DCP Midstream, LLC
Condensed Consolidated Financial Statements for the Three and Six Months Ended June 30, 2015 and 2014
(Unaudited)

DCP MIDSTREAM, LLC
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

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

	June 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 31	$ 27
Accounts receivable:		
Customers, net of allowance for doubtful accounts of $3 million for both periods	543	813
Affiliates	90	180
Other	17	39
Inventories	52	76
Unrealized gains on derivative instruments	191	165
Other	67	80
Total current assets	991	1,380
Property, plant and equipment, net	9,790	9,537
Investments in unconsolidated affiliates	1,487	1,463
Intangible assets, net	280	290
Goodwill	275	704
Unrealized gains on derivative instruments	20	23
Other long-term assets	299	282
Total assets	$ 13,142	$ 13,679
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable:		
Trade	$ 554	$ 904
Affiliates	44	35
Other	28	58
Short-term borrowings	—	1,012
Current maturities of long-term debt	450	450
Unrealized losses on derivative instruments	80	124
Accrued taxes	61	34
Other	261	321
Total current liabilities	1,478	2,938
Deferred income taxes	99	105
Long-term debt	6,779	5,233
Unrealized losses on derivative instruments	11	15
Other long-term liabilities	182	185
Total liabilities	8,549	8,476
Commitments and contingent liabilities		
Equity:		
Members' interest	2,130	2,630
Accumulated other comprehensive loss	(5)	(5)
Total members' equity	2,125	2,625
Noncontrolling interest	2,468	2,578
Total equity	4,593	5,203
Total liabilities and equity	$ 13,142	$ 13,679

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	**2014**	**2015**	**2014**
Operating revenues:				
Sales of natural gas and petroleum products	$ 1,527	$ 2,896	$ 3,199	$ 6,128
Sales of natural gas and petroleum products to affiliates	204	559	421	1,155
Transportation, storage and processing	121	121	243	252
Trading and marketing (losses) gains, net	(3)	(7)	18	(1)
Total operating revenues	1,849	3,569	3,881	7,534
Operating costs and expenses:				
Purchases of natural gas and petroleum products	1,421	2,925	2,987	6,176
Purchases of natural gas and petroleum products from affiliates	95	120	193	237
Operating and maintenance	176	213	343	387
Depreciation and amortization	94	86	185	171
Goodwill impairment	427	—	427	—
General and administrative	70	70	132	139
Loss on sale of assets, net	27	—	17	—
Restructuring costs	2	—	8	—
Total operating costs and expenses	2,312	3,414	4,292	7,110
Operating (loss) income	(463)	155	(411)	424
Earnings from unconsolidated affiliates	44	12	65	25
Interest expense, net	(79)	(74)	(155)	(146)
(Loss) income before income taxes	(498)	93	(501)	303
Income tax benefit (expense)	7	(1)	4	(8)
Net (loss) income	(491)	92	(497)	295
Net loss (income) attributable to noncontrolling interests	25	(3)	(6)	(41)
Net (loss) income attributable to members' interests	$ (466)	$ 89	$ (503)	$ 254

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net (loss) income	$ (491)	$ 92	$ (497)	$ 295
Other comprehensive income:				
Reclassification of cash flow hedge losses into earnings	1	—	1	2
Total other comprehensive income	1	—	1	2
Total comprehensive (loss) income	(490)	92	(496)	297
Total comprehensive loss (income) attributable to noncontrolling interests	24	(3)	(7)	(42)
Total comprehensive (loss) income attributable to members' interests	$ (466)	$ 89	$ (503)	$ 255

See Notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Cash flows from operating activities:		
Net (loss) income	$ (497)	$ 295
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	185	171
Earnings from unconsolidated affiliates	(65)	(25)
Distributions from unconsolidated affiliates	87	55
Deferred income tax (benefit) expense	(6)	6
Net unrealized (gains) losses on derivative instruments	(73)	12
Goodwill impairment	427	—
Loss on sale of assets, net	17	—
Other, net	15	13
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	379	111
Inventories	29	12
Accounts payable	(334)	(138)
Other	(9)	(23)
Net cash provided by operating activities	155	489
Cash flows from investing activities:		
Capital expenditures	(565)	(605)
Investments in unconsolidated affiliates	(46)	(103)
Proceeds from sale of assets	44	14
Net cash used in investing activities	(567)	(694)
Cash flows from financing activities:		
Payment of dividends and distributions to members	—	(273)
Proceeds from long-term debt	4,151	719
Payment of long-term debt	(2,606)	—
Proceeds from issuance of common units by DCP Partners, net of offering costs	31	787
Repayment of commercial paper, net	(1,012)	(835)
Distributions paid to noncontrolling interests	(145)	(116)
Payment of deferred financing costs	(3)	(12)
Net cash provided by financing activities	416	270
Net change in cash and cash equivalents	4	65
Cash and cash equivalents, beginning of period	27	31
Cash and cash equivalents, end of period	$ 31	$ 96

See Notes to Condensed Consolidated Financial Statements.

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

	Members' Equity			
	Members' Interest	Accumulated Other Comprehensive (Loss) Income	Noncontrolling Interest	Total Equity
Balance, January 1, 2015	$ 2,630	$ (5)	$ 2,578	$ 5,203
Net (loss) income	(503)	—	6	(497)
Other comprehensive income	—	—	1	1
Dividends and distributions	—	—	(145)	(145)
Issuance of common units by DCP Partners, net of offering costs	3	—	28	31
Balance, June 30, 2015	$ 2,130	$ (5)	$ 2,468	$ 4,593
Balance, January 1, 2014	$ 2,670	$ (6)	$ 1,725	$ 4,389
Net income	254	—	41	295
Other comprehensive income	—	1	1	2
Dividends and distributions	(329)	—	(116)	(445)
Issuance of common units by DCP Partners, net of offering costs	114	—	673	787
Balance, June 30, 2014	$ 2,709	$ (5)	$ 2,324	$ 5,028

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 recovering and selling 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, 2015 and December 31, 2014, we owned an approximate 21% and 22% interest in DCP Partners, respectively, including our limited partner and general partner interests. We also own 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 are governed by a five member board of directors, consisting of two voting members from each of Phillips 66 and Spectra Energy and our Chairman of the Board, President and 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, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015. These unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2014.

The condensed consolidated financial statements have been prepared in conformity with GAAP. 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 through our ownership and general partner interest, 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.

