DCP Midstream, LLC

Condensed Consolidated Financial Statements for the Three and Nine Months Ended September 30, 2012 and 2011 (Unaudited)

DCP MIDSTREAM, LLC
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

TABLE OF CONTENTS

	Page
Condensed Consolidated Balance Sheets	1
Condensed Consolidated Statements of Operations	2
Condensed Consolidated Statements of Comprehensive Income	3
Condensed Consolidated Statements of Cash Flows	4
Condensed Consolidated Statements of Changes in Equity	5
Notes to Condensed Consolidated Financial Statements	6

DCPMIDSTREAM,LLC
CONDENSEDCONSOLIDATEDBALANCESHEETS
(unaudited)
(millions)

	September30, 2012	December31, 2011
ASSETS		
Currentassets:		
Cashandcashequivalents	$ 10	$ 9
Accountsreceivable:		
Customers,netofallowancefordoubtfulaccounts of$2millioneachperiod	820	981
Affiliates	185	307
Other	33	44
Inventories	106	105
Unrealizedgainsonderivativeinstruments	95	107
Other	41	24
Totalcurrentassets	1,290	1,577
Property,plantandequipment,net	8,224	6,448
Investmentsinunconsolidatedaffiliates	276	154
Intangibleassets,net	343	362
Goodwill	723	723
Unrealizedgainsonderivativeinstruments	27	23
Otherlong-termassets	213	125
Totalassets	$ 11,096	$ 9,412
LIABILITIESANDEQUITY		
Currentliabilities:		
Accountspayable:		
Trade	$ 1,124	$ 1,547
Affiliates	51	127
Other	42	49
Short-termborrowings	1,444	370
Distributionspayabletomembers	56	95
Unrealizedlossesonderivativeinstruments	117	113
Accruedtaxes	80	36
Capitalspendingaccrual	180	84
Other	194	226
Totalcurrentliabilities	3,288	2,647
Deferredincometaxes	93	93
Long-termdebt	4,361	3,820
Unrealizedlossesonderivativeinstruments	26	40
Otherlong-termliabilities	145	123
Totalliabilities	7,913	6,723
Commitmentsandcontingentliabilities		
Equity:		
Members'interest	2,296	2,164
Accumulatedothercomprehensiveloss	(9)	(12)
Totalmembers'equity	2,287	2,152
Noncontrollinginterest	896	537
Totalequity	3,183	2,689
Totalliabilitiesandequity	$ 11,096	$ 9,412

SeeNotestoCondensedConsolidatedFinancialState ments.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
Operating revenues:				
Sales of natural gas and petroleum products	$ 1,891	$ 2,496	$ 5,674	$ 7,209
Sales of natural gas and petroleum products to affiliates	418	787	1,480	2,130
Transportation, storage and processing	93	100	267	287
Trading and marketing (losses) gains, net	(2)	77	67	81
Total operating revenues	2,400	3,460	7,488	9,707
Operating costs and expenses:				
Purchases of natural gas and petroleum products	1,881	2,506	5,522	7,038
Purchases of natural gas and petroleum products from affiliates	72	251	471	776
Operating and maintenance	183	162	509	472
Depreciation and amortization	67	116	224	331
General and administrative	75	68	211	211
Total operating costs and expenses	2,278	3,103	6,937	8,828
Operating income	122	357	551	879
Earnings from unconsolidated affiliates	9	9	26	21
Interest expense, net	(43)	(55)	(146)	(160)
Income before income taxes	88	311	431	740
Income tax benefit (expense)	1	—	(2)	—
Net income	89	311	429	740
Net loss (income) attributable to noncontrolling interests	6	(45)	(58)	(64)
Net income attributable to members' interests	$ 95	$ 266	$ 371	$ 676

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
Net income	$ 89	$ 311	$ 429	$ 740
Other comprehensive income:				
Net unrealized gains (losses) on cash flow hedges	1	(6)	1	(11)
Reclassification of cash flow hedges into earnings	1	5	10	15
Total other comprehensive income (loss)	2	(1)	11	4
Total comprehensive income	91	310	440	744
Total comprehensive loss (income) attributable to noncontrolling interests	5	(45)	(66)	(67)
Total comprehensive income attributable to members' interests	$ 96	$ 265	$ 374	$ 677

See Notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended September 30,	
	2012	**2011**
Cash flows from operating activities:		
Net income	$ 429	$ 740
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	224	331
Earnings from unconsolidated affiliates	(26)	(21)
Distributions from unconsolidated affiliates	28	31
Net unrealized losses (gains) on derivative instruments	12	(62)
Deferred income tax benefit	—	(7)
Other, net	2	1
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	298	(63)
Inventories	(12)	10
Accounts payable	(525)	23
Other	(98)	(5)
Net cash provided by operating activities	332	978
Cash flows from investing activities:		
Capital expenditures	(1,720)	(688)
Acquisitions, net of cash acquired	(123)	(79)
Investments in unconsolidated affiliates	(103)	(6)
Proceeds from sale of assets	1	12
Net cash used in investing activities	(1,945)	(761)
Cash flows from financing activities:		
Payment of dividends and distributions to members	(349)	(539)
Proceeds from debt	1,603	1,332
Payment of debt	(1,062)	(1,004)
Proceeds from issuance of common units by a subsidiary, net of offering costs	445	152
Proceeds from (repayment of) commercial paper, net	1,074	(91)
Distributions paid to noncontrolling interests	(81)	(63)
Deferred financing costs	(16)	(7)
Net cash provided by (used in) financing activities	1,614	(220)
Net change in cash and cash equivalents	1	(3)
Cash and cash equivalents, beginning of period	9	8
Cash and cash equivalents, end of period	$ 10	$ 5

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, 2012	$ 2,164	$ (12)	$ 537	$ 2,689
Dividends and distributions	(310)	—	(81)	(391)
Issuance of common units by a subsidiary, net of offering costs	71	—	374	445
Comprehensive income:				
Net income	371	—	58	429
Net unrealized (losses) gains on cash flow hedges	—	(1)	2	1
Reclassification of cash flow hedges into earnings	—	4	6	10
Total comprehensive income	371	3	66	440
Balance, September 30, 2012	$ 2,296	$ (9)	$ 896	$ 3,183
Balance, January 1, 2011	$ 2,073	$ (13)	$ 421	$ 2,481
Dividends and distributions	(567)	—	(63)	(630)
Equity-based compensation	—	—	3	3
Issuance of common units by a subsidiary, net of offering costs	31	—	121	152
Comprehensive income:				
Net income	676	—	64	740
Net unrealized losses on cash flow hedges	—	(4)	(7)	(11)
Reclassifications of cash flow hedges into earnings	—	5	10	15
Total comprehensive income	676	1	67	744
Balance, September 30, 2011	$ 2,213	$ (12)	$ 549	$ 2,750

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 Spectra Energy Corp and its affiliates, or Spectra Energy, and 50% by Phillips 66 and its affiliates, or Phillips 66. We operate in the midstream natural gas industry. Our primary operations consist of gathering, processing, compressing, treating, transporting and storing natural gas, and fractionating, transporting, gathering, treating, processing and storing natural gas liquids, or NGLs, and/or condensate as well as marketing, from which we generate revenues primarily 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 September 30, 2012 and December 31, 2011, we owned an approximate 25% and 26% limited partner interest, respectively. Additionally, as of September 30, 2012 and December 31, 2011, we owned an approximate 1% general partner interest in DCP Partners, for both periods, as well as incentive distribution rights that entitle us to receive an increasing share of available cash as pre-defined distribution targets are achieved. As the general partner of DCP Partners, we have responsibility for its operations. We exercise control over DCP Partners and we account for it as a consolidated subsidiary. Transactions between us and DCP Partners' operations have been identified in the condensed consolidated financial statements as transactions between affiliates.

Prior to May 1, 2012, we were owned 50% by ConocoPhillips. On May 1, 2012, ConocoPhillips created two independent publicly traded companies by separating its downstream businesses, including its 50% ownership interest in us, to a newly formed publicly traded company, Phillips 66.

We are governed by a five member board of directors, consisting of two voting members from each parent company and our Chief Executive Officer, a non-voting member. All decisions requiring the approval of our board of directors are made by simple majority vote of the board, but must include at least one vote from both a Spectra Energy and Phillips 66 (or ConocoPhillips prior to May 1, 2012) board member. In the event the board cannot reach a majority decision, the decision is appealed to the Chief Executive Officers of both Spectra Energy and Phillips 66.

These condensed consolidated financial statements reflect all 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 have been condensed in or omitted from these interim financial statements. Operating results for the three and nine months ended September 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. These condensed consolidated financial statements should be read in conjunction with our consolidated financial statements for the year ended December 31, 2011.

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

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

2. Recent Accounting Pronouncements

***Financial Accounting Standards Board, or FASB, Accounting Standards Update, or ASU, 2011-04 "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs,"* or ASU 2011-04** — In May 2011, the FASB issued ASU 2011-04 which amends Accounting Standards Codification, or ASC, Topic 820 "Fair Value Measurements and Disclosures" to change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements, clarify the FASB's intent about the application of existing fair value measurement requirements, and change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The provisions of ASU 2011-04 became effective for us on December 15,

2011. The provisions of ASU 2011-04 impact only disclosures, and we have disclosed information in accordance with the provisions of ASU 2011-04 within these financial statements.

