —	$ —	$ —	$ —	$ (2)	$ —	$ (2)

(a) Included in current unrealized gains on derivative instruments in our condensed consolidated balance sheets.
(b) Included in long-term unrealized gains on derivative instruments in our condensed consolidated balance sheets.
(c) Included in other long-term assets in our condensed consolidated balance sheets.
(d) Included in current unrealized losses on derivative instruments in our condensed consolidated balance sheets.
(e) Included in long-term unrealized losses on derivative instruments in our condensed consolidated balance sheets.

Changes in Levels 1 and 2 Fair Value Measurements

The determination to classify a financial instrument within Level 1 or Level 2 is based upon the availability of quoted prices for identical or similar assets and liabilities in active markets. Depending upon the information readily observable in the market, and/or the use of identical or similar quoted prices, which are significant to the overall valuation, the classification of any individual financial instrument may differ from one measurement date to the next. To qualify as a transfer, the asset or liability must have existed in the previous reporting period and moved into a different level during the current period. Amounts transferred in and out of Level 1 and Level 2 are reflected at fair value as of the end of the period. During the three and six months ended June 30, 2013, there were no transfers between Level 1 and Level 2 of the fair value hierarchy. During the three and six months ended June 30, 2012, we had the following transfers from Level 1 and Level 2 of the fair value hierarchy:

	Transfers from Level 2 to Level 1	
	Three Months Ended June 30, 2012	Six Months Ended June 30, 2012
Current assets (a)	$ —	$ —
Long-term assets (a)	$ 2	$ 2
Current liabilities (a)	$ —	$ —
Long-term liabilities (a)	$ (3)	$ (1)

(a) Financial instruments have moved into a lower level due to the passage of time.

Changes in Level 3 Fair Value Measurements

The tables below illustrate a rollforward of the amounts included in our condensed consolidated balance sheets for derivative financial instruments that we have classified within Level 3. The determination to classify a financial instrument within Level 3 is based upon the significance of the unobservable factors used in determining the overall fair value of the instrument. Since financial instruments classified as Level 3 typically include a combination of observable components (that is, components that are actively quoted and can be validated to external sources) and unobservable components, the gains and losses in the table below may include changes in fair value due in part to observable market factors, or changes to our assumptions on the unobservable components. Depending upon the information readily observable in the market, and/or the use of unobservable inputs, which are significant to the overall valuation, the classification of any individual financial instrument may differ from one measurement date to the next. The significant unobservable inputs used in determining fair value include adjustments by other market-based or independently sourced market data such as historical commodity volatilities, crude oil future yield curves, and/or counterparty specific considerations. In the event that there is a movement to/from the classification of an instrument as Level 3, we have reflected such items in the table below within the “Transfers into Level 3” and “Transfers out of Level 3” captions.

We manage our overall risk at the portfolio level, and in the execution of our strategy, we may use a combination of financial instruments, which may be classified within any level. Since Level 1 and Level 2 risk management instruments are not included in the rollforwards below, the gains or losses in the tables do not reflect the effect of our total risk management activities.

	Commodity Derivative Instruments			
	Current Assets	Long-Term Assets	Current Liabilities	Long-Term Liabilities
	(millions)			
Three Months Ended June 30, 2013 (a):				
Beginning balance	$ 16	$ 3	$ (10)	$ —
Net realized and unrealized gains (losses) included in earnings (b)	1	—	—	(1)
Transfers into Level 3 (c)	—	—	—	—
Transfers out of Level 3 (c)	(3)	—	4	—
Settlements	(5)	—	1	—
Ending balance	$ 9	$ 3	$ (5)	$ (1)
Net unrealized gains (losses) still held included in earnings (b)	$ 2	$ —	$ (3)	$ (1)
Three Months Ended June 30, 2012 (a):				
Beginning balance	$ 24	$ 5	$ (14)	$ —
Net realized and unrealized gains (losses) included in earnings (b)	65	—	(54)	(4)
Transfers into Level 3 (c)	—	—	—	—
Transfers out of Level 3 (c)	(25)	—	10	—
Settlements	(18)	—	2	—
Ending balance	$ 46	$ 5	$ (56)	$ (4)
Net unrealized gains (losses) still held included in earnings (b)	$ 39	$ —	$ (45)	$ (4)
Six Months Ended June 30, 2013 (a):				
Beginning balance	$ 16	$ 3	$ (14)	$ —
Net realized and unrealized gains (losses) included in earnings (b)	1	—	—	(1)
Transfers into Level 3 (c)	—	—	—	—
Transfers out of Level 3 (c)	(2)	—	4	—
Settlements	(6)	—	5	—
Ending balance	$ 9	$ 3	$ (5)	$ (1)
Net unrealized gains (losses) still held included in earnings (b)	$ 6	$ —	$ (4)	$ (1)
Six Months Ended June 30, 2012 (a):				
Beginning balance	$ 23	$ 5	$ (8)	$ (1)
Net realized and unrealized gains (losses) included in earnings (b)	43	—	(56)	(3)
Transfers into Level 3 (c)	—	—	—	—
Transfers out of Level 3 (c)	(9)	—	9	—
Settlements	(11)	—	(1)	—
Ending balance	$ 46	$ 5	$ (56)	$ (4)
Net unrealized gains (losses) still held included in earnings (b)	$ 42	$ —	$ (54)	$ (3)

(a) There were no purchases, issuances and sales of derivatives for the three and six months ended June 30, 2013 and 2012.
(b) Represents the amount of total gains or losses for the period, included in trading and marketing gains, net, attributable to changes in unrealized gains or losses relating to assets and liabilities classified as Level 3.
(c) Amounts transferred in and amounts transferred out are reflected at fair value as of the end of the period.

Quantitative Information and Fair Value Sensitivities Related to Level 3 Unobservable Inputs

We utilize the market approach to measure the fair value of our commodity contracts. The significant unobservable inputs used in this approach are longer dated price quotes. Our sensitivity to these longer dated forward curve prices are presented in the table below. Significant changes in any of those inputs in isolation would result in significantly different fair value measurements, depending on our short or long position in these contracts.

Product Group	Fair Value (millions)	Forward Curve Range	
Assets:			
NGLs	$ 11	$0.18 – $1.97	Per gallon
Natural Gas	1	$3.58 – $3.93	Per MMBtu (a)
Total assets	$ 12		
Liabilities:			
NGLs	$ (5)	$0.18 – $1.97	Per gallon
Natural gas	(1)	$3.80 – $4.32	Per MMBtu
Total liabilities	$ (6)		

(a) MMBtu represents one million British thermal units.