2. Recent Accounting Pronouncements

Financial Accounting Standards Board, or FASB, Accounting Standards Update, or ASU, 2015-11 “Inventory (Topic 330): Simplifying the Measurement of Inventory,” or ASU 2015-11 — In July 2015, the FASB issued ASU 2015-11, which requires an entity to measure in scope inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The amendments apply to inventory that is measured using first-in, first-out (FIFO) or average cost. This ASU is effective for annual reporting periods beginning after December 15, 2016, and interim periods beginning after December 15, 2017, with the option to early adopt as of the beginning of an annual or interim period. We do not expect the adoption of this ASU to have a significant impact on our financial position, results of operations and cash flows.

ASU, 2015-03 “Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Cost,” or ASU 2015-03 — In April 2015, the FASB issued ASU 2015-03, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. This standard requires retrospective application. This ASU is effective for annual reporting periods beginning after December 15, 2015, after which we will present debt issuance costs as a direct reduction from debt on our condensed consolidated balance sheets for all periods presented. The adoption of this ASU will have no impact on our condensed consolidated results of operations and cash flows.

ASU 2015-02 "Consolidation – (Topic 810): Amendments to the Consolidation Analysis," or ASU 2015-02 — In February 2015, the FASB issued ASU 2015-02, which changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. This ASU is effective for annual reporting periods beginning after December 15, 2015, and we are currently assessing the impact of adoption of this ASU on our condensed consolidated results of operations, cash flows and financial position.

ASU 2014-09 "Revenue from Contracts with Customers (Topic 606)," **or ASU 2014-09** — In May 2014, the FASB issued ASU 2014-09, which supersedes the revenue recognition requirements of Accounting Standards Codification, or ASC, Topic 605 "Revenue Recognition." This ASU is effective for annual reporting periods beginning after December 15, 2017, with the option to adopt as early as December 15, 2016. We are currently assessing the impact of adoption of this ASU on our condensed consolidated results of operations, cash flows and financial position.

3. Acquisitions

In January 2015, DCP Partners entered into an agreement with an affiliate of Enterprise Products Partners L.P., or Enterprise, to acquire a 15% ownership interest in Panola Pipeline Company, LLC, or Panola. At closing, DCP Partners paid $1 million for its interest in the joint venture. The anticipated total consideration of approximately $26 million includes DCP Partners' proportionate share in construction costs for an anticipated expansion of the existing Panola NGL pipeline. The Panola NGL pipeline originates in Carthage, Texas and extends approximately 180 miles to Mont Belvieu, Texas. The expansion will extend the Panola NGL pipeline approximately 60 miles and increase capacity from approximately 50 MBbls/d to 100 MBbls/d. DCP Partners, WGR Asset Holding Company LLC, which is an affiliate of Anadarko Petroleum Corporation, and MarkWest Panola Pipeline L.L.C. will each own a 15% interest in Panola. Enterprise will own a 55% interest in Panola and will construct the expansion and operate the pipeline. In accordance with the joint venture agreement, DCP Partners will not participate in the earnings of the Panola pipeline until the expansion is complete, which is expected to be in the first quarter of 2016.

4. Dispositions

In May 2015, we entered into purchase and sale agreements with WTG Benedum Joint Venture to sell our 33% interest in the Benedum gas processing plant and 100% interest in the Benedum gathering system, or Benedum, for approximately $21 million, subject to customary purchase price adjustments. This transaction closed on May 13, 2015, and we recognized a $27 million loss on sale, which included $2 million of goodwill, in the condensed consolidated statements of operations for the three and six months ended June 30, 2015.

In January 2015, we entered into a purchase and sale agreement with Mustang Gas Products, LLC to sell our approximate 44% interest in the Dover-Hennessey gas processing plant and gathering system for approximately $29 million, subject to customary purchase price adjustments. This transaction closed on January 30, 2015, and we recognized a $10 million gain on sale in the condensed consolidated statement of operations for the six months ended June 30, 2015.

5. Agreements and Transactions with Related Parties and Affiliates

Dividends and Distributions

Under the terms of the Second Amended and Restated LLC Agreement dated July 5, 2005, as amended, or the LLC Agreement, we are required to make quarterly distributions to Phillips 66 and Spectra Energy based on allocated taxable income. During the six months ended June 30, 2014, we paid tax distributions to the members of $61 million and recorded tax distributions payable to the members of $56 million, which were paid in the third quarter of 2014. No tax distributions were declared or paid during the six months ended June 30, 2015. Our board of directors determines the amount of the periodic dividends to be paid by considering net income attributable to members' interests, cash flow or any other criteria deemed appropriate. During the six months ended June 30, 2014, we declared and paid dividends of $212 million. No dividends were declared or paid during the six months ended June 30, 2015.

DCP Partners considers the payment of a quarterly distribution to the holders of its common units, to the extent DCP Partners has sufficient cash from its operations after establishment of cash reserves and payment of fees and expenses, including payments to its general partner, a 100% owned subsidiary of ours. During the six months ended June 30, 2015 and 2014, DCP Partners paid distributions of $179 million and $145 million, respectively, to its limited partners, of which we received $38 million and $32 million for our limited partner interests, respectively. Additionally, during the six months ended June 30, 2015 and 2014, we received $62 million and $47 million, respectively for our general partner interest, which includes our incentive distribution rights. Distributions from DCP Partners eliminate in consolidation.

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. CPChem is owned 50% by Phillips 66, and is considered a related party. Prior to December 31, 2014, approximately 35% of our NGL production was committed to Phillips 66 and CPChem, under 15-year contracts, the primary production commitment of which began a ratable wind down period in December 2014 and expires in January 2019. 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 NGL 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

We have entered into a services agreement, as amended, or the Services Agreement, with DCP Partners. Under the Services Agreement, DCP Partners is required to reimburse us for salaries of operating personnel and employee benefits, as well as capital expenditures, maintenance and repair costs, taxes and other direct costs incurred by us on behalf of DCP Partners. DCP Partners also pays us an annual fee under the Services Agreement for centralized corporate functions performed by us on behalf of DCP Partners. Except with respect to the annual fee, there is no limit on the reimbursements DCP Partners makes to us under the Services Agreement for other expenses and expenditures incurred or payments made by us on behalf of DCP Partners. Reimbursements received from DCP Partners have been eliminated in consolidation. In the event DCP Partners acquires assets or its business otherwise expands, the annual fee under the Services Agreement is subject to adjustment based on the nature and extent of general and administrative services performed by us on DCP Partners' behalf, as well as an annual adjustment based on the changes to the Consumer Price Index.

