DCP Midstream, LLC
Condensed Consolidated Financial Statements for the Three and Nine Months Ended September 30, 2014 and 2013
(Unaudited)

DCP MIDSTREAM, LLC
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	September 30, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 106	$ 31
Accounts receivable:		
Customers, net of allowance for doubtful accounts of $4 million for both periods	1,040	1,139
Affiliates	241	265
Other	54	28
Inventories	94	96
Unrealized gains on derivative instruments	41	59
Other	67	45
Total current assets	1,643	1,663
Property, plant and equipment, net	9,260	8,420
Investments in unconsolidated affiliates	1,437	1,378
Intangible assets, net	295	311
Goodwill	704	722
Unrealized gains on derivative instruments	9	10
Other long-term assets	256	217
Total assets	$ 13,604	$ 12,721
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable:		
Trade	$ 1,180	$ 1,296
Affiliates	60	59
Other	55	58
Short-term borrowings	661	1,300
Tax distributions payable to members	42	—
Unrealized losses on derivative instruments	36	64
Accrued taxes	90	37
Capital spending accrual	128	62
Other	209	238
Total current liabilities	2,461	3,114
Deferred income taxes	103	96
Long-term debt	5,681	4,962
Unrealized losses on derivative instruments	9	2
Other long-term liabilities	168	158
Total liabilities	8,422	8,332
Commitments and contingent liabilities		
Equity:		
Members' interest	2,739	2,670
Accumulated other comprehensive loss	(5)	(6)
Total members' equity	2,734	2,664
Noncontrolling interest	2,448	1,725
Total equity	5,182	4,389
Total liabilities and equity	$ 13,604	$ 12,721

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	**2013**	**2014**	**2013**
Operating revenues:				
Sales of natural gas and petroleum products	$ 2,869	$ 2,502	$ 8,997	$ 7,085
Sales of natural gas and petroleum products to affiliates	507	511	1,662	1,194
Transportation, storage and processing	129	124	381	334
Trading and marketing gains, net	26	12	25	18
Total operating revenues	3,531	3,149	11,065	8,631
Operating costs and expenses:				
Purchases of natural gas and petroleum products	2,840	2,507	9,016	6,927
Purchases of natural gas and petroleum products from affiliates	117	92	354	193
Operating and maintenance	192	163	579	501
Depreciation and amortization	87	82	258	227
General and administrative	72	67	211	193
Loss (gain) on sale of assets and goodwill impairment	24	(7)	24	(7)
Total operating costs and expenses	3,332	2,904	10,442	8,034
Operating income	199	245	623	597
Earnings from unconsolidated affiliates	30	10	55	26
Interest expense, net	(71)	(75)	(217)	(177)
Income before income taxes	158	180	461	446
Income tax expense	(4)	(3)	(12)	(7)
Net income	154	177	449	439
Net (income) loss attributable to noncontrolling interests	(73)	14	(114)	(79)
Net income attributable to members' interests	$ 81	$ 191	$ 335	$ 360

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,	
	2014	2013	2014	2013
Net income	$ 154	$ 177	$ 449	$ 439
Other comprehensive income:				
Reclassification of cash flow hedge losses into earnings	—	1	2	3
Total other comprehensive income	—	1	2	3
Total comprehensive income	154	178	451	442
Total comprehensive (income) loss attributable to noncontrolling interests	(73)	14	(115)	(79)
Total comprehensive income attributable to members' interests	$ 81	$ 192	$ 336	$ 363

See Notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Cash flows from operating activities:		
Net income	$ 449	$ 439
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	258	227
Earnings from unconsolidated affiliates	(55)	(26)
Distributions from unconsolidated affiliates	100	40
Deferred income tax expense	7	1
Net unrealized gains on derivative instruments	—	(1)
Loss (gain) on sale of assets and goodwill impairment	24	(7)
Other, net	18	11
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	93	(266)
Inventories	—	11
Accounts payable	(151)	171
Other	(27)	(29)
Net cash provided by operating activities	716	571
Cash flows from investing activities:		
Capital expenditures	(1,000)	(1,100)
Investments in unconsolidated affiliates	(122)	(419)
Proceeds from sale of assets and equity method investments	30	28
Net cash used in investing activities	(1,092)	(1,491)
Cash flows from financing activities:		
Payment of dividends and distributions to members	(359)	(256)
Proceeds from long-term debt	719	2,376
Payment of long-term debt	—	(1,646)
Proceeds from issuance of common units by DCP Partners, net of offering costs	924	995
Repayment of commercial paper, net	(639)	(397)
Distributions paid to noncontrolling interests	(182)	(117)
Payment of deferred financing costs	(12)	(11)
Net cash provided by financing activities	451	944
Net change in cash and cash equivalents	75	24
Cash and cash equivalents, beginning of period	31	4
Cash and cash equivalents, end of period	$ 106	$ 28

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, 2014	$ 2,670	$ (6)	$ 1,725	$ 4,389
Net income	335	—	114	449
Other comprehensive income	—	1	1	2
Dividends and distributions	(401)	—	(182)	(583)
Issuance of common units by DCP Partners, net of offering costs	135	—	790	925
Balance, September 30, 2014	$ 2,739	$ (5)	$ 2,448	$ 5,182
Balance, January 1, 2013	$ 2,413	$ (9)	$ 913	$ 3,317
Net income	360	—	79	439
Other comprehensive income	—	3	—	3
Dividends and distributions	(274)	—	(117)	(391)
Issuance of common units by DCP Partners, net of offering costs	182	—	813	995
Balance, September 30, 2013	$ 2,681	$ (6)	$ 1,688	$ 4,363

See Notes to Condensed Consolidated Financial Statements.

1. Description of Business and Basis of Presentation

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

DCP Midstream Partners, LP, or DCP Partners, is a master limited partnership, of which we act as general partner. As of September 30, 2014 and December 31, 2013, we owned an approximate 22% and 23% interest in DCP Partners, respectively, including our limited partner and general partner interests. We also own incentive distribution rights that entitle us to receive an increasing share of available cash as pre-defined distribution targets are achieved. As the general partner of DCP Partners, we have responsibility for its operations.

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

These condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, that are, in the opinion of management, necessary to present fairly the financial position and results of operations for the respective interim periods. Certain information and notes normally included in our annual financial statements prepared in accordance with generally accepted accounting principles, or GAAP, have been condensed in or omitted from these interim financial statements pursuant to such rules and regulations, although we believe that the disclosures made are adequate to make the information not misleading. Results of operations for the three and nine months ended September 30, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. These unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2013.