3. Acquisitions

On July 3, 2012, DCP Partners acquired the Crossroads processing plant and associated gathering system, or the Crossroads System, from Penn Virginia Resource Partners, L.P. for $63 million. DCP Partners financed the acquisition with borrowings under its revolving credit facility. The Crossroads System, located in the southeastern portion of Harrison County in East Texas, includes approximately 8 miles of gas gathering pipeline, an 80 MMcf/d cryogenic processing plant, approximately 20 miles of NGL pipeline and a 50% ownership interest in an approximately 11-mile residue gas pipeline, or CrossPoint Pipeline, LLC, which is accounted for as an unconsolidated affiliate using the equity method.

DCP Partners has accounted for the Crossroads System business combination based on estimates of the fair value of assets acquired and liabilities assumed. The purchase price allocation is preliminary and is based on initial estimates of fair values at the date of the acquisition. DCP Partners is currently evaluating the preliminary purchase price allocation, which will be adjusted as additional information relative to the fair value of assets and liabilities becomes available. This allocation may change in subsequent financial statements pending the final estimates of fair value. The preliminary purchase price allocation as of September 30, 2012 is as follows:

	September 30, 2012
	(millions)
Aggregate consideration	$ 63
Accounts receivable	$ 4
Property, plant and equipment	63
Investments in unconsolidated affiliates	6
Other current liabilities	(4)
Other long-term liabilities	(6)
Total preliminary purchase price allocation	$ 63

On April 12, 2012, DCP Partners announced that it has acquired a 10% ownership interest in the Texas Express Pipeline joint venture, from Enterprise Products Partners L.P., or Enterprise, representing an approximate investment of $85 million in the joint venture. In conjunction with the agreement, DCP Partners paid $11 million for its 10% ownership interest in the Texas Express Pipeline joint venture, representing DCP Partners' share of the investment through the closing date. DCP Partners will be responsible for spending approximately $75 million for its share of the remaining construction costs of the pipeline. Originating near Skellytown in Carson County, Texas, the 20-inch diameter Texas Express Pipeline will extend approximately 580 miles to Enterprise's NGL fractionation and storage complex in Mont Belvieu, Texas, and will provide access to other third-party facilities in the area. The Texas Express Pipeline will have an initial capacity of approximately 280,000 barrels per day, or Bbls/d. The Texas Express Pipeline has long-term, fee-based, ship-or-pay transportation commitments, including a commitment from us of 20,000 Bbls/d. Enterprise will construct and operate the pipeline, which is expected to be completed by the second quarter of 2013.

On April 12, 2012, we announced we have entered into an agreement with Enterprise and Anadarko Petroleum Corporation, or Anadarko, to design and construct a new NGL pipeline, or the Front Range Pipeline, that will originate in the Denver-Julesburg Basin, or the DJ Basin, in Weld County, Colorado and extend approximately 435 miles to Skellytown, Texas. We, Enterprise and Anadarko each hold a 33.33% interest in the Front Range Pipeline. The Front Range Pipeline will connect to third-party systems and the Texas Express Pipeline, and will provide takeaway capacity and market access to the Gulf Coast markets. The Front Range Pipeline will have an initial capacity of approximately 150,000 Bbls/d. The Front Range Pipeline has long-term, fee-based, ship-or-pay transportation commitments, including a commitment from us of 40,000 Bbls/d, which will increase to 48,000 Bbls/d in 2019. Enterprise will construct and operate the pipeline, which is expected to be in service in the fourth quarter of 2013.

4. Agreements and Transactions with Related Parties and Affiliates

Dividends and Distributions

During the nine months ended September 30, 2012 and 2011, we paid tax distributions of $188 million and $176 million, respectively, based on estimated annual taxable income allocated to Spectra Energy and Phillips 66 (or ConocoPhillips prior to May 1, 2012) according to their respective ownership percentages at the date the distributions became due. During the nine months ended September 30, 2012 and 2011, we declared and paid dividends of $161 million and $363 million, respectively, to Spectra Energy and Phillips 66 (or ConocoPhillips prior to May 1, 2012), allocated in accordance with their respective ownership percentages.

During the nine months ended September 30, 2012 and 2011, DCP Partners paid distributions of $76 million and $58 million, respectively, to its public unitholders.

Phillips 66 and ConocoPhillips

Prior to May 1, 2012, we were owned 50% by ConocoPhillips. On May 1, 2012, ConocoPhillips created two independent publicly traded companies by separating its downstream businesses, including its 50% ownership interest in us, to a newly formed publicly traded company, Phillips 66. In connection with this transaction, or the Phillips 66 separation, ConocoPhillips is not considered a related party for periods after May 1, 2012. In connection with the Phillips 66 separation, as of May 1, 2012, Chevron Phillips Chemical, or CPChem, is owned 50 percent by Phillips 66 and will continue to be considered a related party for periods after May 1, 2012.

Long-Term NGL Purchases Contract and Transactions —We sell a portion of our residue gas to ConocoPhillips and sell a portion of our NGLs to Phillips 66 and CPChem. Prior to May 1, 2012, we sold a portion of our NGLs to ConocoPhillips. In addition, we purchase natural gas from and provide gathering, transportation and other services to ConocoPhillips. Approximately 40% of our NGL production is committed to Phillips 66 (or ConocoPhillips prior to May 1, 2012) and CPChem under an existing 15-year contract, which expires in 2015. Should the contract not be renegotiated or renewed, it provides for a five year ratable wind-down period through 2020. The NGL contract also grants Phillips 66 (or ConocoPhillips prior to May 1, 2012) the right to purchase at index-based prices certain quantities of NGLs produced at processing plants that are acquired and/or constructed by us in the future in various counties in the Mid-Continent and Permian Basin regions, and the Austin Chalk area. We anticipate continuing to purchase and sell commodities with ConocoPhillips as a third-party and with Phillips 66 and CPChem as related parties, in the ordinary course of business.

We are party to a 15-year gathering and processing agreement with ConocoPhillips, which expires in January 2026, whereby ConocoPhillips has dedicated all of its natural gas production within an area of mutual interest in Oklahoma and Texas. This contract replaces and extends certain contracts that we previously had with ConocoPhillips, and is considered a third-party contract for periods after May 1, 2012.

Spectra Energy

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

DCP Partners had propane supply agreements with Spectra Energy that expired in April 2012, which provided DCP Partners propane supply at its marine terminals for up to approximately 185 million gallons of propane annually.

DCP Partners

On July 2, 2012, we contributed our minority ownership interests in two non-operated Mont Belvieu fractionators, or the Mont Belvieu Fractionators, to DCP Partners for aggregate consideration of $200 million. DCP Partners entered into a two-year term loan agreement, which expires on July 2, 2014, to finance $140 million of the aggregate purchase price. The remaining $60 million consideration was financed with the issuance by DCP Partners of 1,536,098 common units to us. The $140 million cash proceeds we received were used to pay down our short-term borrowings. The Mont Belvieu Fractionators consist of a 12.5 percent interest in the Enterprise Fractionator, which is operated by Enterprise, and a 20 percent interest in the Mont Belvieu I Fractionation Facility, which

isoperatedbyONEOKPartners.WewillcontinuetoaccountfortheMontBelvieuFractionatorsthroughourownershipinterestin DCPPartners.

OnMarch30,2012,wecontributedourremaining66.67%interestinSoutheastTexasHoldings,GP,orSoutheastTexas,and derivativeinstrumentsrelatedtotheSoutheastTexasstoragebusiness,togethertheSoutheastTexasMidstreamBusiness,toDCP Partners,forconsiderationof$240million,plusworkingcapitalandothercustomarypurchasepriceadjustmentsof$21million.$192 millionoftheconsiderationwasfinancedwithaportionoftheproceedsfromDCPPartners’4.95%10-yearSeniorNotesoffering. Theremaining$48millionconsiderationwasfinancedwiththeissuancebyDCPPartnersof1,000,417commonunitstous.Wealso providedfixedNGLcommodityderivativesforthethreeyearperiodsubsequenttoclosingvaluedat$40million.CertainoftheNGL commodityderivativeswerevaluedat$25millionandrepresentconsiderationfortheterminationofafee-basedstoragearrangement thatwehadwithDCPPartnersinconjunctionwithitsinitial33.33%interestinSoutheastTexas;theremainingportionofthe commodityderivatives,valuedat$15million,mitigateaportionofDCPPartners’currentlyanticipatedcommoditypricerisk associatedwiththegatheringandprocessingportionofthe66.67%interestinSoutheastTexasacquiredonMarch30,2012.The contributionofourremaining66.67%interestinSoutheastTexasrepresentsatransactionbetweenentitiesundercommoncontrol.As aresultofthistransaction,DCPPartnersowns100%oftheSoutheastTexasMidstreamBusiness,andwewillcontinuetoconsolidate theSoutheastTexasMidstreamBusinessthroughourownershipinterestinDCPPartners.

OnJanuary3,2012,wecompletedthepreviouslyannouncedcontributionofourremaining49.9%interestinDCPEastTexas Holdings,LLC,orEastTexas,toDCPPartners,foraggregateconsiderationof$165million,lessworkingcapitalandotherpurchase priceadjustmentsofapproximately$2million,foranetpurchasepriceof$163million.DCPPartnersfinancedapproximately$130 millionoftheaggregatepurchasepricewithborrowingsunderitstermloan.Theremaining$33millionconsiderationwasfinanced withtheissuanceof727,520commonunitstous.Asaresultofthistransaction,DCPPartnersowns100%ofEastTexas,andwewill continuetoconsolidateEastTexasthroughourownershipinterestinDCPPartners.

Transactionswithotherunconsolidatedaffiliates

WesellaportionofourresiduegasandNGLsto,purchasenaturalgasandotherpetroleumproductsfrom,andprovidegathering andtransportationservicesto,unconsolidatedaffiliates.Weanticipatecontinuingtopurchaseandsellcommoditiesandprovide servicestounconsolidatedaffiliatesintheordinarycourseofbusiness.