On February 23, 2015, the annual fee payable under the Services Agreement was increased by approximately $25 million to $71 million, following approval of the increase by the special committee of DCP Partners' Board of Directors. DCP Partners' growth, both from organic growth and acquisitions, has resulted in DCP Partners becoming a much larger portion of our business. Additionally, DCP Partners' expansion into downstream logistics has required us to expand our capabilities and provide DCP Partners with a broader range of services than what was previously provided. As a result, we initiated a comprehensive review of our costs and the methodology for allocating general and administrative services. The result of this review reflects the level and cost of general and administrative services we provide to DCP Partners as the operator of its assets. The annual fee was effective starting January 1, 2015.

We have previously entered into derivative transactions directly with DCP Partners as a result of dropdown transactions whereby we were the counterparty. In March 2015, we novated these fixed price commodity derivatives for approximately $141 million, and DCP Partners' counterparty is now one of the financial institutions associated with DCP Partners' credit facility. As we are no longer the counterparty in these fixed price commodity derivatives, DCP Partners' position no longer eliminates in our condensed consolidated financial statements.

Unconsolidated Affiliates

We sell a portion of our residue gas and NGLs to, purchase natural gas and other NGL 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, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
	(millions)			
Phillips 66 (including CPChem):				
Sales of natural gas and petroleum products to affiliates	$ 193	$ 541	$ 390	$ 1,115
Purchases of natural gas and petroleum products from affiliates	$ —	$ 3	$ —	$ 7
Operating and general and administrative expenses	$ 2	$ —	$ 2	$ 1
Spectra Energy:				
Transportation, storage and processing	$ —	$ —	$ —	$ 14
Purchases of natural gas and petroleum products from affiliates	$ 12	$ 23	$ 25	$ 50
Operating and general and administrative expenses	$ 2	$ 3	$ 2	$ 5
Unconsolidated affiliates:				
Sales of natural gas and petroleum products to affiliates	$ 11	$ 18	$ 31	$ 40
Transportation, storage and processing	$ —	$ 3	$ 1	$ 7
Purchases of natural gas and petroleum products from affiliates	$ 83	$ 94	$ 168	$ 180

We had balances with related parties and affiliates as follows:

	June 30, 2015	December 31, 2014
	(millions)	
Phillips 66 (including CPChem):		
Accounts receivable	$ 76	$ 161
Accounts payable	$ (4)	$ (4)
Other assets	$ —	$ 1
Spectra Energy:		
Accounts receivable	$ —	$ 1
Accounts payable	$ (4)	$ (4)
Other assets	$ 1	$ 1
Unconsolidated affiliates:		
Accounts receivable	$ 14	$ 18
Accounts payable	$ (36)	$ (27)
Other assets	$ 29	$ 30

6. Inventories

Inventories were as follows:

	June 30, 2015	December 31, 2014
	(millions)	
Natural gas	$ 31	$ 36
NGLs	21	40
Total inventories	$ 52	$ 76

7. Property, Plant and Equipment

Property, plant and equipment by classification were as follows:

	Depreciable Life	June 30, 2015	December 31, 2014
		(millions)	
Gathering and transmission systems	20 - 50 years	$ 8,790	$ 8,434
Processing, storage and terminal facilities	35 - 60 years	4,559	4,522
Other	3 - 30 years	442	415
Construction work in progress		1,097	1,159
Property, plant and equipment		14,888	14,530
Accumulated depreciation		(5,098)	(4,993)
Property, plant and equipment, net		$ 9,790	$ 9,537

Interest capitalized on construction projects for the three and six months ended June 30, 2015 was $12 million and $24 million, respectively. Interest capitalized on construction projects for the three and six months ended June 30, 2014 was $7 million and $13 million, respectively.

Depreciation expense for the three and six months ended June 30, 2015 was $89 million and $175 million, respectively. Depreciation expense for the three and six months ended June 30, 2014 was $82 million and $160 million, respectively.

8. Investments in Unconsolidated Affiliates

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

	Percentage Ownership	June 30, 2015	December 31, 2014
		(millions)	
DCP Sand Hills Pipeline, LLC	33.33%	$ 442	$ 413
Discovery Producer Services, LLC	40.00%	403	407
DCP Southern Hills Pipeline, LLC	33.33%	323	329
Front Range Pipeline LLC	33.33%	170	169
Texas Express Pipeline LLC	10.00%	97	98
Mont Belvieu Enterprise Fractionator	12.50%	23	23
Mont Belvieu I Fractionation Facility	20.00%	12	14
Other unconsolidated affiliates	Various	17	10
Total investments in unconsolidated affiliates		$ 1,487	$ 1,463

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
		(millions)		
DCP Sand Hills Pipeline, LLC	$ 14	$ 5	$ 25	$ 8
Discovery Producer Services, LLC	14	(1)	12	—
DCP Southern Hills Pipeline, LLC	3	3	7	6
Front Range Pipeline LLC	6	(1)	8	(2)
Texas Express Pipeline LLC	2	—	3	—
Mont Belvieu Enterprise Fractionator	3	4	7	9
Mont Belvieu I Fractionation Facility	2	2	3	4
Total earnings from unconsolidated affiliates	$ 44	$ 12	$ 65	$ 25

The following tables summarize the combined financial information of unconsolidated affiliates:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(millions)			
Income statement (a):				
Operating revenues	$ 292	$ 194	$ 508	$ 351
Operating expenses	$ 145	$ 124	$ 267	$ 232
Net income	$ 147	$ 70	$ 240	$ 119

	June 30, 2015	December 31, 2014
	(millions)	
Balance sheet (a):		
Current assets	$ 277	$ 270
Long-term assets	5,276	5,125
Current liabilities	(177)	(192)
Long-term liabilities	(242)	(165)
Net assets	$ 5,134	$ 5,038

(a) In accordance with the Panola joint venture agreement, earnings do not accrue to our interest until the expansion of the pipeline is complete. Accordingly, DCP Partners will not include activity related to Panola in the above tables until the period in which the expansion is complete and earnings accrue to DCP Partners' interest.

9. Goodwill

Goodwill is the cost of an acquisition less the fair value of the net assets of the acquired business. We perform an annual impairment test of goodwill in the third quarter, and update the test during interim periods when we believe events or changes in circumstances indicate that we may not be able to recover the carrying value of a reporting unit. During the three months ended June 30, 2015, we determined that continued weak commodity prices caused a change in circumstances warranting an interim impairment test.