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

2. Recent Accounting Pronouncements

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

***ASU 2014-12 "Compensation—Stock Compensation (Topic 718): Accounting for Share-Based payments When the Terms of an Award Provide That a Performance Target Could be Achieved after the Requisite Service Period,"* or ASU 2014-12** — In May 2014, the FASB issued ASU 2014-12, which provides more explicit guidance for treating share-based payment awards that require a specific performance target that affects vesting and that could be achieved after the requisite service period as a performance condition. This ASU is effective for interim and annual reporting periods beginning after December 15, 2015 and we are currently assessing the impact of adoption on our condensed consolidated results of operations, cash flows and financial position.

3. Dispositions

In August 2014, we entered into a purchase and sale agreement with American Midstream, LLC to divest our two-thirds ownership interest in Main Pass Oil Gathering Company, or Main Pass, for total proceeds of approximately $14 million and selling costs of approximately $2 million. This transaction closed on August 11, 2014, and we recognized a $6 million loss on sale in the condensed consolidated statements of operations for the three and nine months ended September 30, 2014.

4. Agreements and Transactions with Related Parties and Affiliates

Dividends and Distributions

Under the terms of Second Amended and Restated LLC Agreement dated July 5, 2005, as amended, or the LLC Agreement, we are required to make quarterly distributions to Phillips 66 and Spectra Energy based on allocated taxable income. The LLC Agreement provides for taxable income to be allocated in accordance with Internal Revenue Code Section 704(c). This Code Section accounts for the variation between the adjusted tax basis and the fair market value of assets contributed to the joint venture. The distribution is based on the highest taxable income allocated to either member, with the other member receiving a proportionate amount to maintain the ownership capital accounts at 50% for both Phillips 66 and Spectra Energy. Tax distributions to the members are calculated based on estimated annual taxable income allocated to the members according to their respective ownership percentages at the date the distributions became due. During the nine months ended September 30, 2014, we paid tax distributions to the members of $117 million and recorded tax distributions payable to the members of $42 million, which were paid in the fourth quarter of 2014. During the nine months ended September 30, 2013, we accrued tax distributions of $18 million, which were paid in the fourth quarter of 2013. No tax distributions were paid during the nine months ended September 30, 2013. Our board of directors determines the amounts of the periodic dividends to be paid by considering net income attributable to members' interests, cash flow or any other criteria deemed appropriate. The LLC Agreement restricts payment of dividends except with the approval of both members. Dividends are allocated to the members in accordance with their respective ownership percentages. During the nine months ended September 30, 2014 and 2013, we declared and paid dividends of $242 million and $256 million, respectively.

DCP Partners considers the payment of a quarterly distribution to the holders of its common units, to the extent DCP Partners has sufficient cash from its operations after establishment of cash reserves and payment of fees and expenses, including payments to its general partner, a 100% owned subsidiary of ours. There is no guarantee, however, that DCP Partners will pay the minimum quarterly distribution on the units in any quarter. DCP Partners will be prohibited from making any distributions to unitholders if it would cause an event of default, or an event of default exists, under its credit agreement. During the nine months ended September 30, 2014 and 2013, DCP Partners paid distributions of $178 million and $112 million, respectively, to its public unitholders.

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

In addition to third party agreements, we have entered into transportation agreements with DCP Sand Hills Pipeline, LLC, or Sand Hills, and DCP Southern Hills Pipeline, LLC, or Southern Hills. Under the terms of these 15-year agreements, which commenced at the Sand Hills and Southern Hills in-service dates, we have committed to transport minimum throughput volumes at rates defined in the Sand Hills and Southern Hills tariffs. In March 2014, we contributed our interests in Sand Hills and Southern Hills to DCP Partners, and will continue to account for Sand Hills and Southern Hills as equity method investments, through our consolidation of DCP Partners.

Phillips 66 and CPChem

Long-Term NGL Purchases Contract and Transactions — We sell a portion of our NGLs to Phillips 66 and Chevron Phillips Chemical LLC, or CPChem. In addition, we purchase NGLs from CPChem. CPChem is owned 50% by Phillips 66, and is considered a related party. Approximately 35% of our NGL production is committed to Phillips 66 and CPChem, under existing 15-year contracts, the primary production commitment of which expires in December 2014. Should the contracts not be renegotiated or renewed, they provide for a ratable wind-down period which expires in January 2019. The NGL contracts also grant Phillips 66 the right to purchase at index-based prices certain quantities of NGLs produced at processing plants that are acquired and/or constructed by us in the future in various counties in the Mid-Continent and Permian Basin regions, and the Austin Chalk area. We anticipate continuing to purchase and sell commodities with Phillips 66 and CPChem in the ordinary course of business.

Spectra Energy

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

DCP Partners

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

On March 31, 2014, the annual fee payable under the Services Agreement was increased by approximately $15 million, prorated for the remainder of the calendar year, to $44 million. The increase is predominately attributable to general and administrative expenses previously incurred directly by DCP SC Texas GP, or the Eagle Ford system, being reallocated to the Services Agreement in connection with the contribution of the remaining 20% interest in the Eagle Ford system to DCP Partners, bringing DCP Partners' ownership to 100%.

In March 2014, we contributed: (i) our 33.33% membership interest in each of the Sand Hills and Southern Hills pipeline entities; (ii) the remaining 20% interest in the Eagle Ford system; (iii) a 35 million cubic feet per day, or MMcf/d, cryogenic natural gas processing plant located in Weld County, Colorado, or the Lucerne 1 plant; and (iv) a 200 MMcf/d cryogenic natural gas processing plant also in Weld County, Colorado, which is currently under construction, or the Lucerne 2 plant, to DCP Partners, collectively referred to as the March 2014 Transactions. Total consideration for the March 2014 Transactions at closing was $1,220 million, less customary working capital and other adjustments.

Transactions with other unconsolidated affiliates

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(millions)			
Phillips 66 (including CPChem):				
Sales of natural gas and petroleum products to affiliates	$ 491	$ 487	$ 1,606	$ 1,143
Transportation, storage and processing	$ —	$ —	$ —	$ 1
Purchases of natural gas and petroleum products from affiliates	$ —	$ 2	$ 7	$ 7
Operating and general and administrative expenses	$ 1	$ 1	$ 2	$ 2
Spectra Energy:				
Transportation, storage and processing	$ —	$ —	$ 14	$ —
Purchases of natural gas and petroleum products from affiliates	$ 24	$ 19	$ 74	$ 53
Operating and general and administrative expenses	$ 2	$ 3	$ 7	$ 7
Unconsolidated affiliates:				
Sales of natural gas and petroleum products to affiliates	$ 16	$ 24	$ 56	$ 51
Transportation, storage and processing	$ 3	$ 3	$ 10	$ 8
Purchases of natural gas and petroleum products from affiliates	$ 93	$ 71	$ 273	$ 133

We had balances with related parties and affiliates as follows:

	September 30, 2014	December 31, 2013
	(millions)	
Phillips 66 (including CPChem):		
Accounts receivable	$ 216	$ 236
Accounts payable	$ (9)	$ (17)
Other assets	$ 2	$ 2
Spectra Energy:		
Accounts receivable	$ 1	$ 1
Accounts payable	$ (8)	$ (6)
Other assets	$ 2	$ 1
Unconsolidated affiliates:		
Accounts receivable	$ 24	$ 28
Accounts payable	$ (43)	$ (36)
Other assets	$ 32	$ 18

5. Inventories

Inventories were as follows:

	September 30, 2014	December 31, 2013
	(millions)	
Natural gas	$ 37	$ 39
NGLs	57	57
Total inventories	$ 94	$ 96

6. Property, Plant and Equipment

Property, plant and equipment by classification were as follows:

	Depreciable Life	September 30, 2014	December 31, 2013
		(millions)	
Gathering and transmission systems	20 - 50 years	$ 8,255	$ 7,986
Processing, storage and terminal facilities	35 - 60 years	4,454	3,908
Other	3 - 30 years	412	366
Construction work in progress		1,047	831
Property, plant and equipment		14,168	13,091
Accumulated depreciation		(4,908)	(4,671)
Property, plant and equipment, net		$ 9,260	$ 8,420

Interest capitalized on construction projects for the three and nine months ended September 30, 2014 was $10 million and $23 million, respectively. Interest capitalized on construction projects for the three and nine months ended September 30, 2013 was $6 million and $33 million, respectively.

Depreciation expense for the three and nine months ended September 30, 2014 was $82 million and $242 million, respectively. Depreciation expense for the three and nine months ended September 30, 2013 was $76 million and $208 million, respectively.

7. Goodwill

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

	September 30, 2014		December 31, 2013	
	(millions)			
Balance, January 1, 2014 and 2013, respectively	$	722	$	723
Impairment		(18)		—
Dispositions		—		(1)
End of period	$	704	$	722

We performed our annual goodwill assessment during the third quarter of 2014 at the reporting unit level. We primarily used a discounted cash flow analysis, supplemented by a market approach analysis, to perform the assessment. Key assumptions in the analysis include the use of an appropriate discount rate, terminal year multiples, and estimated future cash flows including an estimate of operating and general and administrative costs. In estimating cash flows, we incorporate current market information, as well as historical and other factors, into our forecasted commodity prices. If actual results are not consistent with our assumptions and estimates, or our assumptions and estimates change due to new information, we may be exposed to goodwill impairment charges, which would be recognized in the period in which the carrying value exceeds fair value.

As a result of the disposition of Main Pass, a triggering event, we determined that the estimated fair value of the related reporting unit was less than its carrying amount, primarily due to current economic factors and changes in assumptions related to potential future revenues of this reporting unit. An assessment of these factors in step one of the goodwill impairment test led to a conclusion that the estimated fair value of the reporting unit was less than its carrying amount. The fair value was assessed utilizing a probability weighted approach which included discounted cash flow and market-based valuation techniques. We then applied the second step of the goodwill impairment test, allocating the estimated fair value of the reporting unit among all of the assets and liabilities of the reporting unit in a hypothetical purchase price allocation. As a result of this analysis, we recorded a full impairment of the goodwill associated with this reporting unit totaling $18 million during the third quarter of 2014, which is included in loss on sale of assets and goodwill impairment in the condensed consolidated statements of operations. We concluded that the fair value of goodwill of our remaining reporting units substantially exceeded its carrying value, and the entire amount of goodwill disclosed on the condensed consolidated balance sheet associated with these remaining reporting units is recoverable, therefore, no other goodwill impairments were identified or recorded for the remaining reporting units as of September 30, 2014.

8. Investments in Unconsolidated Affiliates

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

	Percentage Ownership	September 30, 2014		December 31, 2013	
		(millions)			
DCP Sand Hills Pipeline, LLC	33.33%	$	402	$	402
Discovery Producer Services, LLC	40.00%		395		347
DCP Southern Hills Pipeline, LLC	33.33%		328		325
Front Range Pipeline LLC	33.33%		167		134
Texas Express Pipeline LLC	10.00%		98		96
Mont Belvieu Enterprise Fractionator	12.50%		23		25
Main Pass Oil Gathering Company (a)	66.67%		—		23
Mont Belvieu I Fractionation Facility	20.00%		14		16
Other unconsolidated affiliates	Various		10		10
Total investments in unconsolidated affiliates		$	1,437	$	1,378

(a) In August 2014, we sold our two-thirds ownership interest in Main Pass to American Midstream, LLC. See Note 3, Dispositions.

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

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
	(millions)			
DCP Sand Hills Pipeline, LLC	$ 10	$ 2	$ 18	$ 1
Discovery Producer Services, LLC	4	—	4	2
DCP Southern Hills Pipeline, LLC	5	(1)	11	(1)
Front Range Pipeline LLC	2	—	—	—
Texas Express Pipeline LLC	2	—	2	—
Mont Belvieu Enterprise Fractionator	4	3	13	10
Mont Belvieu I Fractionation Facility	4	6	8	14
Other unconsolidated affiliates	(1)	—	(1)	—
Total earnings from unconsolidated affiliates	$ 30	$ 10	$ 55	$ 26

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

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
	(millions)			
Income statement:				
Operating revenues	$ 252	$ 142	$ 603	$ 399
Operating expenses	$ 135	$ 93	$ 367	$ 258
Net income	$ 116	$ 48	$ 235	$ 139

	September 30, 2014	December 31, 2013
	(millions)	
Balance sheet:		
Current assets	$ 255	$ 314
Long-term assets	5,110	4,776
Current liabilities	(198)	(322)
Long-term liabilities	(170)	(69)
Net assets	$ 4,997	$ 4,699

9. Fair Value Measurement

Determination of Fair Value

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

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

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

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

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

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While we believe that our valuation methods are appropriate and consistent with other market participants, we recognize that the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. We review our fair value policies on a regular basis taking into consideration changes in the marketplace and, if necessary, will adjust our policies accordingly. See Note 11, Risk Management and Hedging Activities, Credit Risk and Financial Instruments.

Valuation Hierarchy

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

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

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

Commodity Derivative Assets and Liabilities

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

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

We also engage in the business of trading energy related products and services, which 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 on line, expected weather trends within certain regions of the United States, and the future expected demand for NGLs.

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

Interest Rate Derivative Assets and Liabilities

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

Benefits

We offer certain eligible executives the opportunity to participate in DCP Midstream LP's Non-Qualified Executive Deferred Compensation Plan, or the EDC Plan. All amounts contributed to and earned by the EDC Plan's investments are held in a trust account, which is managed by a third-party service provider. The trust account is invested in short-term money market securities and mutual funds. These investments are recorded at fair value, with any changes in fair value being recorded as a gain or loss in the condensed consolidated statements of operations. Given that the value of the short-term money market securities and mutual funds are publicly traded and for which market prices are readily available, these investments are classified within Level 1.