Estimated Fair Value of Financial Instruments

Valuation of a contract's fair value is validated by an internal group independent of the marketing group. While common industry practices are used to develop valuation techniques, changes in pricing methodologies or the underlying assumptions could result in significantly different fair values and income recognition. When available, quoted market prices or prices obtained through external sources are used to determine a contract's fair value. For contracts with a delivery location or duration for which quoted market prices are not available, fair value is determined based on pricing models developed primarily from historical and expected relationship with quoted market prices.

Values are adjusted to reflect the credit risk inherent in the transaction as well as the potential impact of liquidating open positions in an orderly manner over a reasonable time period under current conditions. Changes in market prices and management estimates directly affect the estimated fair value of these contracts. Accordingly, it is reasonably possible that such estimates may change in the near term.

The fair value of our interest rate swaps and commodity non-trading derivatives is based on prices supported by quoted market prices and other external sources and prices based on models and other valuation methods. The "prices supported by quoted market prices and other external sources" category includes our interest rate swaps, our NGL and crude oil swaps, and our NYMEX positions in natural gas. In addition, this category includes our forward positions in natural gas for which our forward price curves are obtained from a third-party pricing service and then validated through an internal process which includes the use of independent broker quotes. This category also includes our forward positions in NGLs at points for which over-the-counter, or OTC, broker quotes for similar assets or liabilities are available for the full term of the instrument. This category also includes "strip" transactions whose pricing inputs are directly or indirectly observable from external sources and then modeled to daily or monthly prices as appropriate. The "prices based on models and other valuation methods" category includes the value of transactions for which inputs to the fair value of the instrument are unobservable in the marketplace and are considered significant to the overall fair value of the instrument. The fair value of these instruments may be based upon an internally developed price curve, which was constructed as a result of the long dated nature of the transaction or the illiquidity of the market point.

We have determined fair value amounts using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that we could realize in a current market exchange. The use of different market assumptions and/or estimation methods may have a material effect on the estimated fair value amounts.

The fair value of accounts receivable, accounts payable and short-term borrowings are not materially different from their carrying amounts because of the short-term nature of these instruments or the stated rates approximating market rates. Derivative instruments are carried at fair value. As of June 30, 2013, the carrying and fair value of our long-term debt, including current maturities of long-term debt, was $5,361 million and $5,654 million, respectively. As of December 31, 2012, the carrying and fair value of our long-term debt, including current maturities of long-term debt, was $4,693 million and $5,236 million, respectively. We determine the fair value of our variable rate debt based upon the discounted present value of expected future cash flows, taking into account the difference between the contractual borrowing spread and the spread for similar credit facilities available in the marketplace. We determine the fair value of our fixed-rate debt based on quotes obtained from bond dealers. We classify the fair value of our outstanding debt balances within Level 2 of the fair value hierarchy.

7. Financing

	June 30, 2013	December 31, 2012
	(millions)	
Short-term borrowings	$ 389	$ 958
DCP Midstream's debt securities:		
Senior notes:		
Issued November 2008, interest at 9.700% payable semiannually, due December 2013	250	250
Issued October 2005, interest at 5.375% payable semiannually, due October 2015	200	200
Issued February 2009, interest at 9.750% payable semiannually, due March 2019	450	450
Issued March 2010, interest at 5.350% payable semiannually, due March 2020	600	600
Issued September 2011, interest at 4.750% payable semiannually, due September 2021	500	500
Issued August 2000, interest at 8.125% payable semiannually, due August 2030 (a)	300	300
Issued October 2006, interest at 6.450% payable semiannually, due November 2036	300	300
Issued September 2007, interest at 6.750% payable semiannually, due September 2037	450	450
Junior subordinated notes:		
Issued May 2013, interest at 5.850% payable semiannually, due May 2043	550	—
DCP Partners' debt securities:		
Issued September 2010, interest at 3.25% payable semiannually, due October 2015	250	250
Issued November 2012, interest at 2.50% payable semiannually, due December 2017	500	500
Issued March 2012, interest at 4.95% payable semiannually, due April 2022	350	350
Issued March 2013, interest at 3.875% payable semiannually, due March 2023	500	—
DCP Partners' revolving credit facility, weighted-average variable interest rate of 1.45% and 1.47%, respectively, due November 2016 (b)	150	525
Fair value adjustments related to interest rate swap fair value hedges (a)	31	32
Unamortized discount and fees	(20)	(14)
Total debt	5,750	5,651
Current maturities of long-term debt	(250)	(250)
Short-term borrowings	(389)	(958)
Total long-term debt	$ 5,111	$ 4,443

(a) In December 2008, the swaps associated with this debt were terminated. The remaining long-term fair value of approximately $31 million related to the swaps is being amortized as a reduction to interest expense through the maturity date of the debt.

(b) $150 million has been swapped to a fixed interest rate obligation with fixed interest rates ranging from 2.94% to 2.99%, for a net effective interest rate of 4.21% on the $150 million of outstanding debt under DCP Partners' revolving credit facility as of June 30, 2013. $150 million has been swapped to a fixed interest rate obligation with fixed interest rates ranging from 2.94% to 2.99%, for a net effective interest rate of 2.25% on the $525 million of outstanding debt under DCP Partners' revolving credit facility as of December 31, 2012.

DCP Midstream's Debt Securities — In May 2013, we issued $550 million principal amount of 5.85% Fixed-to-Floating Rate Junior Subordinated Notes, due May 21, 2043, or the 5.85% Junior Subordinated Notes, for proceeds of approximately $544 million, net of unamortized offering costs and expenses of $6 million. The net proceeds were used to repay short-term borrowings. The 5.85% Junior Subordinated Notes are unsecured and rank subordinate and junior in right of payment to all of our existing and future senior debt. The 5.85% Junior Subordinated Notes are not guaranteed by any of our subsidiaries and are therefore, structurally subordinated to all debt and other liabilities of our subsidiaries. We will pay interest semiannually on May 21 and November 21 of each year, beginning on November 21, 2013 and ending on May 21, 2023. Thereafter, the notes will bear interest at an annual rate equal to the sum of the Three-Month LIBOR Rate for the related interest period plus a spread of 385 basis points, payable quarterly in arrears on February 21, May 21, August 21 and November 21 of each year, beginning on August 21, 2023. We may defer the payment of all or part of the interest on the notes for one or more periods up to five consecutive years. Deferral of interest payments preclude payment of other distributions and cannot extend beyond the maturity date of the 5.85% Junior Subordinated Notes. Additionally, the 5.85% Junior Subordinated Notes include an optional redemption whereby the Company may elect to redeem the notes, in whole or in part from time-to-time, at the redemption price equal to 100% of their principal amount plus accrued and unpaid interest if redeemed on or after May 21, 2023 or in whole or in part at any time prior to May 21, 2023 at a make-whole redemption price plus accrued and unpaid interest.