We performed our goodwill assessment at the reporting unit level. We primarily used a discounted cash flow analysis, supplemented by a market approach analysis, to perform the assessment. Key assumptions in the analysis include the use of an appropriate discount rate, volume forecasts, terminal year multiples, and estimated future cash flows including an estimate of operating and general and administrative costs. In estimating cash flows, we incorporate current market information, as well as historical and other factors, into our forecasted commodity prices.

Using the fair value approaches described above, in step one of the goodwill impairment test, we determined that the estimated fair value of our Mid-Continent and Permian reporting units was less than their carrying amount, primarily due to changes in assumptions related to commodity prices and discount rate.

DCP Partners also performed a goodwill assessment during the three months ended June 30, 2015, and in step one of the goodwill impairment test, determined that the estimated fair value of its Collbran, Michigan and Southeast Texas reporting units was less than their carrying amount, primarily due to the same factors.

The second step of the goodwill impairment test involves allocating the estimated fair value of the reporting unit among all of the assets and liabilities of the reporting unit in a hypothetical purchase price allocation. We and DCP Partners will complete the second step of the goodwill impairment test in the third quarter of 2015 due to the timing of completing the hypothetical purchase price allocation. As we and DCP Partners consider a goodwill impairment loss probable for these reporting units, we have recorded our best estimate of the impairment during the three months ended June 30, 2015, totaling $378 million for our Mid-Continent and Permian reporting units, and $49 million for DCP Partners' Collbran, Michigan and Southeast Texas reporting units, which is included in goodwill impairment in the condensed consolidated statements of operations. Upon completion of the measurement of the impairment during the third quarter, any adjustment to the estimated impairment will be recognized.

We concluded and DCP Partners concluded that the fair value of goodwill of the remaining reporting units exceeded their carrying value, and the entire amount of goodwill disclosed on the condensed consolidated balance sheet associated with these remaining reporting units is recoverable, therefore, no other goodwill impairments were identified or recorded for the remaining reporting units as a result of our interim goodwill assessment.

If actual results are not consistent with our assumptions and estimates, or our assumptions and estimates change due to new information, we may be exposed to additional goodwill impairment charges, which would be recognized in the period in which the carrying value exceeds fair value. A continuing prolonged period of lower commodity prices may adversely affect our estimate of future operating results, which could result in future goodwill impairment charges for other reporting units due to the potential impact on our operations and cash flows.

The change in the carrying amount of goodwill is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(millions)			
Balance, beginning of period	$ 704 (a)	$ 722	$ 704 (a)	$ 722
Impairment	(427)	—	(427)	—
Dispositions	(2)	—	(2)	—
Balance, end of period	$ 275 (b)	$ 722	$ 275 (b)	$ 722

(a) Includes cumulative impairment charges of $18 million.
(b) Includes cumulative impairment charges of $445 million.

10. 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 positions 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 12, 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 level of judgment involved in the most significant input 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 commodity 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 exposes 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, data obtained from third-party pricing services, 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

We periodically use interest rate swap agreements as part of our overall capital strategy. These instruments effectively exchange a portion of our fixed-rate debt for floating rate debt or floating rate debt for fixed-rate debt. The swaps are generally priced based upon a London Interbank Offered Rate, or LIBOR, instrument with similar duration, adjusted by the credit spread between our company 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. We record counterparty credit and entity valuation adjustments in the valuation of interest rate swaps; however, these reserves are not considered to be a significant input to the overall valuation.

Benefits

We offer certain eligible executives the opportunity to participate in DCP Midstream LP’s Non-Qualified Executive Deferred Compensation Plan, or the EDC Plan. All amounts contributed to and earned by the EDC Plan’s investments are held in a trust account, which is managed by a third-party service provider. The trust account is invested in short-term money market securities and mutual funds. These investments 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 the short-term money market securities and mutual funds are publicly traded and for which market prices are readily available, these investments are classified within Level 1.

Nonfinancial Assets and Liabilities

We utilize fair value to perform impairment tests as required on our property, plant and equipment; goodwill; and long-lived intangible assets. Assets and liabilities acquired in third party 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.

During the three and six months ended June 30, 2015, we recognized a goodwill impairment of $427 million in our condensed consolidated statements of operations. Our impairment determinations involved significant assumptions and judgments. Differing assumptions regarding any of these inputs could have a significant effect on the various valuations. As such, the fair value measurements utilized within these models are classified as non-recurring Level 3 measurements in the fair value hierarchy because they are not observable from objective sources.

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

	June 30, 2015				December 31, 2014			
	Level 1	Level 2	Level 3	Total Carrying Value	Level 1	Level 2	Level 3	Total Carrying Value
	(millions)							
Current assets:								
Commodity derivatives (a)	$ 32	$ 68	$ 91	$ 191	$ 33	$ 108	$ 23	$ 164
Interest rate derivatives (a)	$ —	$ —	$ —	$ —	$ —	$ 1	$ —	$ 1
Short-term investments (b)	$ 22	$ —	$ —	$ 22	$ 25	$ —	$ —	$ 25
Long-term assets:								
Commodity derivatives (c)	$ 2	$ 15	$ 3	$ 20	$ 1	$ 19	$ 3	$ 23
Mutual funds (d)	$ 13	$ —	$ —	$ 13	$ 14	$ —	$ —	$ 14
Current liabilities (e):								
Commodity derivatives	$ (20)	$ (44)	$ (16)	$ (80)	$ (22)	$ (57)	$ (45)	$ (124)
Long-term liabilities (f):								
Commodity derivatives	$ (3)	$ (1)	$ (7)	$ (11)	$ (2)	$ (1)	$ (12)	$ (15)

(a) Included in current unrealized gains on derivative instruments in our condensed consolidated balance sheets.
(b) Includes short-term money market securities included in cash and cash equivalents in our condensed consolidated balance sheets.
(c) Included in long-term unrealized gains on derivative instruments in our condensed consolidated balance sheets.
(d) Included in other long-term assets in our condensed consolidated balance sheets.
(e) Included in current unrealized losses on derivative instruments in our condensed consolidated balance sheets.
(f) 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, 2015, there were no transfers between Level 1 and Level 2 of the fair value hierarchy.