Nonfinancial Assets and Liabilities

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

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

	September 30, 2014				December 31, 2013			
	Level 1	Level 2	Level 3	Total Carrying Value	Level 1	Level 2	Level 3	Total Carrying Value
	(millions)							
Current assets:								
Commodity derivatives (a)	$ 11	$ 22	$ 7	$ 40	$ 9	$ 29	$ 21	$ 59
Interest rate derivatives (a)	$ —	$ 1	$ —	$ 1	$ —	$ —	$ —	$ —
Short-term investments (b)	$ 104	$ —	$ —	$ 104	$ 28	$ —	$ —	$ 28
Long-term assets:								
Commodity derivatives (c)	$ 2	$ 6	$ 1	$ 9	$ —	$ 8	$ 2	$ 10
Mutual funds (d)	$ 15	$ —	$ —	$ 15	$ 4	$ —	$ —	$ 4
Current liabilities (e):								
Commodity derivatives	$ (15)	$ (18)	$ (3)	$ (36)	$ (9)	$ (43)	$ (10)	$ (62)
Interest rate derivatives	$ —	$ —	$ —	$ —	$ —	$ (2)	$ —	$ (2)
Long-term liabilities (f):								
Commodity derivatives	$ (3)	$ (4)	$ (1)	$ (8)	$ —	$ (1)	$ (1)	$ (2)
Interest rate derivatives	$ —	$ (1)	$ —	$ (1)	$ —	$ —	$ —	$ —

(a) Included in current unrealized gains on derivative instruments in our condensed consolidated balance sheets.
(b) Includes short-term money market securities included in cash and cash equivalents in our condensed consolidated balance sheets.
(c) Included in long-term unrealized gains on derivative instruments in our condensed consolidated balance sheets.
(d) Included in other long-term assets in our condensed consolidated balance sheets.
(e) Included in current unrealized losses on derivative instruments in our condensed consolidated balance sheets.
(f) Included in long-term unrealized losses on derivative instruments in our condensed consolidated balance sheets.

Changes in Levels 1 and 2 Fair Value Measurements

The determination to classify a financial instrument within Level 1 or Level 2 is based upon the availability of quoted prices for identical or similar assets and liabilities in active markets. Depending upon the information readily observable in the market, and/or the use of identical or similar quoted prices, which are significant to the overall valuation, the classification of any individual financial instrument may differ from one measurement date to the next. To qualify as a transfer, the asset or liability must have existed in the previous reporting period and moved into a different level during the current period. Amounts transferred in and out of Level 1 and Level 2 are reflected at fair value as of the end of the period. During the three and nine months ended September 30, 2014, there were no transfers from Level 1 to Level 2 of the fair value hierarchy. During the three and nine months ended September 30, 2014, we had the following transfers from Level 2 to Level 1 of the fair value hierarchy:

	Transfers from Level 2 to Level 1	
	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
	(millions)	
Current assets (a)	$ —	$ 1
Long-term assets	$ —	$ —
Current liabilities (a)	$ —	$ (1)
Long-term liabilities	$ —	$ —

(a) Financial instruments have moved from Level 2 to Level 1 due to the passage of time.

During the three and nine months ended September 30, 2013, there were no transfers between Level 1 and Level 2 of the fair value hierarchy.

Changes in Level 3 Fair Value Measurements

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

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

	Commodity Derivative Instruments			
	Current Assets	Long-Term Assets	Current Liabilities	Long-Term Liabilities
	(millions)			
Three Months Ended September 30, 2014 (a):				
Beginning balance	$ 9	$ 2	$ (3)	$ (2)
Net realized and unrealized gains (losses) included in earnings (b)	4	—	—	(1)
Transfers into Level 3 (c)	—	—	—	—
Transfers out of Level 3 (c)	(2)	(1)	—	2
Settlements	(4)	—	—	—
Ending balance	$ 7	$ 1	$ (3)	$ (1)
Net unrealized gains (losses) still held included in earnings (b)	$ 2	$ (1)	$ (1)	$ (1)
Three Months Ended September 30, 2013 (a):				
Beginning balance	$ 9	$ 3	$ (5)	$ (1)
Net realized and unrealized gains included in earnings (b)	7	—	—	1
Transfers into Level 3 (c)	—	—	—	—
Transfers out of Level 3 (c)	(1)	—	3	—
Settlements	(1)	—	(4)	—
Ending balance	$ 14	$ 3	$ (6)	$ —
Net unrealized gains (losses) still held included in earnings (b)	$ 8	$ —	$ (3)	$ 1
Nine Months Ended September 30, 2014 (a):				
Beginning balance	$ 21	$ 2	$ (10)	$ (1)
Net realized and unrealized gains (losses) included in earnings (b)	5	(1)	(1)	—
Transfers into Level 3 (c)	—	—	—	—
Transfers out of Level 3 (c)	(2)	—	1	—
Settlements	(17)	—	7	—
Ending balance	$ 7	$ 1	$ (3)	$ (1)
Net unrealized gains (losses) still held included in earnings (b)	$ 5	$ (1)	$ (3)	$ (1)
Nine Months Ended September 30, 2013 (a):				
Beginning balance	$ 16	$ 3	$ (14)	$ —
Net realized and unrealized gains included in earnings (b)	7	—	2	—
Transfers into Level 3 (c)	—	—	—	—
Transfers out of Level 3 (c)	(2)	—	2	—
Settlements	(7)	—	4	—
Ending balance	$ 14	$ 3	$ (6)	$ —
Net unrealized gains (losses) still held included in earnings (b)	$ 12	$ —	$ (6)	$ —

(a) There were no purchases, issuances and sales of derivatives for the three and nine months ended September 30, 2014 and 2013.
(b) Represents the amount of total gains or losses for the period, included in trading and marketing gains, net, in the condensed consolidated statements of operations attributable to changes in unrealized gains or losses relating to assets and liabilities classified as Level 3.
(c) Amounts transferred in and amounts transferred out of Level 3 are reflected at fair value as of the end of the period.

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

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

Product Group	Fair Value (millions)	Forward Curve Range	
Assets:			
NGLs	$ 8	$0.19 – $1.95	Per gallon
Total assets	$ 8		
Liabilities:			
NGLs	$ (4)	$0.19 – $1.95	Per gallon
Total liabilities	$ (4)		

Estimated Fair Value of Financial Instruments

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

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

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

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

The fair value of accounts receivable, accounts payable and short-term borrowings are not materially different from their carrying amounts because of the short-term nature of these instruments or the stated rates approximating market rates. Derivative instruments are carried at fair value. We determine the fair value of our variable rate debt based upon the discounted present value of expected future cash flows, taking into account the difference between the contractual borrowing spread and the spread for similar credit facilities available in the marketplace. We determine the fair value of our fixed-rate debt based on quotes obtained from bond dealers. We classify the fair value of our outstanding debt balances within Level 2 of the fair value hierarchy. As of September 30, 2014, the carrying and fair value of our long-term debt was $5,681 million and $6,203 million, respectively. As of December 31, 2013, the carrying and fair value of our long-term debt was $4,962 million and $5,169 million, respectively.