The DCP Midstream senior debt securities mature and become payable on the respective due dates, and are not subject to any sinking fund provisions. The DCP Midstream senior debt securities are senior unsecured obligations, and are redeemable at a premium at our option.

DCP Midstream's Credit Facilities with Financial Institutions — In March 2012, we entered into a $2 billion revolving credit facility, or the $2 Billion Facility, which matures in March 2017 and terminated our existing $1,250 million revolving credit facility which would have matured in March 2015 and our existing $450 million revolving credit facility which would have matured in April 2012. The $2 Billion Facility allows for up to two one-year extensions of the March 2017 maturity date, subject to lender consent. There were no borrowings outstanding under the $2 Billion Facility as of June 30, 2013.

The $2 Billion Facility may be used to support our commercial paper program, our capital expansion program, working capital requirements and other general corporate purposes as well as for letters of credit, up to a maximum of $200 million of outstanding letters of credit. As of June 30, 2013 and December 31, 2012, we had $389 million and $958 million of commercial paper outstanding, backed by the $2 Billion Facility, which are included in short-term borrowings in our condensed consolidated balance sheets. As of June 30, 2013 and December 31, 2012, we had $8 million and $6 million in letters of credit outstanding, respectively. As of June 30, 2013, the available capacity under the $2 Billion Facility was $1,603 million.

In March 2012, we entered into a $1 billion delayed draw term loan agreement, or the Term Loan, which matures in September 2014. Proceeds from the Term Loan may be used for our capital expansion program and working capital requirements. In November 2012, we repaid $250 million of outstanding borrowings under the Term Loan with proceeds from the sale of a one-third interest in Sand Hills and Southern Hills to both Phillips 66 and Spectra Energy, as required by the Term Loan agreement. We terminated our Term Loan on July 5, 2013.

As of June 30, 2013, the unused capacity under the $2 Billion Facility and the Term Loan was $2,353 million, of which approximately $1,138 million was available for general working capital purposes. Our borrowing capacity is limited at June 30, 2013 by the $2 Billion Facility and the Term Loan's financial covenant requirements.

The $2 Billion Facility bears interest at either: (1) LIBOR, plus an applicable margin of 1.175% based on our current credit rating; or (2) (a) the base rate which shall be the higher of Wells Fargo Bank N.A.'s prime rate, the Federal Funds rate plus 0.50% or the LIBOR Market Index rate plus 1% plus (b) an applicable margin of 0.175% based on our current credit rating. The $2 Billion Facility incurs an annual facility fee of 0.20% based on our current credit rating. This fee is paid on drawn and undrawn portions of the $2 Billion Facility.

The $2 Billion Facility requires us to maintain a consolidated leverage ratio (the ratio of consolidated indebtedness to consolidated EBITDA as defined) of not more than 5.0 to 1.0, and following the consummation of qualifying acquisitions (as defined), not more than 5.5 to 1.0, on a temporary basis for three consecutive quarters, including the quarter in which such acquisition is consummated. Commencing with the fiscal period ending December 31, 2012 and continuing through the fiscal period ending December 31, 2013, the definition of consolidated EBITDA under the $2 Billion Facility has been amended to allow for additional adjustments related to certain projects.

DCP Partners' Debt Securities — On March 14, 2013, DCP Partners issued $500 million of 3.875% 10-year Senior Notes, or the DCP Partners 3.875% Notes, due March 15, 2023. DCP Partners received proceeds of $490 million, net of underwriters' fees, related expenses and unamortized discounts totaling $10 million. DCP Partners used the proceeds from the DCP Partners 3.875% Notes to fund a portion of the purchase price for the acquisition of an additional 46.67% interest in the Eagle Ford system. Interest on the notes will be paid semi-annually on March 15 and September 15 of each year, commencing September 15, 2013. The underwriters' fees and related expenses are deferred in other long-term assets in our condensed consolidated balance sheets and will be amortized over the term of the notes.

DCP Partners' debt securities mature and become payable on the respective due dates, unless redeemed prior to maturity, and are not subject to any sinking fund provisions. DCP Partners' debt securities are senior unsecured obligations, and are redeemable at a premium at DCP Partners' option.

DCP Partners' Credit Facilities with Financial Institutions — DCP Partners has a $1 billion revolving credit facility, or the DCP Partners' Credit Agreement, that matures November 10, 2016. The unused portion of DCP Partners' Credit Agreement may be used for letters of credit up to a maximum of $500 million of outstanding letters of credit. At June 30, 2013 and December 31, 2012, DCP Partners had $1 million of letters of credit issued under the DCP Partners' Credit Agreement. As of June 30, 2013, the unused capacity under the revolving credit facility was $849 million, of which $847 million was available for general working capital purposes. DCP Partners' borrowing capacity is limited at June 30, 2013 by DCP Partners' Credit Agreement's financial covenant requirements.

The DCP Partners' Credit Agreement bears interest at either: (1) LIBOR, plus an applicable margin of 1.25% based on DCP Partners' current credit rating; or (2) (a) the base rate which shall be the higher of Wells Fargo Bank N.A.'s prime rate, the Federal Funds rate plus 0.50% or the LIBOR Market Index rate plus 1% plus (b) an applicable margin of 0.25% based on DCP Partners' current credit rating. The revolving credit facility incurs an annual facility fee of 0.25% based on DCP Partners' current credit rating. This fee is paid on drawn and undrawn portions of the revolving credit facility.

The DCP Partners' Credit Agreement requires DCP Partners to maintain a leverage ratio (the ratio of DCP Partners' consolidated indebtedness to DCP Partners' consolidated EBITDA, in each case as is defined by the Credit Agreement) of not more than 5.0 to 1.0, and following the consummation of qualifying acquisitions (as defined by the DCP Partners' Credit Agreement), not more than 5.5 to 1.0, on a temporary basis for three consecutive quarters, including the quarter in which such acquisition is consummated.