During the three and six months ended June 30, 2014, we had the following transfers from Level 2 to Level 1 of the fair value hierarchy:

	Transfers from Level 2 to Level 1(a)	
	Three Months Ended June 30, 2014	Six Months Ended June 30, 2014
	(millions)	
Current assets	$ 6	$ 6
Long-term assets	$ 2	$ 2
Current liabilities	$ (5)	$ (5)
Long-term liabilities	$ (1)	$ (1)

(a) Financial instruments have moved from Level 2 to Level 1 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. 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, 2015 (a):				
Beginning balance	$ 134	$ 2	$ (36)	$ (9)
Net unrealized (losses) gains included in earnings (b)	3	1	(5)	2
Transfers out of Level 3 (d)	(11)	—	19	—
Settlements	(35)	—	6	—
Ending balance	$ 91	$ 3	$ (16)	$ (7)
Net unrealized gains (losses) on derivatives still held included in earnings (b)	$ 4	$ 1	$ (7)	$ 2
Three Months Ended June 30, 2014 (a):				
Beginning balance	$ 16	$ 2	$ (6)	$ (1)
Net unrealized gains (losses) included in earnings (b)	2	—	(1)	(1)
Transfers out of Level 3 (d)	(4)	—	2	
Settlements	(5)	—	2	—
Ending balance	$ 9	$ 2	$ (3)	$ (2)
Net unrealized gains (losses) on derivatives still held included in earnings (b)	$ 2	$ —	$ (1)	$ (1)
Six Months Ended June 30, 2015 (a):				
Beginning balance	$ 23	$ 3	$ (45)	$ (12)
Net unrealized (losses) gains included in earnings (b)	(37)	—	4	5
Transfers out of Level 3 (d)	(9)	—	18	—
Settlements	(5)	—	7	—
Novation (c)	119	—	—	—
Ending balance	$ 91	$ 3	$ (16)	$ (7)
Net unrealized gains (losses) on derivatives still held included in earnings (b)	$ (29)	$ —	$ (10)	$ 5
Six Months Ended June 30, 2014 (a):				
Beginning balance	$ 21	$ 2	$ (10)	$ (1)
Net unrealized (losses) gains included in earnings (b)	6	—	(2)	(1)
Transfers out of Level 3 (d)	(5)	—	2	—
Settlements	(13)	—	7	—
Ending balance	$ 9	$ 2	$ (3)	$ (2)
Net unrealized gains (losses) on derivatives still held included in earnings (b)	$ 4	$ —	$ (3)	$ (1)

(a) There were no purchases, issuances or sales of derivatives or transfers into Level 3 for the three and six months ended June 30, 2015 and 2014.
(b) Represents the amount of total gains or losses for the period, included in trading and marketing gains, net, in the condensed consolidated statements of operations.
(c) As a result of the novation of certain fixed price commodity derivatives, DCP Partners' position no longer eliminates in consolidation.
(d) Amounts transferred out of Level 3 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	$ 94	$0.20 – $1.26	Per gallon
Liabilities:			
NGLs	$ (23)	$0.16 – $1.25	Per gallon

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, if applicable, and commodity non-trading derivatives are 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, if applicable, 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 specific 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. 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. As of June 30, 2015, the carrying and fair value of our long-term debt, including current maturities of long-term debt, was $7,229 million and $7,104 million, respectively. As of December 31, 2014, the carrying and fair value of our long-term debt was $5,683 million and $5,951 million, respectively.

11. Financing

	June 30, 2015	December 31, 2014
	(millions)	
Commercial paper:		
DCP Midstream's short-term borrowings, weighted-average interest rate of 0.89% as of December 31, 2014	$ —	$ 1,012
DCP Midstream's debt securities:		
Senior notes:		
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 (a)	450	450
Issued March 2010, interest at 5.350% payable semiannually, due March 2020 (a)	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 (b)	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	550
DCP Midstream's credit facilities with financial institutions:		
DCP Midstream's revolving credit agreement, weighted-average interest rate of 2.69%, due March 2017	1,446	—
DCP Partners' debt securities:		
Senior notes:		
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 2014, interest at 2.70% payable semiannually, due April 2019	325	325
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	500
Issued March 2014, interest at 5.60% payable semiannually, due April 2044	400	400
DCP Partners' credit facilities with financial institutions:		
DCP Partners' revolving credit agreement, weighted-average variable interest rate of 1.64%, due May 2019	100	—
Fair value adjustments related to interest rate swap fair value hedges (a) (b)	28	29
Unamortized discount	(20)	(21)
Total debt	7,229	6,695
Current maturities of long-term debt	(450)	(450)
DCP Midstream short-term borrowings	—	(1,012)
Total long-term debt	$ 6,779	$ 5,233

(a) During 2014, $50 million of debt associated with each of these note issuances was swapped to a floating rate obligation. These interest rate swap agreements were terminated in January 2015, and the remaining long-term fair value of approximately $1 million related to these swaps will be amortized as a reduction of interest expense through March 2019 and March 2020, respectively, the original maturity date of the debt.

(b) During 2008, the swaps associated with this debt were terminated. The remaining long-term fair value of approximately $27 million related to the swaps is being amortized as a reduction to interest expense through August 2030, the original maturity date of the debt.

DCP Midstream's Debt Securities — 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. The underwriters' fees and related expenses are deferred in other long-term assets in the condensed consolidated balance sheets and will be amortized over the term of the notes.

DCP Midstream's Commercial Paper Program — We had a commercial paper program, or the DCP Midstream Commercial Paper Program, under which we issued unsecured commercial paper notes. As of December 31, 2014, we had $1,012 million of commercial paper outstanding, which was included in short-term borrowings in the condensed consolidated balance sheets. In the first quarter of 2015, our credit rating was lowered below investment grade. As a result of this ratings action, we no longer have the DCP Midstream Commercial Paper Program. Our borrowings under the DCP Midstream Commercial Paper Program have been replaced with liquidity and borrowings under the DCP Midstream Amended and Restated Revolving Credit Agreement.

DCP Midstream's Credit Facilities with Financial Institutions — In March 2015, we entered into a first amendment of the DCP Midstream Amended and Restated Revolving Credit Agreement, which reduced the total borrowing capacity of the facility from $2 billion to $1.8 billion and revised the maturity date of the facility from May 2019 to March 2017. Certain of our subsidiaries, other than DCP Partners, will provide guarantees of borrowings under this facility. In addition, borrowings under this facility will be secured with a pledge of our limited partner and general partner ownership in DCP Partners as collateral. None of our physical assets are pledged as collateral for borrowings under this facility. Along with other restrictions, the terms of this facility also restrict the payment of dividends or distributions to Phillips 66 and Spectra. The DCP Midstream Amended and Restated Revolving Credit Agreement may be used to support our capital expansion program, for working capital requirements and other general corporate purposes, including acquisitions, as well as for letters of credit. As of June 30, 2015, we had $1,446 million outstanding under the DCP Midstream Amended and Restated Revolving Credit Agreement.