10. Financing

	September 30, 2014	December 31, 2013
	(millions)	
Commercial paper:		
DCP Midstream's short-term borrowings, weighted-average interest rate of 0.62% and 0.91%, respectively	$ 661	$ 965
DCP Partners' short-term borrowings, weighted-average interest rate of 1.14% as of December 31, 2013	—	335
DCP Midstream's debt securities:		
Senior notes:		
Issued October 2005, interest at 5.375% payable semiannually, due October 2015	200	200
Issued February 2009, interest at 9.750% payable semiannually, due March 2019 (a)	450	450
Issued March 2010, interest at 5.350% payable semiannually, due March 2020 (a)	600	600
Issued September 2011, interest at 4.750% payable semiannually, due September 2021	500	500
Issued August 2000, interest at 8.125% payable semiannually, due August 2030 (b)	300	300
Issued October 2006, interest at 6.450% payable semiannually, due November 2036	300	300
Issued September 2007, interest at 6.750% payable semiannually, due September 2037	450	450
Junior subordinated notes:		
Issued May 2013, interest at 5.850% payable semiannually, due May 2043	550	550
DCP Partners' debt securities:		
Issued September 2010, interest at 3.25% payable semiannually, due October 2015	250	250
Issued November 2012, interest at 2.50% payable semiannually, due December 2017	500	500
Issued March 2014, interest at 2.70% payable semiannually, due April 2019	325	—
Issued March 2012, interest at 4.95% payable semiannually, due April 2022	350	350
Issued March 2013, interest at 3.875% payable semiannually, due March 2023	500	500
Issued March 2014, interest at 5.60% payable semiannually, due April 2044	400	—
Fair value adjustments related to interest rate swap fair value hedges (b)	28	30
Unamortized discount	(22)	(18)
Total debt	6,342	6,262
DCP Midstream short-term borrowings	(661)	(965)
DCP Partners short-term borrowings	—	(335)
Total long-term debt	$ 5,681	$ 4,962

(a) $50 million of debt associated with each of these note issuances has been swapped to a floating rate obligation.
(b) In December 2008, the swaps associated with this debt were terminated. The remaining long-term fair value of approximately $28 million related to the swaps is being amortized as a reduction to interest expense through August 2030, the original maturity date of the debt.

DCP Midstream's Debt Securities — In May 2013, we issued $550 million principal amount of 5.85% Fixed-to-Floating Rate Junior Subordinated Notes, due May 2043, for proceeds of approximately $544 million, net of unamortized offering costs and expenses of $6 million. The net proceeds were used to repay short-term borrowings.

The DCP Midstream senior debt securities mature and become payable on the respective due dates, and are not subject to any sinking fund provisions. The DCP Midstream senior debt securities are senior unsecured obligations, and are redeemable at a premium at our option. The underwriters' fees and related expenses are deferred in other long-term assets in the condensed consolidated balance sheets and will be amortized over the term of the notes.

DCP Midstream's Commercial Paper Program — We have a commercial paper program, or the DCP Midstream Commercial Paper Program, under which we may issue unsecured commercial paper notes, or the Notes. The Notes may be borrowed, repaid and re-borrowed from time to time with the maximum aggregate principal amount of the Notes outstanding, combined with the amount outstanding under our $2 billion amended and restated revolving credit agreement, or the DCP Midstream Amended and Restated Revolving Credit Agreement, not to exceed $2 billion in the aggregate. As of September 30, 2014 and December 31, 2013, we had $661 million and $965 million, respectively, of commercial paper outstanding, which are included in short-term borrowings in the condensed consolidated balance sheets.

DCP Midstream's Credit Facilities with Financial Institutions — In May 2014, we entered into the DCP Midstream Amended and Restated Revolving Credit Agreement, which matures in May 2019. The DCP Midstream Amended and Restated Revolving Credit Agreement replaced our previous credit agreement dated as of March 2, 2012, or the DCP Midstream Credit Facility, which had a total borrowing capacity of $2 billion and would have matured in March 2017. The DCP Midstream Amended and Restated Revolving Credit Agreement will be used for working capital requirements and other general corporate purposes including acquisitions. There were no borrowings outstanding under the DCP Midstream Amended and Restated Revolving Credit Facility as of September 30, 2014.

The DCP Midstream Amended and Restated Revolving Credit Agreement may be used to support our capital expansion program, working capital requirements and other general corporate purposes, including acquisitions, as well as for letters of credit. As of September 30, 2014 and December 31, 2013, we had $6 million and $8 million in letters of credit outstanding, respectively. As of September 30, 2014, the available capacity under the DCP Midstream Amended and Restated Revolving Credit Agreement was $1,333 million, which is net of letters of credit. Our borrowing capacity may be limited by the DCP Midstream Amended and Restated Revolving Credit Agreement's financial covenant requirements. Except in the case of default, amounts borrowed under the DCP Midstream Amended and Restated Revolving Credit Agreement will not become due prior to the May 2019 maturity date.

Indebtedness under the DCP Midstream Amended and Restated Revolving Credit Agreement bears interest at either: (1) LIBOR, plus an applicable margin of 1.075% 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 0.075% based on our current credit rating. The DCP Midstream Amended and Restated Revolving Credit Agreement incurs an annual facility fee of 0.175% based on our current credit rating. This fee is paid on drawn and undrawn portions of the DCP Midstream Amended and Restated Revolving Credit Agreement.

DCP Partners' Commercial Paper Program — DCP Partners has a commercial paper program, or the DCP Partners Commercial Paper Program, under which DCP Partners may issue unsecured commercial paper notes, or the DCP Partners' Notes. The DCP Partners' Notes outstanding may be borrowed, repaid, and re-borrowed from time to time with the maximum aggregate principal amount of the notes outstanding, combined with the amount outstanding under DCP Partners' $1.25 billion amended senior unsecured revolving credit agreement, or the DCP Partners Amended and Restated Credit Agreement, not to exceed $1.25 billion in the aggregate. As of September 30, 2014, DCP Partners had no commercial paper outstanding. As of December 31, 2013, DCP Partners had $335 million of commercial paper outstanding which was included in short-term borrowings in the condensed consolidated balance sheets.