Other Financing — During the three and six months ended June 30, 2013, DCP Partners issued 1,408,547 of its common units pursuant to an equity distribution agreement. DCP Partners received proceeds of $67 million, net of commissions and accrued offering costs of $2 million. As of June 30, 2013, no common units remained available for sale pursuant to this equity distribution agreement.

On June 14, 2013, DCP Partners filed a shelf registration statement on Form S-3 with the U.S. Securities and Exchange Commission, or SEC, with a maximum offering price of $300 million, which became effective on June 27, 2013. The shelf registration statement will allow DCP Partners to issue additional common units under an equity distribution agreement. As of June 30, 2013, DCP Partners has issued no shares under this registration statement.

In March 2013, DCP Partners issued 12,650,000 of its common units at $40.63 per unit. DCP Partners received proceeds of $494 million, net of offering costs.

8. Risk Management and Hedging Activities, Credit Risk and Financial Instruments

Our day-to-day operations expose us to a variety of risks including but not limited to changes in the prices of commodities that we buy or sell, changes in interest rates, and the creditworthiness of each of our counterparties. We manage certain of these exposures by using physical and financial derivative instruments. All of our commodity derivative activities are conducted under the governance of internal Risk Management Committees that establish policies limiting exposure to market risk and requiring daily reporting to management of potential financial exposure. These policies include statistical risk tolerance limits using historical price movements to calculate daily value at risk. The following briefly describes each of the risks that we manage.

Commodity Price Risk

Our portfolio of commodity derivative activity is primarily accounted for using the mark-to-market method of accounting; however, depending upon our risk profile and objectives, in certain limited cases, we may execute transactions that qualify for the hedge method of accounting. The risks, strategies and instruments used to mitigate such risks, as well as the method of accounting are discussed and summarized below.

Natural Gas Asset Based Trading and Marketing

Our natural gas asset based trading and marketing activities engage in the business of trading asset based energy related products and services, including managing purchase and sales portfolios, storage contracts and facilities, and transportation commitments for products. These asset based energy trading operations are exposed to market variables and commodity price risk with respect to these products and services, and we may enter into physical contracts and financial instruments with the objective of realizing a positive margin from the purchase and sale of commodity-based instruments. We manage commodity price risk related to our natural gas storage and pipeline assets by engaging in natural gas asset based trading and marketing. The commercial activities related to our natural gas asset based trading and marketing primarily consist of time spreads and basis spreads.

We may execute a time spread transaction when the difference between the current price of natural gas (cash or futures) and the futures market price for natural gas exceeds our cost of storing physical gas in our owned and/or leased storage facilities. The time spread transaction allows us to lock in a margin when this market condition exists. A time spread transaction is executed by establishing a long gas position at one point in time and establishing an equal short gas position at a different point in time. We typically use swaps to execute these transactions, which are not designated as hedging instruments and are recorded at fair value with changes in fair value recorded in the current period condensed consolidated statements of operations. While gas held in our storage locations is recorded at the lower of average cost or market, the derivative instruments that are used to manage our storage facilities are recorded at fair value and any changes in fair value are currently recorded in our condensed consolidated statements of operations. Even though we may have economically hedged our exposure and locked in a future margin, the use of lower-of-cost-or-market accounting for our physical inventory and the use of mark-to-market accounting for our derivative instruments may subject our earnings to market volatility.

We may execute basis spread transactions when the market price differential between locations on a pipeline asset exceeds our cost of transporting physical gas through our owned and/or leased pipeline asset. When this market condition exists, we may execute derivative instruments around this differential at the market price. This basis spread transaction allows us to lock in a margin on our physical purchases and sales of gas. We typically use swaps to execute these transactions, which are not designated as hedging instruments and are recorded at fair value with changes in fair value recorded in the current period condensed consolidated statements of operations. As discussed above, the accounting for physical gas purchases and sales and the accounting for the derivative instruments used to manage such purchases and sales differ, and may subject our earnings to market volatility, even though the transaction represents an economic hedge in which we have locked in a future margin.

In order for our storage facility to remain operational, a minimum level of base gas must be maintained in each storage cavern, which is capitalized on our condensed consolidated balance sheets as a component of property, plant and equipment, net. During 2011, Southeast Texas Holdings, GP, or Southeast Texas, an affiliate of DCP Partners, commenced an expansion project to build an additional storage cavern. Upon completion of the expansion project in the second half of 2013, Southeast Texas will be required to purchase a significant amount of base gas to bring the storage cavern to operation. To mitigate risk associated with the forecasted purchase of natural gas in the second half of 2013, Southeast Texas executed a series of derivative financial instruments, which have been designated as cash flow hedges. The balances in accumulated other comprehensive income, or AOCI, of these cash flow hedges were in a loss position of $2 million as of June 30, 2013, and will fluctuate in value through the term of construction. Any effective changes in fair value of these derivative instruments will be deferred in AOCI until the underlying purchase of inventory occurs. While the cash paid or received upon settlement of these hedges will economically offset the cash required to purchase the base gas, following completion of the additional storage cavern, any deferred gain or loss at the time of the purchase will remain in AOCI until the cavern is emptied and the base gas is sold.

NGL Proprietary Trading

Our NGL proprietary trading activity includes trading energy related products and services. We undertake these activities through the use of fixed forward sales and purchases, basis and spread trades, storage opportunities, put/call options, term contracts and spot market trading. These energy trading operations are exposed to market variables and commodity price risk with respect to these products and services, and these operations may enter into physical contracts and financial instruments with the objective of realizing a positive margin from the purchase and sale of commodity-based instruments. These physical and financial instruments are not designated as hedging instruments and are recorded at fair value with changes in fair value recorded in the current period condensed consolidated statements of operations.

We employ established risk limits, policies and procedures to manage risks associated with the natural gas asset based trading and marketing and NGL proprietary trading.