Thefollowingtablesummarizesourtransactionswithrelatedpartiesandaffiliates:

	ThreeMonthsEnded September30,		NineMonthsEnded September30,	
	2012	2011	2012	2011
	(millions)			
Phillips66(a):				
Salesofnaturalgasandpetroleumproductstoaffiliates	$ 402	$ —	$ 648	$ —
Purchasesofnaturalgasandpetroleumproductsfromaffiliates	$ 29	$ —	$ 43	$ —
Operatingandgeneralandadministrativeexpenses	$ 1	$ —	$ 2	$ —
ConocoPhillips(a):				
Salesofnaturalgasandpetroleumproductstoaffiliates	$ —	$ 770	$ 788	$ 2,080
Transportation,storageandprocessing	$ —	$ 3	$ 5	$ 10
Purchasesofnaturalgasandpetroleumproductsfromaffiliates	$ —	$ 149	$ 179	$ 436
Operatingandgeneralandadministrativeexpenses(b)	$ —	$ —	$ (1)	$ 3
SpectraEnergy:				
Salesofnaturalgasandpetroleumproductstoaffiliates	$ —	$ —	$ —	$ 1
Purchasesofnaturalgasandpetroleumproductsfromaffiliates	$ 17	$ 66	$ 161	$ 237
Operatingandgeneralandadministrativeexpenses	$ 3	$ 4	$ 9	$ 10
Unconsolidatedaffiliates:				
Salesofnaturalgasandpetroleumproductstoaffiliates	$ 16	$ 17	$ 44	$ 49
Transportation,storageandprocessing	$ 3	$ 5	$ 13	$ 13
Purchasesofnaturalgasandpetroleumproductsfromaffiliates	$ 26	$ 36	$ 88	$ 103

(a) InconnectionwiththePhillips66separation,ConocoPhillipsisnotconsideredarelatedpartyforperiodsafterApril30, 2012andPhillips66isconsideredarelatedpartyforperiodsstartingMay1,2012.
(b) TheninemonthsendedSeptember30,2012includeshurricaneinsurancerecoveryreceivables,whichweretreatedasa reductiontooperatingexpenseinthecondensedconsolidatedstatementsofoperations.

Wehadbalanceswithrelatedpartiesandaffiliate sasfollows:

	September30, 2012	December31, 2011
	(millions)	
Phillips66(a):		
Accountsreceivable	$ 164	$ —
Accountspayable	$ (26)	$ —
Otherassets	$ 3	$ —
ConocoPhillips(a):		
Accountsreceivable	$ —	$ 283
Accountspayable	$ —	$ (73)
Otherassets	$ —	$ 2
SpectraEnergy:		
Accountsreceivable	$ 1	$ —
Accountspayable	$ (7)	$ (30)
Otherassets	$ 2	$ 1
Unconsolidatedaffiliates:		
Accountsreceivable	$ 20	$ 24
Accountspayable	$ (18)	$ (24)

(a) InconnectionwiththePhillips66 separation,ConocoPhillipsisnot consideredarelatedpartyforperiodsafterApril 30,2012and Phillips66isconsideredarelatedpartyforperio dsstartingMay1, 2012.

5.Inventories

Inventorieswereasfollows:

	September30, 2012	December31, 2011
	(millions)	
Naturalgas	$ 17	$ 26
NGLs	89	79
Totalinventories	$ 106	$ 105

6.Property,PlantandEquipment

Property,plantandequipmentbyclassificationwer easfollows:

	Depreciable Life	September30, 2012	December31, 2011
		(millions)	
Gatheringandtransmissionsystems	20 - 50 years	$ 6,413	$ 6,069
Processing,sto rageandterminalfacilities	35 - 60 years	2,995	2,900
Other	3 - 30years	306	287
Constructionworkinprogress		2,877	1,366
Property,plantandequipment		12,591	10,622
Accumulateddepreciation		(4,367)	(4,174)
Property,plantandequipment,net		$ 8,224	$ 6,448

Interestcapitalizedonconstructionprojectsdurin gthethreeandninemonthsendedSeptember30,201 2was$25millionand$60 million,respectively.Interestcapitalizedoncons tructionprojectsduringthethreeandninemonths endedSeptember30,2011was$2 millionand$11million,respectively.

Werevisedthedepreciablelivesforourgathering andtransmissionsystems,processing,storageandt erminalfacilities,andother assets,effectiveApril1,2012.Thekeycontributi ngfactorstothechangeindepreciablelivesisan increaseintheestimatedremaining

economically recoverable reserves, resulting from the development of techniques that improve commodity production in the regions our assets serve. Advances in extraction processes, along with improved technology used to locate commodity reserves, is giving producers greater access to unconventional commodities. Based on our property, plant and equipment as of April 1, 2012, the new remaining depreciable lives resulted in an approximate $60 million and $120 million reduction in depreciation expense for the three and nine months ended September 30, 2012, respectively, and will result in an estimated reduction in depreciation expense of approximately $180 million for the year ended December 31, 2012.

In connection with our evaluation of depreciable lives, we corrected the classification for certain assets within the presentation of our major classes of property, plant and equipment as of December 31, 2011.

Depreciation expense for the three and nine months ended September 30, 2012 was $62 million and $205 million, respectively. Depreciation expense for the three and nine months ended September 30, 2011 was $109 million and $312 million, respectively.

Asset Retirement Obligations—As of September 30, 2012 and December 31, 2011, we had $90 million and $73 million, respectively, of asset retirement obligations, or AROs, in other long-term liabilities in the condensed consolidated balance sheets. During the first quarter of 2012, we recorded a change in estimate to increase our AROs by approximately $12 million. The change in estimate was primarily attributable to a reassessment of anticipated timing of settlements and of the original ARO estimated amounts. For the three and nine months ended September 30, 2012, accretion expense was $2 million and $1 million, respectively. For the three months ended September 30, 2011, accretion expense was $1 million and for the nine months ended September 30, 2011, accretion benefit was $1 million. Accretion expense is recorded within operating and maintenance expense in our condensed consolidated statements of operations.

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

	September 30, 2012	December 31, 2011
	(millions)	
Balance, beginning of period	$ 73	$ 79
Accretion expense	1	—
Liabilities incurred	16	—
Liabilities settled	—	(6)
Balance, end of period	$ 90	$ 73

7. Investments in Unconsolidated Affiliates

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

	Percentage Ownership	September 30, 2012	December 31, 2011
		(millions)	
Discovery Producer Services, LLC	40.00%	$ 159	$ 107
Texas Express Pipeline Joint Venture	10.00%	33	—
Main Pass Oil Gathering Company	66.67%	25	27
Front Range Pipeline Joint Venture	33.33%	17	—
Enterprise Fractionator	12.50%	16	—
Mont Belvieu I Fractionation Facility	20.00%	14	12
Cross Point Pipeline, LLC	50.00%	6	—
Sycamore Gas Gathering System General Partnership	48.45%	5	6
Other unconsolidated affiliates	Various	1	2
Total investments in unconsolidated affiliates		$ 276	$ 154

There was a deficit between the carrying amount of the investment and the underlying equity of Discovery Producer Services, LLC, or Discovery, of $31 million and $33 million at September 30, 2012 and December 31, 2011, respectively, which is associated with, and is being accreted over the life of, the underlying long-lived assets of Discovery.

Therewasanexcessofthecarryingamountofthei nvestmentovertheunderlyingequityofMainPassO ilGatheringCompany, orMainPass,of$8millionatbothSeptember30,2 012andDecember31,2011,respectively,whichisa ssociatedwith,andisbeing amortizedoverthelifeof,theunderlyinglong-liv edassetsofMainPass.

Therewasadeficitbetweenthecarryingamountof theinvestmentandtheunderlyingequityofMontBe lvieuIFractionation Facility,orMontBelvieuI,of$6millionatboth September30,2012andDecember31,2011,whichis associatedwith,andisbeing accretedoverthelifeof,theunderlyinglong-live dassetsofMontBelvieuI.

Earningsfromunconsolidatedaffiliatesamountedto thefollowing:

	ThreeMonthsEnded September30,		NineMonthsEnded September30,	
	2012	2011	2012	2011
	(millions)			
DiscoveryProducerServices,LLC	$ 3	$ 8	$ 11	$ 16
MainPassOilGatheringCompany	—	—	—	1
EnterpriseFractionator	4	—	10	—
MontBelvieuIFracti onationFacility	2	1	5	5
Otherunconsolidatedaffiliates	—	—	—	(1)
Totalearningsfromunconsolidatedaffiliates	$ 9	$ 9	$ 26	$ 21

Thefollowingtablessummarizethecombinedfinanci alinformationofunconsolidatedaffiliates:

	ThreeMonthsEnded September30,		NineMonthsEnded September30,	
	2012	2011	2012	2011
	(millions)			
IncomeStatement:				
Operatingrevenues	$ 94	$ 74	$ 311	$ 227
Operatingexpenses	$ (52)	$ (54)	$ (177)	$ (165)
Netincome	$ 42	$ 20	$ 132	$ 62

	September30, 2012	December31, 2011
	(millions)	
Balancesheet:		
Currentassets	$ 105	$ 68
Long-termassets	1,139	499
Currentliabilities	(161)	(35)
Long-termliabilities	(66)	(51)
Netassets	$ (1,017)	$ 481

8. Fair Value Measurement

Determination of Fair Value

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

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

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

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

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

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While we believe that our valuation methods are appropriate and consistent with other market participants, we recognize that the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. We review our fair value policies on a regular basis taking into consideration changes in the marketplace and, if necessary, will adjust our policies accordingly. See Note 10, Risk Management and Hedging Activities, Credit Risk and Financial Instruments.