As of June 30, 2015 and December 31, 2014, we had $8 million in letters of credit outstanding. As of June 30, 2015, the available capacity under the DCP Midstream Amended and Restated Revolving Credit Agreement was $346 million, net of letters of credit, all of which was available for general working capital purposes. Our borrowing capacity may be limited by financial covenant requirements set forth in the DCP Midstream Amended and Restated Revolving Credit Agreement. Except in the case of default, amounts borrowed under the DCP Midstream Amended and Restated Revolving Credit Agreement will not become due prior to the March 2017 maturity date.

Indebtedness under the DCP Midstream Amended and Restated Revolving Credit Agreement bears interest at either: (1) LIBOR, plus an applicable margin of 2.50%; 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 1.50%. The DCP Midstream Amended and Restated Revolving Credit Agreement incurs an annual facility fee of 0.50%. This fee is paid on drawn and undrawn portions of the DCP Midstream Amended and Restated Revolving Credit Agreement.

The DCP Midstream Amended and Restated Revolving Credit Agreement requires us to maintain a secured leverage ratio (the ratio of secured indebtedness to consolidated EBITDA as defined) of not more than 3.25 to 1.0. Beginning with the fiscal quarter ending December 31, 2015, we must also maintain a consolidated leverage ratio (the ratio of consolidated indebtedness to consolidated EBITDA as defined) of not more than 5.0 to 1.0.

DCP Partners' Credit Facilities with Financial Institutions — In May 2014, DCP Partners entered into the DCP Partners Amended and Restated Credit Agreement. The DCP Partners Amended and Restated Credit Agreement has a total borrowing capacity of $1.25 billion and will be used for working capital requirements and other general partnership purposes including acquisitions. As of June 30, 2015 and December 31, 2014, DCP Partners had $1 million of letters of credit issued and outstanding under the DCP Partners Amended and Restated Credit Agreement and the DCP Partners Credit Agreement. As of June 30, 2015, the unused capacity under the DCP Partners Amended and Restated Credit Agreement was $1,149 million, which is net of letters of credit. DCP Partners' borrowing capacity may be limited by financial covenant requirements set forth in the DCP Partners Amended and Restated Credit Agreement. Except in the case of default, amounts borrowed under the DCP Partners Amended and Restated Credit Agreement will not become due prior to the May 2019 maturity date.

Indebtedness under the DCP Partners Amended and Restated Credit Agreement bears interest at either: (1) LIBOR, plus an applicable margin of 1.45% 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 0.45% based on DCP Partners' current credit rating. The DCP Partners Amended and Restated Credit Agreement incurs an annual facility fee of 0.30% based on DCP Partners' current credit rating. This fee is paid on drawn and undrawn portions of the DCP Partners Amended and Restated Credit Agreement.

The DCP Partners Amended and Restated Credit Agreement requires DCP Partners to maintain a leverage ratio (the ratio of DCP Partners' consolidated indebtedness to its consolidated EBITDA, in each case as defined) of not more than 5.0 to 1.0, and following consummation of qualifying acquisitions, 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. Further, DCP Partners' cost of borrowing under the DCP Partners Amended and Restated Credit Agreement is determined by a ratings based pricing grid.

Other Financing — During the six months ended June 30, 2015, DCP Partners issued 788,033 of its common units pursuant to its 2014 equity distribution agreement and received proceeds of $31 million, net of commissions and offering costs of less than $1 million, which were used to finance growth opportunities and for general partnership purposes. As of June 30, 2015, approximately $349 million remained available for sale pursuant to DCP Partners' 2014 equity distribution agreement.

12. 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 with either physical or financial transactions. We have established a comprehensive risk management policy, or Risk Management Policy, and a risk management committee, or the Risk Management Committee, to monitor and manage market risks associated with commodity prices and counterparty credit. Our Risk Management Committee is composed of senior executives who receive regular briefings on positions and exposures, credit exposures and overall risk management in the context of market activities. The Risk Management Committee is responsible for the overall management of credit risk and commodity price risk, including monitoring exposure limits. The following 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 storage and pipeline assets are exposed to certain risks including changes in commodity prices. We manage commodity price risk related to our natural gas storage and pipeline assets through our commodity derivative program. The commercial activities related to our natural gas storage and pipeline assets primarily consist of the purchase and sale of gas and associated time spreads and basis spreads.

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. Time spread transactions allow us to lock in a margin supported by the injection, withdrawal, and storage capacity of our natural gas storage assets. We may execute basis spread transactions to mitigate the risk of sale and purchase price differentials across our system. A basis spread transaction allows us to lock in a margin on our physical purchases and sales of gas, including injections and withdrawals from storage. 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.

DCP Partners Commodity Cash Flow Hedges

In order for our storage facilities 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 construction or expansion of DCP Partners' storage caverns, DCP Partners may execute a series of derivative financial instruments to mitigate a portion of the risk associated with the forecasted purchase of natural gas when DCP Partners brings the storage caverns to operation. These derivative financial instruments may be designated as cash flow hedges. While the cash paid upon settlement of these hedges economically fixes the cash required to purchase base gas, the deferred losses or gains would remain in accumulated other comprehensive income, or AOCI, until the cavern is emptied and the base gas is sold. The balance in AOCI of DCP Partners' previously settled base gas cash flow hedges was in a loss position of $6 million as of June 30, 2015.

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 our natural gas asset based trading and marketing and NGL proprietary trading.

Commodity Cash Flow Protection Activities at DCP Partners

DCP Partners is exposed to the impact of market fluctuations in the prices of natural gas, NGLs and condensate as a result of its gathering, processing, sales and storage activities. For gathering, processing and storage services, DCP Partners may receive cash or commodities as payment for these services, depending on the contract type. DCP Partners enters into derivative financial instruments to mitigate a portion of the risk of weakening natural gas, NGL and condensate prices associated with its gathering, processing and sales activities, thereby stabilizing its cash flows. DCP Partners has mitigated a portion of its expected commodity cash flow risk associated with its gathering, processing and sales activities through 2017 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 liquidity and tenor of the NGL derivative market, DCP Partners has used crude oil swaps and costless commodity collars to mitigate a portion of its commodity price risk exposure for NGLs. Historically, prices of NGLs have generally been related to crude oil prices; however, there are periods of time when NGL pricing may be at a greater discount to crude oil, resulting in additional exposure to NGL commodity prices. The relationship of NGLs to crude oil continues to be lower than historical relationships. Prior to March 2015, a significant amount of DCP Partners' NGL hedges through March 2016 were direct product hedges with us. As a result of our novating these direct product commodity positions to a third party in March 2015, these positions no longer eliminate in our condensed consolidated financial statements. When its crude oil swaps become short-term in nature, DCP Partners has periodically converted certain crude oil derivatives to NGL derivatives by entering into offsetting crude oil swaps while adding NGL swaps. DCP Partners' crude oil and NGL transactions are primarily accomplished through the use of forward contracts that effectively exchange DCP Partners' floating price risk for a fixed price. DCP Partners also utilizes crude oil costless commodity 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 as trading and marketing gains, net.