Commodity Cash Flow Protection Activities at DCP Partners

As a result of DCP Partners' operations of gathering, processing and transporting natural gas, DCP Partners takes title to a portion of residue gas, NGLs and condensate, which are considered to be DCP Partners' equity volumes. The possession of and the related operations of transporting and marketing of these commodities creates commodity price risk due to market changes in commodity prices, primarily with respect to the prices of NGLs, natural gas and crude oil. DCP Partners has mitigated a portion of its expected commodity cash flow risk associated with these equity volumes through 2016 with commodity derivative instruments. DCP Partners' commodity derivative instruments used for its hedging program are a combination of direct NGL product, crude oil and natural gas hedges. Due to the limited depth of the NGL derivatives market, DCP Partners has used crude oil swaps and costless collars to mitigate a portion of its commodity price risk exposure for NGLs. Prices of NGLs have generally been related to the price of crude oil, however, there are some periods of time when NGL pricing may be at a greater discount to crude oil pricing, resulting in additional exposure to NGL commodity prices. The relationship of NGLs to crude oil continues to be lower than historical relationships; however, a significant amount of DCP Partners' NGL hedges from 2013 through 2016 are direct product hedges with us. When crude oil swaps become short-term in nature, DCP Partners may periodically convert certain crude oil derivatives to NGL derivatives by entering into offsetting crude oil swaps while adding NGL swaps. These transactions are primarily accomplished through the use of forward contracts that exchange DCP Partners' floating price risk for a fixed price. DCP Partners also utilizes crude oil costless collars that minimize its floating price risk by establishing a fixed price floor and a fixed price ceiling. However, the type of instrument that DCP Partners uses to mitigate a portion of its risk may vary depending on DCP Partners' risk management objective. These transactions are not designated as hedging instruments for accounting purposes and the change in fair value is reflected in the current period within our condensed consolidated statements of operations.

Interest Rate Risk

We enter into debt arrangements that have either fixed or floating rates, therefore we are exposed to market risks related to changes in interest rates. We periodically use interest rate swaps to convert variable interest rates to fixed rates on our existing debt. Our primary goals include: (1) maintaining an appropriate ratio of fixed-rate debt to floating-rate debt; (2) reducing volatility of earnings resulting from interest rate fluctuations; and (3) locking in attractive interest rates.

DCP Partners mitigates a portion of its interest rate risk with interest rate swaps, which reduce DCP Partners' exposure to market fluctuations by converting variable interest rates on DCP Partners' existing debt to fixed interest rates. The interest rate swap agreements convert the interest rate associated with the indebtedness outstanding under DCP Partners' revolving credit facility to a fixed-rate obligation, thereby reducing the exposure to market rate fluctuations.

At June 30, 2013 and December 31, 2012, DCP Partners had interest rate swap agreements extending through June 2014 totaling \$150 million, which DCP Partners has designated as cash flow hedges. At June 30, 2013, \$150 million of the agreements reprice prospectively approximately every 30 days. Under the terms of the interest rate swap agreements, DCP Partners pays fixed-rates ranging from 2.94% to 2.99%, and receives interest payments based on the one-month LIBOR.

Effectiveness of DCP Partners' interest rate swap agreements designated as cash flow hedges is determined by matching the principal balance and terms with that of the specified obligation. The effective portions of changes in fair value are recognized in AOCI in the condensed consolidated balance sheets and are reclassified into earnings as the hedged transactions impact earnings. However, due to the volatility of the interest rate markets, the corresponding value in AOCI is subject to change prior to its reclassification into earnings. Ineffective portions of changes in fair value are recognized in earnings.

In March 2012, DCP Partners settled \$195 million of its forward-starting interest rate swap agreements for \$7 million. The remaining net deferred losses of \$5 million in AOCI will be amortized, as of the settlement date, into interest expense associated with DCP Partners' long-term debt through 2022.

We previously had interest rate cash flow hedges and fair value hedges in place that were terminated in 2000 and 2008, respectively. As a result, the remaining net loss deferred in AOCI relative to these cash flow hedges and the remaining net loss included in long-term debt relative to these fair value hedges will be reclassified to interest expense through the remaining term of the debt through 2030, as the underlying transactions impact earnings.

Credit Risk

Our principal customers range from large, natural gas marketing services to industrial end-users for our natural gas products and services, as well as large multi-national petrochemical and refining companies, to small regional propane distributors for our NGL products and services. Substantially all of our natural gas and NGL sales are made at market-based prices. Approximately 40% of our NGL production is committed to Phillips 66 and CPChem, both related parties, under an existing 15-year contract, the primary production commitment of which expires in 2015. This concentration of credit risk may affect our overall credit risk, in that these customers may be similarly affected by changes in economic, regulatory or other factors. Where exposed to credit risk, we analyze the counterparties' financial condition prior to entering into an agreement, establish credit limits and monitor the appropriateness of these limits on an ongoing basis. We may use various master agreements that include language giving us the right to request collateral to mitigate credit exposure. The collateral language provides for a counterparty to post cash or letters of credit for exposure in excess of the established threshold. The threshold amount represents an open credit limit, determined in accordance with our credit policy. The collateral language also provides that the inability to post collateral is sufficient cause to terminate a contract and liquidate all positions. In addition, our master agreements and our standard gas and NGL sales contracts contain adequate assurance provisions, which allow us to suspend deliveries and cancel agreements, or continue deliveries to the buyer after the buyer provides security for payment in a satisfactory form.

Contingent Credit Features

Each of the above risks is managed through the execution of individual contracts with a variety of counterparties. Certain of our derivative contracts may contain credit-risk related contingent provisions that may require us to take certain actions in certain circumstances.

We have International Swap Dealers Association, or ISDA, contracts which are standardized master legal arrangements that establish key terms and conditions which govern certain derivative transactions. These ISDA contracts contain standard credit-risk related contingent provisions. Some of the provisions we are subject to are outlined below.

- In the event that we or DCP Partners were to be downgraded below investment grade by at least one of the major credit rating agencies, certain of our ISDA counterparties have the right to reduce our collateral threshold to zero, potentially requiring us to fully collateralize any commodity contracts in a net liability position.

- In some cases, our ISDA contracts contain cross-default provisions that could constitute a credit-risk related contingent feature. For example, if we were to fail to make a required interest or principal payment on a debt instrument, above a predefined threshold level, and after giving effect to any applicable notice or grace period as defined in the ISDA contracts, our ISDA counterparties may have the right to request early termination and net settlement of any outstanding derivative positions.

Depending upon the movement of commodity prices and interest rates, each of our individual contracts with counterparties to our commodity derivative instruments or interest rate swap instruments are in either a net asset or net liability position. Our commodity derivative contracts that are not governed by ISDA contracts do not have any credit-risk related contingent features. As of June 30, 2013, we had $14 million of individual commodity derivative contracts that contain credit-risk related contingent features that were in a net liability position, and have not posted any cash collateral relative to such positions. If a credit-risk related event were to occur and we were required to net settle our position with an individual counterparty, our ISDA contracts permit us to net all outstanding contracts with that counterparty, whether in a net asset or net liability position, as well as any cash collateral already posted. As of June 30, 2013, if a credit-risk related event were to occur, we may be required to post additional collateral. Although our commodity derivative contracts that contain credit-risk related contingent features were in a net liability position as of June 30, 2013, if a credit-risk related event were to occur, the net liability position would be partially offset by contracts in a net asset position reducing our net liability to $12 million.