Valuation Hierarchy

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

- Level 1—inputs are unadjusted quoted prices for *identical* assets or liabilities in active markets.
- Level 2—inputs include quoted prices for *similar* assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3—inputs are unobservable and considered significant to the fair value measurement.

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

Commodity Derivative Assets and Liabilities

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

Our activities expose us to varying degrees of commodity price risk. To mitigate a portion of this risk, and to manage commodity price risk related primarily to owned natural gas storage and pipeline assets, we engage in natural gas asset based trading and marketing, and we may enter into natural gas and crude oil derivatives to lock in a specific margin when market conditions are favorable. A portion of this may be accomplished through the use of exchange traded derivative contracts. Such instruments are generally classified as Level 1 since the value is equal to the quoted market price of the exchange traded instrument as of our balance sheet date, and no adjustments are required. Depending upon market conditions and our strategy we may enter into exchange traded derivative positions with a significant time horizon to maturity. Although such instruments are exchange traded, market prices may only be readily observable for a portion of the duration of the instrument. In order to calculate the fair value of these instruments, readily observable market information is utilized to the extent it is available; however, in the event that readily observable market data is not available, we may interpolate based upon observable data. In instances where we utilize an interpolated value, and it is considered significant to the valuation of the contract as a whole, we would classify the instrument within Level 2. In certain limited instances, we may extrapolate based upon the last readily observable data, developing our own expectation of fair value. To the extent that we have utilized extrapolated data, and it is considered significant to the valuation of the contract as a whole, we would classify the instrument within Level 3.

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

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

Interest Rate Derivative Assets and Liabilities

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

Long-Term Assets

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

Nonfinancial Assets and Liabilities

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

We may utilize fair value on a recurring basis to measure our contingent consideration that is a result of certain acquisitions. The inputs used to determine such fair value are primarily based upon internally developed cash flow models and are classified within Level 3.

Thefollowingtablepresentsthefinancialinstrume ntscarriedatfairvalue,bycondensedconsolidate dbalancesheetcaptionand byvaluationhierarchy,asdescribedabove:

	September30,2012				December31,2011			
	Level1	Level2	Level3	Total Carrying Value	Level1	Level2	Level3	Total Carrying Value
	(millions)							
Currentassets(a):								
Commodityderivatives	$ 27	$ 43	$ 25	$ 95	$ 29	$ 55	$ 23	$ 107
Long-termassets:								
Commodityderivatives(b)	$ 15	$ 8	$ 4	$ 27	$ 11	$ 7	$ 5	$ 23
Companyownedlifeinsurance(c)	$ —	$ 23	$ —	$ 23	$ —	$ 18	$ —	$ 18
Currentliabilities(d):								
Commodityderivatives	$ (36)	$ (53)	$ (24)	$ (113)	$ (36)	$ (53)	$ (8)	$ (97)
Interestratederivatives	$ —	$ (4)	$ —	$ (4)	$ —	$ (16)	$ —	$ (16)
Long-termliabilities(e):								
Commodityderivatives	$ (11)	$ (10)	$ (2)	$ (23)	$ (6)	$ (28)	$ (1)	$ (35)
Interestratederivatives	$ —	$ (3)	$ —	$ (3)	$ —	$ (5)	$ —	$ (5)

(a) Includedincurrentunrealizedgainsonderivative instrumentsinourcondensedconsolidatedbalances heets.
(b) Includedinlong-termunrealizedgainsonderivativ einstrumentsinourcondensedconsolidatedbalance sheets.
(c) Includedinotherlong-termassetsinourcondensed consolidatedbalancesheets.
(d) Includedincurrentunrealizedlossesonderivative instrumentsinourcondensedconsolidatedbalance sheets.
(e) Includedinlong-termunrealizedlossesonderivati veinstrumentsinourcondensedconsolidatedbalanc esheets.

ChangesinLevels1and2FairValueMeasurements

Wemanageouroverallriskattheportfoliolevel, andintheexecutionofourstrategy,wemayusea combinationoffinancial instruments,whichmaybeclassifiedwithinanylev el.WetypicallyuseOTCderivativecontractsinor dertomitigateaportionofour exposuretonaturalgas,NGLandcondensatepricec hanges.Wealsomayenterintonaturalgasderivati vestolockinmarginaround ourstorageandtransportationassets.Theseinstru mentsaregenerallyclassifiedasLevel2.Thedete rminationtoclassifyafinancial instrumentwithinLevel1orLevel2isbasedupon theavailabilityofquotedpricesforidenticalor similarassetsandliabilitiesin activemarkets.Dependinguponttheinformationread ilyobservableinthemarket,and/ortheuseofide nticalorsimilarquotedprices, whicharesignificanttotheoverallvaluation,the classificationofanyindividualfinancialinstrum entmaydifferfromone measurementdatetothenext.Toqualifyasatrans fer,theassetorliabilitymusthaveexistedinth epreviousreportingperiodand movedintoadifferentlevelduringthecurrentper iod.AmountstransferredinandoutofLevel1and Level2arereflectedatfairvalue asoftheendoftheperiod.Duringthethreeandn inemonthsendedSeptember30,2012and2011,weha dnotransfersfromLevel1 toLevel2ofthefairvaluehierarchy.Duringthe threeandninemonthsendedSeptember30,2012and 2011,wehadthefollowing transfersfromLevel2toLevel1ofthefairvalue hierarchy:

	TransfersfromLevel2toLevel1			
	ThreeMonthsEnded September30,		NineMonthsEnded September30,	
	2012	2011	2012	2011
	(millions)			
Currentassets(a)	$ —	$ —	$ —	$ —
Long-termassets (a)	$ —	$ —	$ 1	$ —
Currentliabilities (a)	$ —	$ —	$ —	$ —
Long-termliabilities (a)	$ —	$ —	$ (1)	$ (1)

(a) Financialinstrumentshavemovedintoalowerlevel duetothepassageoftime.

Changes in Level 3 Fair Value Measurements

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

Wemanageouroverallriskattheportfoliolevel, andintheexecutionofourstrategy,wemayusea combinationoffinancial instruments,whichmaybeclassifiedwithinanylev el.SinceLevel1andLevel2riskmanagementinstr umentsarenotincludedinthe rollforwardsbelow,thegainsorlossesinthetabl esdonotreflecttheeffectofourtotalriskmana gementactivities.

	CommodityDerivativeInstruments			
	Current Assets	Long-Term Assets	Current Liabilities	Long-Term Liabilities
	(millions)			
ThreemonthsendedSeptember30,2012(a):				
Beginningbalance	$ 46	$ 5	$ (56)	$ (4)
Netrealizedandunrealized(losses)gainsinclude dinearnings(b)	(10)	(1)	5	2
TransfersintoLevel3(c)	—	—	—	—
TransfersoutofLevel3(c)	(4)	—	2	—
Settlements	(7)	—	25	—
Endingbalance	$ 25	$ 4	$ (24)	$ (2)
Netunrealized(losses)gainsstillheldincluded inearnings(b)	$ (3)	$ (2)	$ (1)	$ 3
ThreemonthsendedSeptember30,2011(a):				
Beginningbalance	$ 32	$ 11	$ (32)	$ —
Netrealizedandunrealizedgains(losses)include dinearnings(b)	15	(1)	(8)	(2)
TransfersintoLevel3(c)	—	—	—	—
TransfersoutofLevel3(c)	—	(3)	1	—
Settlements	(17)	—	18	—
Endingbalance	$ 30	$ 7	$ (21)	$ (2)
Netunrealizedgains(losses)stillheldincluded inearnings(b)	$ 11	$ (4)	$ (5)	$ (2)
NinemonthsendedSeptember30,2012(a):				
Beginningbalance	$ 23	$ 5	$ (8)	$ (1)
Netrealizedandunrealizedgains(losses)include dinearnings(b)	14	(1)	(24)	(1)
TransfersintoLevel3(c)	—	—	—	—
TransfersoutofLevel3(c)	(4)	—	3	—
Settlements	(8)	—	5	—
Endingbalance	$ 25	$ 4	$ (24)	$ (2)
Netunrealizedgains(losses)stillheldincluded inearnings(b)	$ 23	$ (1)	$ (23)	$ (1)
NinemonthsendedSeptember30,2011(a):				
Beginningbalance	$ 50	$ 10	$ (45)	$ (1)
Netrealizedandunrealizedgains(losses)include dinearnings(b)	38	(2)	(36)	(1)
TransfersintoLevel3(c)	—	—	—	—
TransfersoutofLevel3(c)	(18)	(1)	8	—
Settlements	(40)	—	52	—
Endingbalance	$ 30	$ 7	$ (21)	$ (2)
Netunrealizedgains(losses)stillheldincluded inearnings(b)	$ 26	$ (3)	$ (13)	$ (2)

(a) Therewerenopurchases,issuancesandsalesofder ivativesforthethreeandninemonthsendedSeptem ber30,2012and2011.
(b) Representstheamountoftotalgainsorlossesfor theperiod,includedintradingandmarketinggains ,net,attributableto changesinunrealizedgainsorlossesrelatingtoa ssetsandliabilitiesclassifiedasLevel3.
(c) Amountstransferredinandamountstransferredout arereflectedatfairvalueasoftheendofthepe riod.