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 our floating rate debt to fixed-rate debt or to convert our fixed-rate debt to floating rate 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.

Prior to June 30, 2014, DCP Partners had interest rate swap agreements with notional values totaling $150 million, which were accounted for under the mark-to-market method of accounting and repriced prospectively approximately every 30 days. Under the terms of the interest rate swap agreements, DCP Partners paid fixed rates ranging from 2.94% to 2.99%, and received interest payments based on the one-month LIBOR. These interest rate swap agreements settled in June 2014. Prior to August 2013, these interest rate swaps were designated as cash flow hedges whereby the effective portions of changes in fair value were recognized in AOCI in the condensed consolidated balance sheets. In March 2014, DCP Partners paid down a portion of the balance outstanding under the DCP Partners Commercial Paper Program and reclassified the remaining loss of $1 million in AOCI into earnings as interest expense, net.

In conjunction with the issuance of DCP Partners' 4.95% Senior Notes in March 2012, DCP Partners entered into forward-starting interest rate swap agreements to reduce its exposure to market rate fluctuations prior to issuance. These derivative financial instruments were designated as cash flow hedges. While the cash paid upon settlement of these hedges economically fixed the rate

DCP Partners would pay on a portion of its 4.95% Senior Notes, the deferred loss in AOCI will be amortized into interest expense through the maturity of the notes in 2022. The balance in AOCI of these cash flow hedges was in a loss position of $3 million as of June 30, 2015.

In July 2014, we entered into an interest rate swap agreement to convert $50 million of fixed-rate debt securities issued in February 2009 to floating rate debt. Additionally, in July 2014, we entered into an interest rate swap agreement to convert $50 million of fixed-rate debt securities issued in March 2010, to floating rate debt. The interest rate fair value hedges associated with each of these interest rate swap agreements are at a floating rate based on one month LIBOR, which resets monthly and are paid semi-annually through the expiration of the securities in March 2019 and March 2020, respectively. These swap agreements meet conditions that permit the assumption of no ineffectiveness. As such, for the life of the swap agreements no ineffectiveness will be recognized. These interest rate swap agreements were terminated in January 2015, and the remaining long-term fair value relative to these interest rate swap agreements will be reclassified to interest expense, net through March 2019 and March 2020, respectively, the original maturity date of the debt, as the underlying transactions impact earnings.

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, net through August 2030, the original maturity date of the debt, as the underlying transactions impact earnings.

Credit Risk

Our principal customers range from large, natural gas marketers 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. Prior to December 31, 2014, approximately 35% of our NGL production was committed to Phillips 66 and CPChem, under 15-year contracts, the primary production commitment of which expired in December 2014 and began a ratable wind down period and expires in January 2019. 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 Swaps and Derivatives 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.

- If we were to have an effective event of default under our DCP Midstream Amended and Restated Credit Agreement that occurs and is continuing, our ISDA counterparties may have the right to request early termination and net settlement of any outstanding derivative liability positions.

- Certain of our ISDA counterparties would have the right to reduce our collateral threshold to zero, potentially requiring us to fully collateralize any commodity contracts in a net liability position, when our or DCP Partners' credit rating is below investment grade.

- 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.

Our commodity derivative contracts that are not governed by ISDA contracts do not have any credit-risk related contingent features.

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. As of June 30, 2015, we had less than $1 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 we were required to net settle our position with an individual counterparty, due to a credit-risk related event, our ISDA contracts may 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, 2015, we have not been 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, 2015, the net liability position would be partially offset by contracts in a net asset position.

Collateral

As of June 30, 2015, we had cash deposits with counterparties of $24 million, included in other current assets in the condensed consolidated balance sheets, to secure our obligations to provide future services or to perform under financial contracts. Additionally, as of June 30, 2015, we held cash of $2 million, included in other current liabilities in the condensed consolidated balance sheet, related to cash postings by third parties and letters of credit of $29 million from counterparties to secure their future performance under financial or physical contracts. 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, services, trading and hedging contracts. In many cases, we and our counterparties have publicly disclosed 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 tables summarize the gross and net amounts of our derivative instruments:

	June 30, 2015			December 31, 2014		
	Gross Amounts of Assets and (Liabilities) Presented in the Balance Sheet	Amounts Not Offset in the Balance Sheet – Cash Collateral Pledged/ (Received) (a)	Net Amount	Gross Amounts of Assets and (Liabilities) Presented in the Balance Sheet	Amounts Not Offset in the Balance Sheet – Cash Collateral Pledged/ (Received) (a)	Net Amount
	(millions)					
Assets:						
Commodity derivative instruments	$ 211	$ (2)	$ 209	$ 187	$ (9)	$ 178
Interest rate derivative instruments	$ —	$ —	$ —	$ 1	$ —	$ 1
Liabilities:						
Commodity derivative instruments	$ (91)	$ —	$ (91)	$ (139)	$ —	$ (139)

(a) Included in other current liabilities in the condensed consolidated balance sheets.

Summarized Derivative Information

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

Balance Sheet Line Item	June 30, 2015	December 31, 2014	Balance Sheet Line Item	June 30, 2015	December 31, 2014
	(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	$ —	$ 1	Unrealized losses on derivative instruments — current	$ —	$ —
	$ —	$ 1		$ —	$ —
Derivative Assets Not Designated as Hedging Instruments:			**Derivative Liabilities Not Designated as Hedging Instruments**:		
Commodity derivatives:			**Commodity derivatives:**		
Unrealized gains on derivative instruments — current	$ 191	$ 164	Unrealized losses on derivative instruments — current	$ (80)	$ (124)
Unrealized gains on derivative instruments — long-term	20	23	Unrealized losses on derivative instruments — long-term	(11)	(15)
	$ 211	$ 187		$ (91)	$ (139)

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 and six months ended June 30, 2015:

	Interest Rate Derivatives	Commodity Derivatives	Total
		(millions)	
Net deferred losses in AOCI, beginning and ending balance	$ (2)	$ (3)	$ (5)
Deferred losses in AOCI expected to be reclassified into earnings over the next 12 months	$ —	$ —	$ —