As of June 30, 2013, DCP Partners had $150 million of individual interest rate swap instruments that were in a net liability position of $4 million and were subject to credit-risk related contingent features. If DCP Partners were to have an event of default relative to any covenants of the DCP Partners' Credit Agreement, that occurs and is continuing, the counterparties to DCP Partners' swap instruments have the right to request that DCP Partners net settle the instrument in the form of cash.

Collateral

As of June 30, 2013, we held cash of less than $1 million, included in other current liabilities in the condensed consolidated balance sheet related to cash postings by third parties, and letters of credit of $93 million from counterparties to secure their future performance under financial or physical contracts. We had cash deposits with counterparties of $14 million included in other current assets as of June 30, 2013, to secure our obligations to provide future services or to perform under financial contracts. As of June 30, 2013, DCP Partners had no cash collateral posted with counterparties to its commodity derivative instruments. We provide credit supporting, including without limitation guarantees and letters of credit, for our obligations related to commercial contracts with respect to DCP Partners' business operations that were in effect at the closing of DCP Partners' initial public offering. As of June 30, 2013, we had issued and outstanding parental guarantees totaling $25 million in favor of certain counterparties to DCP Partners' commodity derivative instruments to mitigate a portion of DCP Partners' collateral requirements with those counterparties. These parental guarantees reduce the amount of cash DCP Partners may be required to post as collateral. These guarantees were terminated in August 2013. Collateral amounts held or posted may be fixed or may vary, depending on the value of the underlying contracts, and could cover normal purchases and sales, trading and hedging contracts. In many cases, we and our counterparties publicly disclose credit ratings, which may impact the amounts of collateral requirements.

Physical forward contracts and financial derivatives are generally cash settled at the expiration of the contract term. These transactions are generally subject to specific credit provisions within the contracts that would allow the seller, at its discretion, to suspend deliveries, cancel agreements or continue deliveries to the buyer after the buyer provides security for payment satisfactory to the seller.

Offsetting

Certain of our derivative instruments are subject to a master netting or similar arrangement, whereby we may elect to settle multiple positions with an individual counterparty through a single net payment. Each of our individual derivative instruments are presented on a gross basis on the condensed consolidated balance sheets, regardless of our ability to net settle our positions. Instruments that are governed by agreements that include net settle provisions allow final settlement, when presented with a termination event, of outstanding amounts by extinguishing the mutual debts owed between the parties in exchange for a net amount due. We have trade receivables and payables associated with derivative instruments, subject to master netting or similar agreements, which are not included in the table below. The following summarizes the gross and net amounts of our derivative instruments:

Description	Gross Amounts of Assets and (Liabilities) Presented in the Balance Sheet	Amounts Not Offset in the Balance Sheet – Financial Instruments (a)	Net Amount	Gross Amounts of Assets and (Liabilities) Presented in the Balance Sheet	Amounts Not Offset in the Balance Sheet – Financial Instruments (a)	Net Amount
	June 30, 2013			December 31, 2012		
	(millions)					
Assets:						
Commodity derivatives	$ 60	$ (2)	$ 58	$ 67	$ (3)	$ 64
Liabilities:						
Commodity derivatives	$ (58)	$ 2	$ (56)	$ (70)	$ 3	$ (67)
Interest rate derivatives	$ (4)	$ —	$ (4)	$ (6)	$ —	$ (6)

(a) There is no cash collateral pledged or received against these positions.

Summarized Derivative Information

The fair value of our derivative instruments that are designated as hedging instruments and those that are marked-to-market each period, and the location of each within our condensed consolidated balance sheets, by major category, is summarized as follows:

Balance Sheet Line Item	June 30, 2013	December 31, 2012	Balance Sheet Line Item	June 30, 2013	December 31, 2012
	(millions)			(millions)	
Derivative Assets Designated as Hedging Instruments:			**Derivative Liabilities Designated as Hedging Instruments:**		
Interest rate derivatives:			**Interest rate derivatives:**		
Unrealized gains on derivative instruments — current	$ —	$ —	Unrealized losses on derivative instruments — current	$ (4)	$ (4)
Unrealized gains on derivative instruments — long-term	—	—	Unrealized losses on derivative instruments — long-term	—	(2)
	$ —	$ —		$ (4)	$ (6)
Commodity derivatives:			**Commodity derivatives:**		
Unrealized gains on derivative instruments — current	$ —	$ —	Unrealized losses on derivative instruments — current	$ (2)	$ (3)
	$ —	$ —		$ (2)	$ (3)
Derivative Assets Not Designated as Hedging Instruments:			**Derivative Liabilities Not Designated as Hedging Instruments**:		
Commodity derivatives:			**Commodity derivatives:**		
Unrealized gains on derivative instruments — current	$ 47	$ 57	Unrealized losses on derivative instruments — current	$ (48)	$ (58)
Unrealized gains on derivative instruments — long-term	13	10	Unrealized losses on derivative instruments — long-term	(8)	(9)
	$ 60	$ 67		$ (56)	$ (67)

The following table summarizes the balance and activity within AOCI relative to our interest rate and commodity derivatives, net of noncontrolling interest, for the three months ended June 30, 2013:

	Interest Rate Derivatives		Commodity Derivatives		Total
			(millions)		
Net deferred losses in AOCI (beginning balance)	$ (3)		$ (4)		$ (7)
Gains recognized in AOCI on derivatives — effective portion	—		—		—
Losses reclassified from AOCI to earnings — effective portion	—	(a)	—	(b)	—
Net deferred losses in AOCI (ending balance)	$ (3)		$ (4)		$ (7)
Deferred losses in AOCI expected to be reclassified into earnings over the next 12 months	$ (1)		$ —		$ (1)

(a) Included in interest expense in our condensed consolidated statements of operations.

(b) Included in trading and marketing gains, net in our condensed consolidated statements of operations.