QuantitativeInformationandFairValueSensitiviti esRelatedtoLevel3UnobservableInputs

Weutilizethemarketapproachtomeasurethefair valueofourcommoditycontracts.Thesignificantu nobservableinputsused inthisapproacharelongerdatedpricequotes.Our sensitivitytotheselongerdatedforwardcurvepr icesarepresentedinthetable below.Significantchangesinanyofthoseinputsi nisolationwouldresultinsignificantlydifferent fairvaluemeasurements, dependingonourshortorlongpositioninthese co ntracts.

ProductGroup	FairValue (millions)	ForwardCurve Range	
Assets:			
NGLs...............................	$ 28	$0.19–$2.02	Pergallon
NaturalGas	1	$3.65–$4.39	PerMMBtu(a)
Totalassets	$ 29		
Liabilities:			
NGLs...............................	$ (25)	$0.19–$2.02	Pergallon
Naturalgas	(1)	$3.65–$4.39	PerMMBtu
Totalliabilities	$ (26)		

(a) MMBturepresentsonemillionBritishthermalunits.

EstimatedFairValueofFinancialInstruments

Valuationofacontract'sfairvalueisvalidatedb yaninternalgroupindependentofthemarketinggr oup.Whilecommonindustry practicesareusedtodevelopvaluationtechniques, changesinpricingmethodologiesortheunderlying assumptionscouldresultin significantlydifferentfairvaluesandincomereco gnition.Whenavailable,quotedmarketpricesorpr icesobtainedthroughexternal sourcesareusedtodetermineacontract'sfairval ue.Forcontractswithadeliverylocationordurat ionforwhichquotedmarketprices arenotavailable,fairvalueisdeterminedbasedo npricingmodelsdevelopedprimarilyfromhistorica landexpectedrelationshipwith quotedmarketprices.

Valuesareadjustedtoreflectthecreditriskinhe rentinthetransactionaswellasthepotentialim pactofliquidatingopenpositions inanorderlymanneroverareasonabletimeperiod undercurrentconditions.Changesinmarketprices andmanagementestimates directlyaffecttheestimatedfairvalueofthesec ontracts.Accordingly,itisreasonablypossibleth atsuchestimatesmaychangeinthe nearterm.

Thefairvalueofourinterestrateswapsandcommo ditynon-tradingderivativesisbasedonpricessup portedbyquotedmarket pricesandotherexternalsourcesandpricesbased onmodelsandothervaluationmethods.The"prices supportedbyquotedmarket pricesandotherexternalsources"categoryinclude sourinterestrateswaps,ourNGLandcrudeoilsw aps,andourNYMEXpositions innaturalgas.Inaddition,thiscategoryincludes ourforwardpositionsinnaturalgasforwhichour forwardpricecurvesareobtained fromathird-partypricingserviceandthenvalidat edthroughaninternalprocesswhichincludestheu seofindependentbrokerquotes. Thiscategoryalsoincludesourforwardpositionsi nNGLsatpointsforwhichover-the-counter,orOTC ,brokerquotesforsimilar assetsorliabilitiesareavailableforthefullte rmoftheinstrument.Thiscategoryalsoincludes" strip"transactionswhosepricing inputsaredirectlyorindirectlyobservablefrome xternalsourcesandthenmodeledtodailyormonthl ypricesasappropriate.The "pricesbasedonmodelsandothervaluationmethods "categoryincludesthevalueoftransactionsforw hichinputstothefairvalueof theinstrumentareunobservableinthemarketplace andareconsideredsignificanttotheoverallfair valueoftheinstrument.Thefair valueoftheseinstrumentsmaybebaseduponanint ernallydevelopedpricecurve,whichwasconstructe dasaresultofthelongdated natureofthetransactionortheilliquidityofthe marketpoint.

Wehavedeterminedfairvalueamountsusingavailab lemarketinformationandappropriatevaluationmet hodologies.However, considerablejudgmentisrequiredininterpretingm arketdatatodeveloptheestimatesoffairvalue. Accordingly,theestimates presentedhereinarenotnecessarilyindicativeof theamountsthatwecouldrealizeinacurrentmark etexchange.Theuseofdifferent marketassumptionsand/orestimationmethodsmayha veamaterialeffectontheestimatedfairvalueam ounts.

Thefairvalueofaccountsreceivable,accountspay ableandshort-termborrowingsarenotmateriallyd ifferentfromtheircarrying amountsbecauseoftheshort-termnatureofthesei nstrumentsorthestatedratesapproximatingmarket rates.Derivativeinstruments arecarriedatfairvalue.AsofSeptember30,2012 ,thecarryingandfairvalueofourlong-termdebt was$4,361millionand$4,869 million,respectively.AsofDecember31,2011,the carryingandfairvalueofourlong-termdebtwas $3,820millionand$4,264

million, respectively. We determine the fair value of our variable rate debt based upon the discounted present value of expected future cash flows, taking into account the difference between the contractual borrowing spread and the spread for similar credit facilities available in the marketplace. We determine the fair value of our fixed-rate debt based on quotes obtained from bond dealers. We classify the fair value of our outstanding debt balances within Level 2 of the fair value hierarchy.

9. Financing

	September 30, 2012	December 31, 2011
	(millions)	
Short-term borrowings	$ 1,444	$ 370
DCP Midstream's debt securities:		
Issued November 2008, interest at 9.700% payable semiannually, due December 2013	250	250
Issued October 2005, interest at 5.375% payable semiannually, due October 2015	200	200
Issued February 2009, interest at 9.750% payable semiannually, due March 2019	450	450
Issued March 2010, interest at 5.350% payable semiannually, due March 2020	600	600
Issued September 2011, interest at 4.750% payable semiannually, due September 2021	500	500
Issued August 2000, interest at 8.125% payable semiannually, due August 2030 (a)	300	300
Issued October 2006, interest at 6.450% payable semiannually, due November 2036	300	300
Issued September 2007, interest at 6.750% payable semiannually, due September 2037	450	450
DCP Midstream term loan, variable interest rate of 1.605%, due September 2014	250	—
DCP Partners' debt securities:		
Issued September 2010, interest at 3.25% payable semiannually, due October 2015	250	250
Issued March 2012, interest at 4.95% payable semiannually, due April 2022	350	—
DCP Partners' term loan facility, variable interest rate of 1.62%, due July 2014	140	—
DCP Partners' revolving credit facility, weighted-average variable interest rate of 1.48% and 1.69%, respectively, due November 2016 (b)	300	497
Fair value adjustments related to interest rate swap fair value hedges (a)	33	34
Unamortized discount	(12)	(11)
Total debt	5,805	4,190
Short-term borrowings	(1,444)	(370)
Total long-term debt	$ 4,361	$ 3,820

(a) In December 2008, the swaps associated with this debt were terminated. The remaining long-term fair value of approximately $33 million related to the swaps is being amortized as a reduction to interest expense through the maturity date of the debt.

(b) $150 million has been swapped to a fixed interest rate obligation with effective fixed interest rates ranging from 2.94% to 2.99%, for a net effective interest rate of 2.84% on the $300 million of outstanding debt under DCP Partners' revolving credit facility as of September 30, 2012. $450 million of debt was swapped to a fixed-rate obligation with effective interest rates ranging from 2.94% to 5.19%, for a net effective rate of 4.86% on the $497 million of outstanding debt under the DCP Partners' revolving credit facility as of December 31, 2011.

DCP Midstream's Debt Securities—In September 2011, we issued $500 million principal amount of 4.75% Senior Notes due September 30, 2021, or the 4.75% Notes, for proceeds of approximately $496 million, net of unamortized discounts and related offering costs. We will pay interest semiannually on March 30 and September 30 of each year, and our first payment occurred on March 30, 2012. The net proceeds from this offering were used to repay short-term borrowings and for general corporate purposes.

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

DCP Midstream's Credit Facilities with Financial Institutions—On March 2, 2012, we entered into a $2 billion revolving credit facility, or the $2 Billion Facility, which matures in March 2017 and terminated our existing $1,250 million revolving credit facility which would have matured in March 2015 and our existing $450 million revolving credit facility which would have matured in April 2012, or together the $1.7 Billion Facilities. The $2 Billion Facility allows for up to two one-year extensions of the March 2017 maturity date, subject to lender consent. There were no borrowings outstanding under the $2 Billion Facility as of September 30, 2012.

The $2 Billion Facility may be used to support our commercial paper program, our capital expansion program, working capital requirements and other general corporate purposes as well as for letters of credit. As of September 30, 2012 and December 31, 2011, we had $1,444 million and $370 million of commercial paper outstanding, backed by the $2 Billion Facility and the $1.7 Billion Facilities, respectively, which are included in short-term borrowings in our condensed consolidated balance sheets. As of September 30, 2012 and December 31, 2011, we had $6 million and $7 million, respectively, in letters of credit outstanding. As of September 30, 2012, the available capacity under the $2 Billion Facility was $550 million.

On March 2, 2012, we entered into a $1 billion delayed draw term loan agreement, or the Term Loan, which matures in September 2014. Proceeds from the Term Loan may be used for our capital expansion program and working capital requirements. As of September 30, 2012, we had $250 million outstanding under the Term Loan.

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

The Term Loan bears interest at either: (1) LIBOR, plus an applicable margin of 1.375% based on our current credit rating; or (2) (a) the base rate which shall be the higher of Royal Bank of Canada's prime rate, the Federal Funds rate plus 0.50% or the LIBOR Market Index rate plus 1% plus (b) an applicable margin of 0.375% based on our current credit rating. The Term Loan incurs an annual commitment fee of 0.20% based on our current credit rating. This fee is paid on undrawn portions of the Term Loan.