For the three and six months ended June 30, 2015, no derivative gains or losses were recognized in trading and marketing gains, net and interest expense, net 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 balance and activity within AOCI relative to our interest rate and commodity derivatives, net of noncontrolling interest, for the three months ended June 30, 2014:

	Interest Rate Derivatives	Commodity Derivatives	Total
		(millions)	
Net deferred losses in AOCI, beginning balance	$ (2)	$ (3)	$ (5)
Gains recognized in AOCI on derivatives — effective portion	—	—	—
Losses reclassified from AOCI — effective portion	—	—	—
Net deferred losses in AOCI, ending balance	$ (2)	$ (3)	$ (5)

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, 2014:

	Interest Rate Derivatives		Commodity Derivatives	Total
			(millions)	
Net deferred losses in AOCI, beginning balance	$ (3)		$ (3)	$ (6)
Gains recognized in AOCI on derivatives — effective portion	—		—	—
Losses reclassified from AOCI — effective portion	1	(a)	—	1
Net deferred losses in AOCI, ending balance	$ (2)		$ (3)	$ (5)

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

For the three and six months ended June 30, 2014, no derivative gains or losses were recognized in trading and marketing gains, net and interest expense, net 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.

Changes 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:

Commodity Derivatives: Statement of Operations Line Item	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
	(millions)			
Realized gains (losses)	$ 44	$ —	$ (54)	$ 11
Unrealized (losses) gains	(47)	(7)	72	(12)
Trading and marketing (losses) gains, net	$ (3)	$ (7)	$ 18	$ (1)

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, 2015

Year of Expiration	Crude Oil: Net (Short) Long Position (Bbls) (a)	Crude Oil: Number of Contracts	Natural Gas: Net Short Position (MMBtu) (b)	Natural Gas: Number of Contracts	Natural Gas Liquids: Net Short Position (Bbls)	Natural Gas Liquids: Number of Contracts		Natural Gas Basis Swaps: Net (Short) Long Position (MMBtu)	Natural Gas Basis Swaps: Number of Contracts
2015	(946,912)	144	(27,621,560)	226	(16,876,742)	264	(c)	(3,020,000)	155
2016	(1,907,672)	53	(7,823,564)	24	(7,039,302)	109	(d)	832,500	92
2017	35,000	7	(6,387,500)	6	(2,546,308)	14	(e)	—	—

(a) Bbls represents barrels.
(b) MMBtu represents one million British thermal units.
(c) Includes 38 physical index based derivative contracts totaling (13,604,540) Bbls.
(d) Includes 4 physical index based derivative contracts totaling (6,275,000) Bbls.
(e) Includes 1 physical index based derivative contracts totaling (2,700,000) Bbls.

June 30, 2014

Year of Expiration	Crude Oil: Net Short Position (Bbls) (a)	Crude Oil: Number of Contracts	Natural Gas: Net Short Position (MMBtu)	Natural Gas: Number of Contracts	Natural Gas Liquids: Net (Short) Long Position (Bbls)	Natural Gas Liquids: Number of Contracts		Natural Gas Basis Swaps: Net (Short) Long Position (MMBtu)	Natural Gas Basis Swaps: Number of Contracts
2014	(594,600)	303	(25,806,450)	258	(11,256,018)	339	(b)	(3,877,500)	71
2015	(1,025,000)	80	(1,212,500)	38	(3,483,400)	99	(c)	8,332,500	21
2016	(494,000)	15	(1,830,000)	1	60,000	1		(5,660,000)	6
2017	—	—	(6,387,500)	4	—	—		—	—

(b) Includes 31 physical index based derivative contracts totaling (10,665,000) Bbls.
(c) Includes 2 physical index based derivative contracts totaling (3,720,000) Bbls.

13. 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) 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 laws and regulations at the federal, state and local levels that relate to air and water quality, hazardous and solid waste management and disposal, and other environmental matters. The cost of planning, designing, constructing and operating pipelines, plants, and other facilities incorporates compliance with environmental laws and regulations and safety standards. In addition, there is increasing focus, from city, 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 various health, safety and environmental 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, and the issuance of injunctions or restrictions on operation. 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 June 30, 2015 and December 31, 2014, environmental liabilities included in the condensed consolidated balance sheets as other current liabilities amounted to $3 million and $5 million, respectively. As of June 30, 2015 and December 31, 2014, environmental liabilities included in the condensed consolidated balance sheets as other long-term liabilities amounted to $10 million and $9 million, respectively.

14. 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.

15. Restructuring Costs

As part of our effort to create efficiencies and reduce costs, we are implementing a plan to reduce general and administrative and non-core operational costs. In January 2015, we announced the initial phase of this cost reduction plan, which involved the elimination of certain corporate employee positions. As a result, we recorded one-time employee termination costs of approximately $2 million and $8 million which are included in restructuring costs within total operating costs and expenses in the condensed consolidated statement of operations for the three and six months ended June 30, 2015, respectively.

As of June 30, 2015, approximately $1 million of the $8 million restructuring charge incurred is included in other current liabilities and is expected to be paid out prior to December 31, 2015. The severance costs estimate could change based on the number of employees that work through the required service period and the timing of those departures.

We have identified additional opportunities to streamline operations and identify cost savings. The costs associated with these actions will be recorded when specified criteria are met, such as abandonment of leased facilities, contract and project termination, consolidation of facilities and employee relocation.

16. Supplemental Cash Flow Information

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
	(millions)	
Cash paid for interest, net of capitalized interest	$ 140	$ 136
Income tax refunds received, net of cash paid for income taxes	$ 4	$ 5
Non-cash investing and financing activities:		
Tax distributions payable to members	$ —	$ 56
Property, plant and equipment acquired with accrued liabilities	$ 77	$ 142
Other non-cash changes in property, plant and equipment	$ (5)	$ (1)

17. Subsequent Events

We have evaluated subsequent events occurring through August 11, 2015, the date the condensed consolidated financial statements were issued.

In July 2015, we entered into a purchase and sale agreement with a third party to sell a non-core gas processing plant and gathering system. Although subject to customary purchase price adjustments, we expect to record a gain on this transaction between $55 million and $60 million. This transaction is expected to close in the third quarter of 2015, subject to regulatory approval and customary closing conditions.

On July 28, 2015, DCP Partners announced that the board of directors of DCP Partners' general partner declared a quarterly distribution of $0.78 per unit, payable on August 14, 2015 to unitholders of record on August 7, 2015.