DCP Partners' Credit Facilities with Financial Institutions — In May 2014, DCP Partners entered into the DCP Partners Amended and Restated Credit Agreement. The DCP Partners Amended and Restated Credit Agreement replaced DCP Partners' previous credit agreement dated as of November 10, 2011, or the DCP Partners Credit Agreement, which had a total borrowing capacity of $1 billion and would have matured in November 2016. The DCP Partners Amended and Restated Credit Agreement will be used for working capital requirements and other general partnership purposes including acquisitions. As of September 30, 2014 and December 31, 2013, DCP Partners had $1 million of letters of credit issued and outstanding under the DCP Partners Amended and Restated Credit Agreement and the DCP Partners Credit Agreement, respectively. As of September 30, 2014, the unused capacity under the DCP Partners Amended and Restated Credit Agreement was $1,249 million, which is net of letters of credit. DCP Partners' borrowing capacity may be limited by the DCP Partners Amended and Restated Credit Agreement's financial covenant requirements. Except in the case of default, amounts borrowed under the DCP Partners Amended and Restated Credit Agreement will not become due prior to the May 2019 maturity date.

Indebtedness under the DCP Partners Amended and Restated Credit Agreement bears interest at either: (1) LIBOR, plus an applicable margin of 1.275% 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 0.275% based on DCP Partners' current credit rating. The DCP Partners Amended and Restated Credit Agreement incurs an annual facility fee of 0.225% based on DCP Partners' current credit rating. This fee is paid on drawn and undrawn portions of the DCP Partners Amended and Restated Credit Agreement.

DCP Partners' Debt Securities — In March 2014, DCP Partners issued $325 million of 2.70% five-year Senior Notes due April 2019 and $400 million of 5.60% 30-year Senior Notes, due April 2044. DCP Partners received proceeds of $320 million and $392 million, respectively, net of underwriters' fees, related expenses and unamortized discounts, which were used to pay a portion of the consideration for the March 2014 Transactions. Interest on the notes is paid semiannually on April 1 and October 1 of each year, commencing on October 1, 2014. The notes will mature in April 2019 and April 2044, unless redeemed prior to maturity.

In March 2013, DCP Partners issued $500 million of 3.875% 10-year Senior Notes, due March 2023. DCP Partners received proceeds of $490 million, net of underwriters' fees, related expenses and unamortized discounts of $10 million, which were used to fund a portion of the acquisition of an additional 46.67% interest in the Eagle Ford system. Interest on the notes is paid semiannually on March 15 and September 15 of each year, and the first payment occurred on September 15, 2013. The notes will mature in March 2023, unless redeemed prior to maturity.

DCP Partners' debt securities are senior unsecured obligations, ranking equally in right of payment with other unsecured indebtedness, including indebtedness under the DCP Partners Amended and Restated Credit Agreement. DCP Partners is not required to make mandatory redemption or sinking fund payments with respect to any of these notes, and they are redeemable at a premium at DCP Partners' option. The underwriters' fees and related expenses are deferred in other long-term assets in our condensed consolidated balance sheets and will be amortized over the term of the notes.

Other Financing — In June 2014, DCP Partners filed a shelf registration statement on Form S-3 with the U.S. Securities and Exchange Commission, or SEC, with a maximum offering price of $500 million, which became effective on July 11, 2014. The shelf registration statement allows DCP Partners to issue additional common units. In September 2014, DCP Partners entered into an equity distribution agreement, or the 2014 equity distribution agreement, with a group of financial institutions as sales agents. The 2014 equity distribution agreement provides for the offer and sale from time to time, through DCP Partners' sales agents, of common units having an aggregate offering amount of up to $500 million. During the nine months ended September 30, 2014, DCP Partners issued 771,105 of its common units pursuant to the 2014 equity distribution agreement and received proceeds of $42 million, net of commissions and offering costs of less than $1 million, which were used to finance growth opportunities and for general partnership purposes. As of September 30, 2014, $458 million remained available for sale pursuant to the 2014 equity distribution agreement.

In March 2014, DCP Partners issued 14,375,000 of its common units to the public at $48.90 per unit. DCP Partners received proceeds of $677 million, net of offering costs.

In August 2013, DCP Partners issued 9,000,000 of its common units to the public at $50.04 per unit. DCP Partners received proceeds of $434 million, net of offering costs.

In June 2013, DCP Partners filed a shelf registration statement on Form S-3, or the June 2013 shelf registration statement, with the SEC with a maximum offering price of $300 million, which became effective on June 27, 2013. The June 2013 shelf registration statement allowed DCP Partners to issue additional common units. In November 2013, DCP Partners entered into an equity distribution agreement, or the 2013 equity distribution agreement, related to the June 2013 shelf registration statement, with a group of financial institutions as sales agents. The 2013 equity distribution agreement provided for the offer and sale from time to time, through DCP Partners' sales agents, of common units having an aggregate offering amount of up to $300 million. During the nine months ended September 30, 2014, DCP Partners issued 3,769,635 of its common units pursuant to the 2013 equity distribution agreement and received proceeds of $206 million, which is net of commissions and offering costs of $2 million. The proceeds were used to finance growth opportunities and for general partnership purposes. In connection with DCP Partners' entry into the 2014 equity distribution agreement, DCP Partners terminated the 2013 equity agreement in September 2014. In October 2014, DCP Partners de-registered the common units that remained unsold under the 2013 equity distribution agreement at the time of its termination.

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

In August 2011, DCP Partners entered into an equity distribution agreement with a financial institution, as sales agent. The agreement provides for the offer and sale from time to time, through DCP Partners' sales agent, of common units having an aggregate offering amount of up to $150 million. During the nine months ended September 30, 2013, DCP Partners issued 1,408,547 of its common units pursuant to an equity distribution agreement and received proceeds of $67 million, net of commissions and offering costs of $2 million, which were used to finance growth opportunities and for general partnership purposes. In September 2013, DCP Partners de-registered the common units that remained unsold under this equity distribution agreement.

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

Our day-to-day operations expose us to a variety of risks including but not limited to changes in the prices of commodities that we buy or sell, changes in interest rates, and the creditworthiness of each of our counterparties. We manage certain of these exposures with either physical or financial transactions. We have established a comprehensive risk management policy, or Risk Management Policy, and a risk management committee, or the Risk Management Committee, to monitor and manage market risks associated with commodity prices and counterparty credit. Our Risk Management Committee is composed of senior executives who receive regular briefings on positions and exposures, credit exposures and overall risk management in the context of market activities. The Risk Management Committee is responsible for the overall management of credit risk and commodity price risk, including monitoring exposure limits. The following describes each of the risks that we manage.

Commodity Price Risk

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

Natural Gas Asset Based Trading and Marketing

Our natural gas storage and pipeline assets are exposed to certain risks including changes in commodity prices. We manage commodity price risk related to our natural gas storage and pipeline assets through our commodity derivative program. The commercial activities related to our natural gas storage and pipeline assets primarily consist of the purchase and sale of gas and associated time spreads and basis spreads.