The $2 Billion Facility and the Term Loan requires us to maintain a consolidated leverage ratio (the ratio of consolidated indebtedness to consolidated EBITDA as defined) of not more than 5.0 to 1.0, and following the consummation of qualifying acquisitions (as defined), not more than 5.5 to 1.0, on a temporary basis for three consecutive quarters, including the quarter in which such acquisition is consummated. Any drawn amounts under the Term Loan are required to be repaid from proceeds from the sale or contribution of the Sand Hills Pipeline or the Southern Hills Pipeline. Commencing with the fiscal period ending December 31, 2012 and continuing through the fiscal period ending December 31, 2013, the definition of consolidated EBITDA under the $2 Billion Facility and the Term Loan has been amended to allow for additional adjustments related to certain projects.

DCP Partners' Debt Securities—On March 13, 2012, DCP Partners issued $350 million of 4.95% 10-year Senior Notes, or the DCP Partners 4.95% Notes, due April 1, 2022. DCP Partners received proceeds of $346 million, net of underwriters' fees, related expenses and unamortized discounts, which were used to fund the cash portion of DCP Partners' acquisition of our 66.67% remaining interest in Southeast Texas and to repay funds borrowed under DCP Partners' Credit Agreement and the DCP Partners Term Loan. Interest on the notes will be paid semiannually on April 1 and October 1 of each year, commencing on October 1, 2012. 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 Partners' debt securities mature and become payable on the respective due dates, unless redeemed prior to maturity, and are not subject to any sinking fund provisions. DCP Partners' debt securities are senior unsecured obligations, and are redeemable at a premium at DCP Partners' option.

DCP Partners' Credit Facilities with Financial Institutions—On July 2, 2012, DCP Partners entered into a 2-year term loan agreement, or the $140 Million Term Loan, and borrowed $140 million to fund the cash portion of its acquisition of the Mont Belvieu Fractionators. The DCP Partners Term Loan will mature on July 2, 2014. Effective November 1, 2012, the proceeds of any subsequent indebtedness issued with a maturity date after July 2, 2014 must first be used to prepay the $140 Million Term Loan. Indebtedness under the $140 Million Term Loan bears interest at either: (1) LIBOR, plus an applicable margin of 1.375% based on DCP Partners' current credit rating; or (2) (a) the higher of Sun Trust Bank's prime rate, the Federal Funds rate plus 0.50% or the LIBOR Market Index rate plus 1%, plus (b) an applicable margin of 0.25% based on DCP Partners' current credit rating. The $140 Million Term Loan Agreement requires DCP Partners to maintain a leverage ratio (the ratio of DCP Partners' consolidated indebtedness to DCP Partners' consolidated EBITDA, in each case as defined by the $140 Million Term Loan Agreement), consistent with the DCP Partners' Credit Agreement, as described below. On January 2, 2013 and July 2, 2013, one-time payments of 0.125% and 0.20%, respectively, on the outstanding principal amount of the $140 Million Term Loan are required.

On January 3, 2012, DCP Partners entered into a 2-year term loan agreement and borrowed $135 million, which was used to fund a portion of DCP Partners' acquisition of our remaining 49.9% interest in East Texas. In March 2012, DCP Partners repaid this term loan with proceeds from the DCP Partners 4.95% Notes.

DCP Partners has a $1 billion revolving credit facility, or the DCP Partners' Credit Agreement, that matures November 10, 2016. As of both September 30, 2012 and December 31, 2011, DCP Partners had $1 million of letters of credit issued under the DCP Partners' Credit Agreement. As of September 30, 2012, the unused capacity under the revolving credit facility was $699 million.

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

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

Other Agreements —DCP Partners had a contingent letter of credit facility for up to $10 million, which expired in July 2012.

Other Financing —During the three months ended September 30, 2012, DCP Partners issued 554,589 of its common units, under an on-going equity distribution agreement with a financial institution and received proceeds of $23 million, net of commissions and offering costs. During the nine months ended September 30, 2012, DCP Partners issued 893,389 of its common units, under the on-going equity distribution agreement and received proceeds from units issued of $37 million, net of commissions and offering costs.

In July 2012, DCP Partners closed a private placement of equity with a group of institutional investors in which DCP Partners sold 4,989,802 of its common units at a price of $35.55 per unit and received proceeds of $174 million, net of offering costs.

In March 2012, DCP Partners issued 5,148,500 of its common units at $47.42 per unit. DCP Partners received proceeds of $234 million, net of offering costs.

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

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

Commodity Price Risk

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

Natural Gas Asset Based Trading and Marketing

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

pipelineassetsbyengaginginnaturalgasassetbasedtradingandmarketing.Thecommercialactivitiesrelatedtoournaturalgasasset basedtradingandmarketingprimarilyconsistoftimespreadsandbasisspreads.

Wemayexecuteatimespreadtransactionwhenthedifferencebetweenthecurrentpriceofnaturalgas(cashorfutures)andthe futuresmarketpricefornaturalgasexceedsourcostofstoringphysicalgasinourownedand/orleasedstoragefacilities.Thetime spreadtransactionallowsustolockinamarginwhenthismarketconditionexists.Atimespreadtransactionisexecutedby establishingalonggaspositionatonepointintimeandestablishinganequalshortgaspositionatadifferentpointintime.We typicallyuseswapstoexecutethesetransactions,whicharenotdesignatedashedginginstrumentsandarerecordedatfairvaluewith changesinfairvaluerecordedinthecurrentperiodcondensedconsolidatedstatementsofoperations. Whilegasheldinourstorage locationsisrecordedatthelowerofaveragecostormarket,thederivativeinstrumentsthatareusedtomanageourstoragefacilities arerecordedatfairvalueandanychangesinfairvaluearecurrentlyrecordedinourcondensedconsolidatedstatementsofoperations. Eventhoughwemayhaveeconomicallyhedgedourexposureandlockedinafuturemargin,theuseoflower-of-cost-or-market accountingforourphysicalinventoryandtheuseofmark-to-marketaccountingforourderivativeinstrumentsmaysubjectour earningstomarketvolatility.

Wemayexecutebasisspreadtransactionswhenthemarketpricedifferentialbetweenlocationsonapipelineassetexceedsour costoftransportingphysicalgasthroughourownedand/orleasedpipelineasset.Whenthismarketconditionexists,wemayexecute derivativeinstrumentsaroundthisdifferentialatthemarketprice.Thisbasisspreadtransactionallowsustolockinamarginonour physicalpurchasesandsalesofgas.Wetypicallyuseswapstoexecutethesetransactions,whicharenotdesignatedashedging instrumentsandarerecordedatfairvaluewithchangesinfairvaluerecordedinthecurrentperiodcondensedconsolidatedstatements ofoperations.Asdiscussedabove,theaccountingforphysicalgaspurchasesandsalesandtheaccountingforthederivative instrumentsusedtomanagesuchpurchasesandsales differ,andmaysubjectourearningstomarketvolatility,eventhoughthe transactionrepresentsaneconomichedgeinwhichwehavelockedinafuturemargin.

Inorderforourstoragefacilitytoremainoperational,aminimumlevelofbasegasmustbemaintainedineachstoragecavern, whichiscapitalizedonourcondensedconsolidatedbalancesheetsasacomponentofproperty,plantandequipment,net.During2011, wecommencedanexpansionprojecttobuildanadditionalstoragecavern.Uponcompletionoftheexpansionproject,wewillbe requiredtopurchaseasignificantamountofbasegastobringthestoragecaverntooperation.Tomitigateriskassociatedwiththe forecastedpurchaseofnaturalgasinJune,JulyandAugust2013,weexecutedaseriesofderivativefinancialinstruments,whichhave beendesignatedascashflowhedges.Thesecashflowhedgeswereinalosspositionof$3millionasofSeptember30,2012,andwill fluctuateinvaluethroughthetermofconstruction.Anyeffectivechangesinfairvalueofthesederivativeinstrumentswillbedeferred inAOCIuntiltheunderlyingpurchaseofinventoryoccurs.Whilethecashpaidorreceiveduponsettlementofthesehedgeswill economicallyoffsetthecashrequiredtopurchasethebasegas,followingcompletionoftheadditionalstoragecavern,anydeferred gainorlossatthetimeofthepurchasewillremaininAOCIuntilthecavernisemptiedandthebasegasissold.AsofSeptember30, 2012,therewasadeferredlossof$3millionrecognizedinAOCIinrelationtoour2009storagecavernexpansion,andwillremainin AOCIuntilsuchtimethatthecavernisemptiedandthebasegasissold.

NGLProprietaryTrading

OurNGLproprietarytradingactivityincludestradingenergyrelatedproductsandservices.Weundertaketheseactivitiesthrough theuseoffixedforwardsalesandpurchases,basisandspreadtrades,storageopportunities,put/calloptions,termcontractsandspot markettrading.Theseenergytradingoperationsareexposedtomarketvariablesandcommoditypriceriskwithrespecttothese productsandservices,andtheseoperationsmayenterintophysicalcontractsandfinancialinstrumentswiththeobjectiveofrealizing apositivemarginfromthepurchaseandsaleofcommodity-basedinstruments.Thesephysicalandfinancialinstrumentsarenot designatedashedginginstrumentsandarerecordedatfairvaluewithchangesinfairvaluerecordedinthecurrentperiodcondensed consolidatedstatementsofoperations.

Weemployestablishedrisklimits,policiesandprocedurestomanagerisksassociatedwiththenaturalgasassetbasedtradingand marketingandNGLproprietarytrading.