The following table summarizes the balance and activity within AOCI relative to our interest rate and commodity derivatives, net of noncontrolling interest, for the six months ended June 30, 2013:

	Interest Rate Derivatives		Commodity Derivatives		Total
			(millions)		
Net deferred losses in AOCI (beginning balance)	$ (4)		$ (5)		$ (9)
Gains recognized in AOCI on derivatives — effective portion	—		—		—
Losses reclassified from AOCI to earnings — effective portion	1	(a)	1	(b)	2
Net deferred losses in AOCI (ending balance)	$ (3)		$ (4)		$ (7)
Deferred losses in AOCI expected to be reclassified into earnings over the next 12 months	$ (1)		$ —		$ (1)

(a) Included in interest expense in our condensed consolidated statements of operations.
(b) Included in trading and marketing gains, net in our condensed consolidated statements of operations.

For both the three and six months ended June 30, 2013, no derivative gains or losses were recognized in trading and marketing gains, net and interest expense in our condensed consolidated statements of operations attributable to the ineffective portion of our derivative instruments, as a result of exclusion from effectiveness testing or as a result of the discontinuance of cash flow hedges related to certain forecasted transactions that are not probable of occurring.

The following table summarizes the impact on our condensed consolidated balance sheets and condensed consolidated statements of operations of our derivative instruments, net of noncontrolling interest, that are accounted for using the cash flow hedge method of accounting for the three months ended June 30, 2012:

	Losses Recognized in AOCI on Derivatives — Effective Portion	Losses Reclassified from AOCI to Earnings — Effective Portion		Losses Recognized in Income on Derivatives — Ineffective Portion and Amount Excluded from Effectiveness Testing (b)
	Three Months Ended June 30, 2012			
	(millions)			
Interest rate derivatives	$ —	$ (1)	(a)	$ —

(a) Included in interest expense in our condensed consolidated statements of operations.
(b) For the three months ended June 30, 2012, no derivative gains or losses were reclassified from AOCI to current period earnings as a result of the discontinuance of cash flow hedges related to certain forecasted transactions that are not probable of occurring or as a result of exclusion from effectiveness testing.

The following table summarizes the impact on our condensed consolidated balance sheets and condensed consolidated statements of operations of our derivative instruments, net of noncontrolling interest, that are accounted for using the cash flow hedge method of accounting for the six months ended June 30, 2012:

	Losses Recognized in AOCI on Derivatives — Effective Portion	Losses Reclassified from AOCI to Earnings — Effective Portion		Losses Recognized in Income on Derivatives — Ineffective Portion and Amount Excluded from Effectiveness Testing (b)
	Six Months Ended June 30, 2012			
	(millions)			
Commodity derivatives	$ (1)	$ —		$ —
Interest rate derivatives	$ —	$ (3)	(a)	$ —

(a) Included in interest expense in our condensed consolidated statements of operations.
(b) For the six months ended June 30, 2012, no derivative gains or losses were reclassified from AOCI to current period earnings as a result of the discontinuance of cash flow hedges related to certain forecasted transactions that are not probable of occurring or as a result of exclusion from effectiveness testing.

Change in value of derivative instruments, for which the hedge method of accounting has not been elected from one period to the next, are recorded in the condensed consolidated statements of operations. The following summarizes these amounts and the location within the condensed consolidated statements of operations that such amounts are reflected:

	Three Months Ended June 30,		Six Months Ended June 30,	
Commodity Derivatives: Statement of Operations Line Item	2013	2012	2013	2012
	(millions)			
Realized (losses) gains	$ (2)	$ 45	$ 2	$ 78
Unrealized gains (losses)	11	14	4	(9)
Trading and marketing gains, net	$ 9	$ 59	$ 6	$ 69

We do not have any derivative financial instruments that qualify as a hedge of a net investment.

The following tables represent, by commodity type, our net long or short derivative positions, as well as the number of outstanding contracts that are expected to partially or entirely settle in each respective year. To the extent that we have long dated derivative positions that span multiple calendar years, the contract will appear in more than one line item in the table below. Additionally, relative to the hedging of certain of our storage and/or transportation assets, we may execute basis transactions for natural gas, which may result in a net long/short position of zero. This table also presents our net long or short natural gas basis swap positions separately from our net long or short natural gas positions.

	June 30, 2013								
	Crude Oil		Natural Gas		Natural Gas Liquids			Natural Gas Basis Swaps	
Year of Expiration	Net Short Position (Bbls) (a)	Number of Contracts	Net (Short) Long Position (MMBtu)	Number of Contracts	Net (Short) Long Position (Bbls)	Number of Contracts		Net Long Position (MMBtu)	Number of Contracts
2013	(1,024,676)	548	(12,586,450)	308	(8,235,006)	356	(b)	535,000	140
2014	(603,500)	177	(70,000)	46	(9,634,185)	63	(c)	8,940,000	32
2015	(254,000)	39	1,825,000	3	119,000	2		3,650,000	1
2016	(140,000)	6	—	—	—	—		—	—

(a) Bbls represents barrels.
(b) Includes 33 physical index based derivative contracts totaling (9,174,728) Bbls.
(c) Includes 5 physical index based derivative contracts totaling (9,975,000) Bbls.

	June 30, 2012								
	Crude Oil		Natural Gas		Natural Gas Liquids			Natural Gas Basis Swaps	
Year of Expiration	Net Short Position (Bbls) (a)	Number of Contracts	Net Short Position (MMBtu)	Number of Contracts	Net Short Position (Bbls)	Number of Contracts		Net (Short) Long Position (MMBtu)	Number of Contracts
2012	(535,493)	498	(22,846,500)	310	(9,114,852)	410	(b)	(16,602,500)	160
2013	(917,504)	249	(2,345,000)	36	(10,388,159)	129	(c)	3,892,500	49
2014	(644,500)	76	(365,000)	3	(9,000,000)	2	(d)	(900,000)	1
2015	(365,000)	2	—	—	—	—		—	—
2016	(183,000)	1	—	—	—	—		—	—

(a) Bbls represents barrels.
(b) Includes 27 physical index based derivative contracts totaling (8,506,600) Bbls.
(c) Includes 13 physical index based derivative contracts totaling (9,772,800) Bbls.
(d) Includes 2 physical index based derivative contracts totaling (9,000,000) Bbls.

As of June 30, 2013, DCP Partners had interest rate swaps outstanding with individual notional values of $70 million and $80 million, which, in aggregate, exchange $150 million of DCP Partners' floating rate obligation to a fixed rate obligation through June 2014.