A time spread transaction is executed by establishing a long gas position at one point in time and establishing an equal short gas position at a different point in time. Time spread transactions allow us to lock in a margin supported by the injection, withdrawal, and storage capacity of our natural gas storage assets. We may execute basis spread transactions to mitigate the risk of sale and purchase price differentials across our system. A basis spread transaction allows us to lock in a margin on our physical purchases and sales of gas, including injections and withdrawals from storage. We typically use swaps to execute these transactions, which are not designated as hedging instruments and are recorded at fair value with changes in fair value recorded in the current period condensed consolidated statements of operations. While gas held in our storage locations is recorded at the lower of average cost or market, the derivative instruments that are used to manage our storage facilities are recorded at fair value and any changes in fair value are currently recorded in our condensed consolidated statements of operations. Even though we may have economically hedged our exposure and locked in a future margin, the use of lower-of-cost-or-market accounting for our physical inventory and the use of mark-to-market accounting for our derivative instruments may subject our earnings to market volatility.

DCP Partners Commodity Cash Flow Hedges

In order for our storage facility to remain operational, a minimum level of base gas must be maintained in each storage cavern, which is capitalized on our condensed consolidated balance sheets as a component of property, plant and equipment, net. During construction or expansion of DCP Partners' storage caverns, DCP Partners may execute a series of derivative financial instruments to mitigate a portion of the risk associated with the forecasted purchase of natural gas when DCP Partners brings the storage caverns to operation. These derivative financial instruments may be designated as cash flow hedges. While the cash paid upon settlement of these hedges economically fixes the cash required to purchase base gas, the deferred losses or gains would remain in accumulated other comprehensive income, or AOCI, until the cavern is emptied and the base gas is sold. The balance in AOCI of DCP Partners' previously settled base gas cash flow hedges was in a loss position of $6 million as of September 30, 2014.

NGL Proprietary Trading

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

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

Commodity Cash Flow Protection Activities at DCP Partners

DCP Partners is exposed to the impact of market fluctuations in the prices of natural gas, NGLs and condensate as a result of its gathering, processing, sales and storage activities. For gathering, processing and storage services, DCP Partners may receive cash or commodities as payment for these services, depending on the contract type. DCP Partners enters into derivative financial instruments to mitigate a portion of the risk of weakening natural gas, NGL and condensate prices associated with its gathering, processing and sales activities, thereby stabilizing its cash flows. DCP Partners has mitigated a significant portion of its expected commodity cash flow risk associated with its gathering, processing and sales activities through 2017 with commodity derivative instruments. DCP Partners' commodity derivative instruments used for its hedging program are a combination of direct NGL product, crude oil and natural gas hedges. Due to the limited liquidity and tenor of the NGL derivatives market, DCP Partners has used crude oil swaps and costless commodity collars to mitigate a portion of its commodity price risk exposure for NGLs. Historically, prices of NGLs have generally been related to crude oil prices; however, there are periods of time when NGL pricing may be at a greater discount to crude oil, resulting in additional exposure to NGL commodity prices. The relationship of NGLs to crude oil continues to be lower than historical relationships; however, a significant amount of DCP Partners' NGL hedges from 2014 through 2016 are direct product hedges with us. When its crude oil swaps become short-term in nature, DCP Partners has periodically converted certain crude oil derivatives to NGL derivatives by entering into offsetting crude oil swaps while adding NGL swaps. DCP Partners' crude oil and NGL transactions are primarily accomplished through the use of forward contracts that effectively exchange DCP Partners' floating price risk for a fixed price. DCP Partners also utilizes crude oil costless commodity collars that minimize its floating price risk by establishing a fixed price floor and a fixed price ceiling. However, the type of instrument that DCP Partners uses to mitigate a portion of its risk may vary depending on DCP Partners' risk management objective. These transactions are not designated as hedging instruments for accounting purposes and the change in fair value is reflected in the current period within our condensed consolidated statements of operations as trading and marketing gains, net.

Interest Rate Risk

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

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

In conjunction with the issuance of DCP Partners' 4.95% Senior Notes in March 2012, DCP Partners entered into forward-starting interest rate swap agreements to reduce its exposure to market rate fluctuations prior to issuance. These derivative financial instruments were designated as cash flow hedges. While the cash paid upon settlement of these hedges economically fixed the rate DCP Partners would pay on a portion of its 4.95% Senior Notes, the deferred loss in AOCI will be amortized into interest expense through the maturity of the notes in 2022. The balance in AOCI of these cash flow hedges was in a loss position of $4 million as of September 30, 2014.

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

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

Credit Risk

Our principal customers range from large, natural gas marketers to industrial end-users for our natural gas products and services, as well as large multi-national petrochemical and refining companies, to small regional propane distributors for our NGL products and services. Substantially all of our natural gas and NGL sales are made at market-based prices. Approximately 35% of our NGL production is committed to Phillips 66 and CPChem, both related parties, under existing 15-year contracts, the primary production commitment of which expires in December 2014. This concentration of credit risk may affect our overall credit risk, in that these customers may be similarly affected by changes in economic, regulatory or other factors. Where exposed to credit risk, we analyze the counterparties' financial condition prior to entering into an agreement, establish credit limits and monitor the appropriateness of these limits on an ongoing basis. We may use various master agreements that include language giving us the right to request collateral to mitigate credit exposure. The collateral language provides for a counterparty to post cash or letters of credit for exposure in excess of the established threshold. The threshold amount represents an open credit limit, determined in accordance with our credit policy. The collateral language also provides that the inability to post collateral is sufficient cause to terminate a contract and liquidate all positions. In addition, our master agreements and our standard gas and NGL sales contracts contain adequate assurance provisions, which allow us to suspend deliveries and cancel agreements, or continue deliveries to the buyer after the buyer provides security for payment in a satisfactory form.

Contingent Credit Features

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

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

- 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 would have the right to reduce our collateral threshold to zero, potentially requiring us to fully collateralize any commodity contracts in a net liability position.

- 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, 2014, we had $2 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, 2014, 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, 2014, 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 $1 million.

Collateral

As of September 30, 2014, we held letters of credit of $90 million from counterparties to secure their future performance under financial or physical contracts. We had cash deposits with counterparties of $18 million included in other current assets in the condensed consolidated balance sheets as of September 30, 2014, to secure our obligations to provide future services or to perform under financial contracts. Collateral amounts held or posted may be fixed or may vary, depending on the value of the underlying contracts, and could cover normal purchases and sales, trading and hedging contracts. In many cases, we and our counterparties publicly disclose credit ratings, which may impact the amounts of collateral requirements.