CommodityCashFlowProtectionActivitiesatDCPPartners

AsaresultofDCPPartners'operationsofgathering,processingandtransportingnaturalgas,DCPPartnerstakestitletoaportion ofresiduegas,NGLsandcondensate,whichareconsideredtobeDCPPartners'equityvolumes.Thepossessionofandtherelated operationsoftransportingandmarketingofthesecommoditiescreatescommoditypriceriskduetomarketchangesincommodity prices,primarilywithrespecttothepricesofNGLs,naturalgasandcrudeoil.DCPPartnershasmitigatedaportionofitsexpected

commodity cash flow risk associated with these equity volumes through 2016 with commodity derivative instruments. DCP Partners' commodity derivative instruments used for its hedging program are a combination of direct NGL product, crude oil and natural gas hedges. Due to the limited depth of the NGL derivatives market, DCP Partners has used crude oil swaps and costless collars to mitigate a portion of its commodity price risk exposure for NGLs. Prices of NGLs have generally been related to the price of crude oil, however, there are some periods of time when NGL pricing may be at a greater discount to crude oil pricing, resulting in additional exposure to NGL commodity prices. During 2012, the relationship of NGLs to crude oil has been lower than historical relationships, however, a significant amount of DCP Partners' NGL hedges in 2012 and 2013 are direct product hedges. When crude oil swaps become short-term in nature, DCP Partners may periodically convert certain crude oil derivatives to NGL derivatives by entering into offsetting crude oil swaps while adding NGL swaps. These transactions are primarily accomplished through the use of forward contracts that exchange DCP Partners' floating price risk for a fixed price. DCP Partners also utilizes costless collars that minimize its floating price risk by establishing a fixed price floor and a fixed price ceiling. However, the type of instrument that DCP Partners uses to mitigate a portion of its risk may vary depending on DCP Partners' risk management objective. These transactions are not designated as hedging instruments for accounting purposes and the change in fair value is reflected in the current period within our condensed consolidated statements of operations.

Interest Rate Risk

We enter into debt arrangements that have either fixed or floating rates, therefore we are exposed to market risks related to changes in interest rates. We periodically use interest rate swaps to convert variable interest rates to fixed rates on our existing debt and to lock in rates on our anticipated future fixed-rate debt, respectively. 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 based on historical rates.

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

At December 31, 2011, DCP Partners had interest rate swap agreements totaling $450 million, of which DCP Partners had designated $425 million as cash flow hedges and accounted for the remaining $25 million under the mark-to-market method of accounting. In March 2012, DCP Partners paid down a portion of the DCP Partners' Credit Agreement. As a result of the pay down of the DCP Partners' Credit Agreement, DCP Partners discontinued cash flow hedge accounting on $225 million of its interest rate swap agreements. $300 million of swap agreements settled in the second quarter of 2012.

At September 30, 2012, DCP Partners had interest rate swap agreements extending through June 2014 totaling $150 million, which DCP Partners has designated as cash flow hedges.

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

At September 30, 2012, $150 million of the agreements reprice prospectively approximately every 30 days. Under the terms of the interest rate swap agreements, DCP Partners pays fixed-rates ranging from 2.94% to 2.99%, and receives interest payments based on the one-month LIBOR.

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

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

Credit Risk

Our principal customers range from large, natural gas marketing services to industrial end-users for our natural gas products and services, as well as large multi-national petrochemical and refining companies, to small regional propane distributors for our NGL products and services. Substantially all of our natural gas and NGL sales are made at market-based prices. Approximately 40% of our NGL production is committed to Phillips 66 (or ConocoPhillips prior to May 1, 2012) and CPChem, both related parties, under an existing 15-year contract, the primary production commitment of which expires in 2015. This concentration of credit risk may affect our overall credit risk, in that these customers may be similarly affected by changes in economic, regulatory or other factors. Where exposed to credit risk, we analyze the counterparties' financial condition prior to entering into an agreement, establish credit limits and monitor the appropriateness of these limits on an ongoing basis. We may use various master agreements that include language giving us the right to request collateral to mitigate credit exposure. The collateral language provides for a counterparty to post cash or letters of credit for exposure in excess of the established threshold. The threshold amount represents an open credit limit, determined in accordance with our credit policy. The collateral language also provides that the inability to post collateral is sufficient cause to terminate a contract and liquidate all positions. In addition, our master agreements and our standard gas and NGL sales contracts contain adequate assurance provisions, which allow us to suspend deliveries and cancel agreements, or continue deliveries to the buyer after the buyer provides security for payment in a satisfactory form.

Contingent Credit Features

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

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

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

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

Depending upon the movement of commodity prices and interest rates, each of our individual contracts with counterparties to our commodity derivative instruments or interest rate swap instruments are in either a net asset or net liability position. Our commodity derivative contracts that are not governed by ISDA contracts do not have any credit-risk related contingent features. As of September 30, 2012, we had $29 million of individual commodity derivative contracts that contain credit-risk related contingent features that were in a net liability position, and have not posted any cash collateral relative to such positions. If a credit-risk related event were to occur and we were required to net settle our position with an individual counterparty, our ISDA contracts permit us to net all outstanding contracts with that counterparty, whether in a net asset or net liability position, as well as any cash collateral already posted. As of September 30, 2012, if a credit-risk related event were to occur, we may be required to post additional collateral. Although our commodity derivative contracts that contain credit-risk related contingent features were in a net liability position as of September 30, 2012, if a credit-risk related event were to occur, the net liability position would be partially offset by contracts in a net asset position reducing our net liability to $25 million.

As of September 30, 2012, DCP Partners had $150 million of individual interest rate swap instruments that were in a net liability position of $7 million and were subject to credit-risk related contingent features. If DCP Partners were to have an event of default relative to any covenants of the DCP Partners' Credit Agreement, that occurs and is continuing, the counterparties to DCP Partners' swap instruments have the right to request that DCP Partners net settle the instrument in the form of cash.

Collateral

As of September 30, 2012, we held cash of $1 million, included in other current liabilities in the condensed consolidated balance sheet related to cash postings by third parties, and letters of credit of $59 million from counterparties to secure their future performance under financial or physical contracts. We had cash deposits with counterparties of $27 million included in other current assets as of September 30, 2012, to secure our obligations to provide future services or to perform financial contracts. As of September 30, 2012, DCP Partners had no cash collateral posted with counterparties to its commodity derivative instruments. As of September 30, 2012, we had issued and outstanding parental guarantees totaling $25 million in favor of certain counterparties to DCP Partners' commodity derivative instruments to mitigate a portion of DCP Partners' collateral requirements with those counterparties. DCP Partners pays us a fee of 0.50% per annum on these guarantees. These parental guarantees reduce the amount of cash DCP Partners may be required to post as collateral. Collateral amounts held or posted may be fixed or may vary, depending on the value of the underlying contracts, and could cover normal purchases and sales, trading and hedging contracts. In many cases, we and our counterparties publicly disclose credit ratings, which may impact the amounts of collateral requirements.

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

Summarized Derivative Information

The following summarizes the balance within AOCI, net of noncontrolling interest, relative to our commodity and interest rate cash flow hedges:

	September 30, 2012	December 31, 2011
	(millions)	
Commodity cash flow hedges:		
Net deferred losses in AOCI	$ (5)	$ (5)
Interest rate cash flow hedges:		
Net deferred losses in AOCI	(4)	(7)
Total AOCI	$ (9)	$ (12)

Thefairvalueofourderivativeinstrumentsthataredesignatedashedginginstrumentsandthosethatare marked-to-marketeach period,andthelocationofeachwithinourcondensedconsolidatedbalancesheets,bymajorcategory,issummarizedasfollows:

BalanceSheetLineItem	September30, 2012	December31, 2011	BalanceSheetLineItem	September30, 2012	December31, 2011
	(millions)			(millions)	
DerivativeAssetsDesignatedasHedgingInstruments:			**DerivativeLiabilitiesDesignatedasHedgingInstruments:**		
Interestratederivatives:			**Interestratederivatives:**		
Unrealizedgainsonderivative instruments—current	$ —	$ —	Unrealizedlossesonderivative instruments—current	$ (4)	$ (16)
Unrealizedgainsonderivative instruments—long-term	—	—	Unrealizedlossesonderivative instruments—long-term	(3)	(5)
	$ —	$ —		$ (7)	$ (21)
Commodityderivatives:			**Commodityderivatives:**		
Unrealizedgainsonderivative instruments—current	$ —	$ —	Unrealized losses onderivative instruments—current	$ (3)	$ —
Unrealizedgainson derivative instruments—long-term	—	—	Unrealizedlossesonderivative instruments—long-term	—	(3)
	$ —	$ —		$ (3)	$ (3)
DerivativeAssetsNotDesignatedasHedgingInstruments:			**DerivativeLiabilitiesNotDesignatedasHedgingInstruments:**		
Commodityderivatives:			**Commodityderivatives:**		
Unrealizedgainsonderivative instruments—current	$ 95	$ 107	Unrealizedlossesonderivative instruments—current	$ (110)	$ (97)
Unrealizedgainsonderivative instruments—long-term	27	23	Unrealizedlossesonderivative instruments—long-term	(23)	(32)
	$ 122	$ 130		$ (133)	$ (129)

Thefollowingtablesummarizestheimpactonourcondensedconsolidatedbalancesheetsandcondensedconsolidatedstatements ofoperationsofourderivativeinstruments,netofnoncontrollinginterest,thatareaccountedforusingthecashflowhedgemethodof accounting:

	LossRecognizedin AOCIonDerivatives –EffectivePortion		LossReclassified fromAOCIto Earnings –Effective Portion		Gain(Loss) RecognizedinIncome onDerivatives – IneffectivePortionand AmountExcluded fromEffectiveness Testing		Deferred LossesinAOCI Expectedtobe Reclassified intoEarnings OvertheNext 12Months
	ThreeMonthsEndedSeptember30,						
	2012	2011	2012	2011	2012	2011	(millions)
	(millions)						
Commodityderivatives	$ —	$ (1)	$ (1)	$ —	$ —	$ —	
Interestratederivatives	$ —	$ (1)	$ —	$ (1) (a)	$ —	$ — (a)(b)	
	Nine MonthsEnded September 30,						
	2012	2011	2012	2011	2012	2011	
	(millions)						
Commodityderivatives	$ (1)	$ (1)	$ (1)	$ —	$ —	$ —	$ —
Interestratederivatives	$ —	$ (3)	$ (3)	$ (5)	$ —	$ —	$ (1)

(a) Includedininterestexpenseinourcondensedconsolidatedstatementsofoperations.
(b) ForthethreeandninemonthsendedSeptember30,2012and2011,noderivativegainsorlosseswerereclassifiedfromAOCItocurrentperiod earningsasaresultofthediscontinuanceofcashflowhedgesrelatedtocertainforecastedtransactionsthatarenotprobableofoccurringorasa resultofexclusionfromeffectivenesstesting.