9. Commitments and Contingent Liabilities

Litigation — The midstream industry has seen a number of class action lawsuits involving royalty disputes, mismeasurement and mispayment allegations. We are currently named as defendants in some of these cases and customers have asserted individual audit claims related to mismeasurement and mispayment. Management believes we have meritorious defenses to these cases and, therefore, will continue to defend them vigorously. These claims, however, can be costly and time consuming to defend. We are also a party to various legal, administrative and regulatory proceedings that have arisen in the ordinary course of our business, including, from time to time, disputes with customers over various measurement and settlement issues.

Management currently believes that these matters, taken as a whole, and after consideration of amounts accrued, insurance coverage and other indemnification arrangements, will not have a material adverse effect upon our condensed consolidated results of operations, financial position or cash flows.

General Insurance — Our insurance coverage is carried with an affiliate of Phillips 66, an affiliate of Spectra Energy and third-party insurers. Our insurance coverage includes: (1) general liability insurance covering third-party exposures; (2) statutory workers' compensation insurance; (3) automobile liability insurance for all owned, non-owned and hired vehicles; (4) excess liability insurance above the established primary limits for general liability and automobile liability insurance; (5) property insurance, which covers the replacement value of real and personal property and includes business interruption; and (6) directors and officers insurance covering our directors and officers for acts related to our business activities. All coverage is subject to certain limits and deductibles, the terms and conditions of which are common for companies with similar types of operations.

Environmental — The operation of pipelines, plants and other facilities for gathering, processing, compressing, transporting, or storing natural gas, and fractionating, transporting, gathering, processing and storing NGLs and other products is subject to stringent and complex laws and regulations pertaining to health, safety and the environment. As an owner or operator of these facilities, we must comply with United States laws and regulations at the federal, state and local levels that relate to air and water quality, hazardous and solid waste storage, management, transportation and disposal, and other environmental matters including recently adopted U.S. Environmental Protection Agency regulations related to reporting of greenhouse gas emissions which have taken effect over the past two years. The cost of planning, designing, constructing and operating pipelines, plants, and other facilities must incorporate compliance with environmental laws and regulations and safety standards. In addition, there is increasing focus, both from state and federal regulatory officials and through litigation, on hydraulic fracturing and the real or perceived environmental impacts of this technique, which indirectly presents some risk to our available supply of natural gas. Failure to comply with these laws and regulations may trigger a variety of administrative, civil and potentially criminal enforcement measures, including citizen suits, which can include the assessment of monetary penalties, the imposition of remedial requirements, the issuance of injunctions or restrictions on operations. Management believes that, based on currently known information, compliance with these laws and regulations will not have a material adverse effect on our condensed consolidated results of operations, financial position or cash flows.

We make expenditures in connection with environmental matters as part of our normal operations. As of both June 30, 2013 and December 31, 2012, environmental liabilities included in the condensed consolidated balance sheets as other current liabilities amounted to $5 million. As of June 30, 2013 and December 31, 2012, environmental liabilities included in the condensed consolidated balance sheets as other long-term liabilities amounted to $8 million and $9 million, respectively.

10. Guarantees and Indemnifications

We periodically enter into agreements for the acquisition, contribution or divestiture of assets. These agreements contain indemnification provisions that may provide indemnity for environmental, tax, employment, outstanding litigation, breaches of representations, warranties and covenants, performance of DCP Partners or other liabilities related to the assets being acquired, contributed or divested. Claims may be made by third parties or DCP Partners under these indemnification agreements for various periods of time depending on the nature of the claim. The effective periods on these indemnification provisions generally have terms of one to 15 years, although some are longer. Our maximum potential exposure under these indemnification agreements can vary depending on the nature of the claim and the particular transaction. We are unable to estimate the total maximum potential amount of future payments under indemnification agreements due to several factors, including uncertainty as to whether claims will be made under these indemnities. We have issued guarantees and indemnifications for certain of our consolidated subsidiaries.

11. Supplemental Cash Flow Information

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
	(millions)	
Cash paid for interest, net of capitalized interest	$ 88	$ 85
Cash paid for income taxes, net of refunds received	$ 6	$ 10
Non-cash investing and financing activities:		
Distributions payable to members	$ —	$ 50
Property, plant and equipment acquired with accounts payable	$ 123	$ 231
Other non-cash additions of property, plant and equipment	$ 57	$ 30

During the six months ended June 30, 2013 and 2012, we received distributions from DCP Partners of $52 million and $32 million, respectively, which are eliminated in consolidation.

12. Subsequent Events

We have evaluated subsequent events occurring through August 9, 2013, the date the condensed consolidated financial statements were issued.

On August 5, 2013, we contributed our interest in DCP LaSalle Plant, LLC, or LaSalle, to DCP Partners for aggregate consideration of $209 million, subject to certain purchase price adjustments. LaSalle is a 110 million cubic feet per day, or MMcf/d, natural gas processing plant currently under construction with plans to expand to 160 MMcf/d. We also entered into a 15-year fee-based agreement with DCP Partners, which provides DCP Partners with a fixed demand charge. The fee-based agreement also provides DCP Partners with a throughput fee on all volumes processed at LaSalle. The processing agreement commences with commercial operations of the new plant, which is expected to be in-service in the second half of 2013. The transaction was financed at closing from borrowings under DCP Partners' Credit Agreement.

On August 5, 2013, we also contributed our interest in DCP Midstream Front Range LLC, or Front Range, to DCP Partners for aggregate consideration of $86 million, subject to certain purchase price adjustments. Front Range owns a 33.33% equity method interest in Front Range Pipeline LLC, a joint venture with affiliates of Enterprise Products Partners L.P. and Anadarko Petroleum Corporation, which was formed to construct a new NGL pipeline that will originate in the DJ Basin and extend approximately 435 miles to Skellytown, Texas. The pipeline operator expects the NGL pipeline to be mechanically complete in the fourth quarter of 2013. The transaction was financed at closing from borrowings under DCP Partners' Credit Agreement.

On July 25, 2013, DCP Partners announced that the board of directors of DCP Partners' general partner declared a quarterly distribution of $0.71 per unit, payable on August 14, 2013 to unitholders of record on August 7, 2013.

In July 2013, our board of directors approved a $70 million dividend which was paid to our owners in July 2013.

On June 20, 2013, we entered into a purchase and sale agreement with Mountain Gas Resources, LLC to sell our 100% membership interests in Overland Trail Transmission, LLC, or OTTCO, for approximately $28 million, subject to customary purchase price adjustments. This transaction is expected to close in 2013, subject to regulatory approval and customary closing conditions. We have classified the component of net assets as held for sale in our condensed consolidated balance sheets as of June 30, 2013.