Changeinvalueofderivativeinstruments,forwhic hthehedgemethodofaccountinghasnotbeenelect edfromoneperiodtothe next,arerecordedinthecondensedconsolidatedst atementsofoperations.Thefollowingsummarizesth eseamountsandthelocation withinthecondensedconsolidatedstatementsofope rationsthatsuchamountsarereflected:

CommodityDerivatives:StatementofOperationsLine Item	ThreeMonthsEnded September30, 2012	ThreeMonthsEnded September30, 2011	NineMonthsEnded September30, 2012	NineMonthsEnded September30, 2011
	(millions)			
Realizedgains	$ 1	$ 21	$ 79	$ 16
Unrealized(losses)gains	(3)	56	(12)	65
Tradingandmarketing(losses)gains,net	$ (2)	$ 77	$ 67	$ 81

Wedonothaveanyderivativefinancialinstruments thatqualifyasahedgeofanetinvestment.

Thefollowingtablesrepresent,bycommoditytype, ournetlongorshortderivativepositions,aswell asthenumberof outstandingcontractsthatareexpectedtopartiall yorentirelysettleineachrespectiveyear.Toth eextentthatwehavelongdated derivativepositionsthatspanmultiplecalendarye ars,thecontractwillappearinmorethanoneline iteminthetablebelow. Additionally,relativetothehedgingofcertainof ourstorageand/ortransportationassets,wemaye xecutebasistransactionsfor naturalgas,whichmayresultinanetlong/shortp ositionofzero.Thistablealsopresentsournetl ongorshortnaturalgasbasisswap positionsseparatelyfromournetlongorshortnat uralgaspositions.

September30,2012

Yearof Expiration	CrudeOil: NetShort Position (Bbls)(a)	CrudeOil: Number of Contracts	NaturalGas: Net Short Position (MMBtu)	NaturalGas: Number of Contracts	NaturalGasLiquids: NetShort Position (Bbls)	NaturalGasLiquids: Number of Contracts		NaturalGas BasisSwaps: NetShort Long Position (MMBtu)	NaturalGas BasisSwaps: Number of Contracts
2012	(123,759)	523	(14,713,125)	331	(5,958,512)	442	(b)	(6,552,500)	190
2013	(1,390,310)	335	(5,952,925)	65	(12,281,363)	185	(c)	15,190,000	77
2014	(655,500)	98	(365,000)	3	(9,000,000)	2	(d)	(900,000)	1
2015	(293,000)	13	—	—	—	—		—	—
2016	(183,000)	1	—	—	—	—		—	—

(a) Bblsrepresentsbarrels.
(b) Includes34physicalindexbasedderivativecontrac tstotaling(5,493,050)Bbls.
(c) Includes17physicalindexbasedderivativecontrac tstotaling(11,982,800)Bbls.
(d) Includes2physicalindexbasedderivativecontract stotaling(9,000,000)Bbls.

September30,2011

Yearof Expiration	CrudeOil: NetShort Position (Bbls)	CrudeOil: Number of Contracts	NaturalGas: Net(Short) LongPosition (MMBtu)	NaturalGas: Number of Contracts	NaturalGasLiquids: NetShort Position (Bbls)	NaturalGasLiquids: Number of Contracts		NaturalGas BasisSwaps: NetLong (Short) Position (MMBtu)	NaturalGas BasisSwaps: Number of Contracts
2011	(110,058)	801	(1,511,050)	292	(4,062,185)	511	(a)	987,500	211
2012	(1,122,171)	300	(25,491,250)	97	(10,486, 002)	196	(b)	15,302,500	116
2013	(1,009,249)	162	1,835,000	8	(8,765,250)	6	(c)	(3,765,000)	10
2014	(769,500)	28	(365,000)	3	(9,000,000)	2	(c)	—	—
2015	(365,000)	2	—	—	—	—		—	—
2016	(183,000)	1	—	—	—	—		—	—

(a) Includes32physicalindexbasedderivativecontrac tstotaling(4,907,000)Bbls.
(b) Includes8physicalindexbasedderivativecontract stotaling(11,175,000)Bbls.
(c) Includes2physicalindexbasedderivativecontract stotaling(9,000,000)Bbls.

As of September 30, 2012, DCP Partners had interest rate swaps outstanding with individual notional values of $70 million and $80 million, which, in aggregate, exchange up to $150 million of DCP Partners' floating rate obligation for a fixed rate obligation through June 2014.

11. 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 (or ConocoPhillips prior to May 1, 2012), an affiliate of Spectra Energy and third-party insurers. Our insurance coverage includes: (1) general liability insurance covering third-party exposures; (2) statutory workers' compensation insurance; (3) automobile liability insurance for all owned, non-owned and hired vehicles; (4) excess liability insurance above the established primary limits for general liability and automobile liability insurance; (5) property insurance, which covers the replacement value of real and personal property and includes business interruption; and (6) directors and officers insurance covering our directors and officers for acts related to our business activities. All coverage is subject to certain limits and deductibles, the terms and conditions of which are common for companies with similar types of operations.

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

We make expenditures in connection with environmental matters as part of our normal operations. As of September 30, 2012 and December 31, 2011, environmental liabilities included in the condensed consolidated balance sheets as other current liabilities amounted to $6 million and $6 million, respectively, and environmental liabilities included in the condensed consolidated balance sheets as other long-term liabilities amounted to $9 million and $9 million, respectively.

12. Supplemental Cash Flow Information

	Nine Months Ended September 30,	
	2012	2011
	(millions)	
Cash paid for interest, net of capitalized interest	$ 143	$ 167
Cash paid for income taxes, net of refunds	$ 6	$ 37
Non-cash investing and financing activities:		
Distributions payable to members	$ 56	$ 105
Property, plant and equipment acquired with accounts payable	$ 198	$ 79
Other non-cash additions of property, plant and equipment	$ 39	$ 7

During the three and nine months ended September 30, 2012 and 2011, we received distributions from DCP Partners of $53 million and $39 million, respectively, which are eliminated in consolidation.

13. Subsequent Events

We have evaluated subsequent events occurring through November 9, 2012, the date the condensed consolidated financial statements were issued.

On November 2, 2012, we contributed a 33.33% interest in DCP SC Texas GP, or the Eagle Ford system, and fixed price commodity derivatives for a three-year period to DCP Partners, for aggregate consideration of $438 million, less customary working capital and other purchase price adjustments of $7 million. DCP Partners financed $344 million of the consideration with a 2-year term loan agreement and $87 million was financed by the issuance at closing of an aggregate 1,912,663 of DCP Partners' common units to us. Upon approval by our board of directors and the board of directors of DCP Partners' general partner, to construct the Goliad gas plant, DCP Partners will contribute an additional $17 million plus 33.33% of the working capital and construction work in progress for the Goliad gas plant, to the Eagle Ford system. The transaction represents a transaction between entities under common control.

On November 2, 2012, DCP Partners entered into a 2-year term loan agreement, or the $344 Million Term Loan, and borrowed $344 million to fund the cash portion of the acquisition of a 33.33% interest in the Eagle Ford system. The $344 Million Term Loan will mature on November 2, 2014. The proceeds of any subsequent indebtedness issued with a maturity date after July 2, 2014 must first be used to prepay the existing $140 Million Term Loan and any excess proceeds from indebtedness with a maturity after November 2, 2014 must be used to prepay the $344 Million Term Loan. Indebtedness under the $344 Million Term Loan bears interest at either: (1) LIBOR, plus an applicable margin of 1.375% based on our current credit rating; or (2) (a) the higher of SunTrust Bank's prime rate, the Federal Funds rate plus 0.50% or the LIBOR Market Index rate plus 1%, plus (b) an applicable margin of 0.25% based on DCP Partners' current credit rating. The $344 Million Term Loan Agreement requires DCP Partners to maintain a leverage ratio (the ratio of DCP Partners' consolidated indebtedness to DCP Partners' consolidated EBITDA, in each case as is defined by the $344 Million Term Loan Agreement) consistent with DCP Partners' Credit Agreement.

Pursuant to an agreement in principle with Spectra Energy and Phillips 66, we expect each entity to acquire a one-third interest in both the Sand Hills and Southern Hills pipeline projects, which are currently under construction. The transaction is expected to close in the fourth quarter of 2012. Upon closing, we, Spectra Energy and Phillips 66 will each own a one-third interest in the two pipeline projects. Upon completion of the pipelines, our direct investment is expected to total between $700 million and $800 million.

On October 29, 2012, the board of directors of DCP Partners' general partner declared a quarterly distribution of $0.68 per unit, payable on November 14, 2012 to unitholders of record on November 7, 2012.