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

Offsetting

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

	September 30, 2014			December 31, 2013		
	Gross Amounts of Assets and (Liabilities) Presented in the Balance Sheet	Amounts Not Offset in the Balance Sheet – Financial Instruments (a)	Net Amount	Gross Amounts of Assets and (Liabilities) Presented in the Balance Sheet	Amounts Not Offset in the Balance Sheet – Financial Instruments (a)	Net Amount
	(millions)					
Assets:						
Commodity derivative instruments	$ 49	$ (1)	$ 48	$ 69	$ (2)	$ 67
Interest rate derivative instruments	$ 1	$ —	$ 1	$ —	$ —	$ —
Liabilities:						
Commodity derivative instruments	$ (44)	$ 1	$ (43)	$ (64)	$ 2	$ (62)
Interest rate derivative instruments	$ (1)	$ —	$ (1)	$ (2)	$ —	$ (2)

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

Summarized Derivative Information

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

Balance Sheet Line Item	September 30, 2014	December 31, 2013	Balance Sheet Line Item	September 30, 2014	December 31, 2013
	(millions)			(millions)	
Derivative Assets Designated as Hedging Instruments:			**Derivative Liabilities Designated as Hedging Instruments**:		
Interest rate derivatives:			**Interest rate derivatives:**		
Unrealized gains on derivative instruments — current	$ 1	$ —	Unrealized losses on derivative instruments — current	$ —	$ —
Unrealized gains on derivative instruments — long-term	—	—	Unrealized losses on derivative instruments — long-term	(1)	—
	$ 1	$ —		$ (1)	$ —
Derivative Assets Not Designated as Hedging Instruments:			**Derivative Liabilities Not Designated as Hedging Instruments**:		
Interest rate derivatives:			**Interest rate derivatives:**		
Unrealized gains on derivative instruments — current	$ —	$ —	Unrealized losses on derivative instruments — current	$ —	$ (2)
Unrealized gains on derivative instruments — long-term	—	—	Unrealized losses on derivative instruments — long-term	—	—
	$ —	$ —		$ —	$ (2)
Commodity derivatives:			**Commodity derivatives:**		
Unrealized gains on derivative instruments — current	$ 40	$ 59	Unrealized losses on derivative instruments — current	$ (36)	$ (62)
Unrealized gains on derivative instruments — long-term	9	10	Unrealized losses on derivative instruments — long-term	(8)	(2)
	$ 49	$ 69		$ (44)	$ (64)

The following table summarizes the balance and activity within AOCI relative to our interest rate and commodity derivatives, net of noncontrolling interest, as of and for the three months ended September 30, 2014:

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

The following table summarizes the balance and activity within AOCI relative to our interest rate and commodity derivatives, net of noncontrolling interest, as of and for the nine months ended September 30, 2014:

	Interest Rate Derivatives		Commodity Derivatives		Total
			(millions)		
Net deferred losses in AOCI, beginning balance	$ (3)		$ (3)		$ (6)
Gains recognized in AOCI on derivatives — effective portion	—		—		—
Losses reclassified from AOCI — effective portion	1	(a)	—		1
Net deferred losses in AOCI, ending balance	$ (2)		$ (3)		$ (5)
Deferred losses in AOCI expected to be reclassified into earnings over the next 12 months	$ —		$ —		$ —

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

For both the three and nine months ended September 30, 2014, no derivative gains or losses were recognized in trading and marketing gains, net and interest expense, net in our condensed consolidated statements of operations attributable to the ineffective portion of our derivative instruments, as a result of exclusion from effectiveness testing or as a result of the discontinuance of cash flow hedges related to certain forecasted transactions that are not probable of occurring.

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

	Interest Rate Derivatives	Commodity Derivatives		Total
		(millions)		
Net deferred losses in AOCI, beginning balance	$ (3)	$ (4)		$ (7)
Gains recognized in AOCI on derivatives — effective portion	—	—		—
Losses reclassified from AOCI — effective portion	—	1	(a)	1
Net deferred losses in AOCI, ending balance	$ (3)	$ (3)		$ (6)

(a) Included in noncontrolling interest in our condensed consolidated balance sheets, as a result of changes in our ownership interest in DCP Partners.

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

	Interest Rate Derivatives		Commodity Derivatives		Total
			(millions)		
Net deferred losses in AOCI, beginning balance	$ (4)		$ (5)		$ (9)
Gains recognized in AOCI on derivatives — effective portion	—		—		—
Losses reclassified from AOCI — effective portion	1	(a)	2	(b)	3
Net deferred losses in AOCI, ending balance	$ (3)		$ (3)		$ (6)

(a) Included in interest expense, net in our condensed consolidated statements of operations.
(b) Included in noncontrolling interest in our condensed consolidated balance sheets, as a result of changes in our ownership interest in DCP Partners.

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

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

Commodity Derivatives: Statement of Operations Line Item	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
	(millions)			
Realized gains	$ 13	$ 15	$ 24	$ 17
Unrealized gains (losses)	13	(3)	1	1
Trading and marketing gains, net	$ 26	$ 12	$ 25	$ 18

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

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

	September 30, 2014								
	Crude Oil		Natural Gas		Natural Gas Liquids			Natural Gas Basis Swaps	
Year of Expiration	Net Short Position (Bbls) (a)	Number of Contracts	Net Short Position (MMBtu) (b)	Number of Contracts	Net Short Position (Bbls)	Number of Contracts		Net Long (Short) Position (MMBtu)	Number of Contracts
2014	(402,800)	354	(14,179,450)	233	(8,050,252)	395	(c)	2,172,500	71
2015	(975,000)	91	(10,020,300)	63	(9,167,439)	159	(d)	12,085,000	33
2016	(494,000)	15	(1,830,000)	1	(5,040,000)	10	(e)	(5,660,000)	6
2017	—	—	(6,387,500)	4	(2,700,000)	1	(f)	—	—

(a) Bbls represents barrels.
(b) MMBtu represents one million British thermal units.
(c) Includes 29 physical index based derivative contracts totaling (7,616,919) Bbls.
(d) Includes 5 physical index based derivative contracts totaling (9,117,000) Bbls.
(e) Includes 2 physical index based derivative contracts totaling (5,400,000) Bbls.
(f) Includes 1 physical index based derivative contracts totaling (2,700,000) Bbls.

	September 30, 2013								
	Crude Oil		Natural Gas		Natural Gas Liquids			Natural Gas Basis Swaps	
Year of Expiration	Net Short Position (Bbls)	Number of Contracts	Net (Short) Long Position (MMBtu)	Number of Contracts	Net (Short) Long Position (Bbls)	Number of Contracts		Net Long Position (MMBtu)	Number of Contracts
2013	(1,076,056)	566	(11,690,850)	267	(6,813,985)	373	(a)	2,832,500	140
2014	(696,250)	282	(1,155,050)	52	(10,599,236)	189	(b)	13,405,000	44
2015	(536,000)	42	2,737,500	4	359,000	4		3,650,000	1
2016	(504,000)	8	—	—	—	—		—	—

(a) Includes 41 physical index based derivative contracts totaling (7,275,000) Bbls.
(b) Includes 12 physical index based derivative contracts totaling (11,215,000) Bbls.

12. Commitments and Contingent Liabilities

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

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

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

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

We make expenditures in connection with environmental matters as part of our normal operations. As of September 30, 2014 and December 31, 2013, environmental liabilities included in the condensed consolidated balance sheets as other current liabilities amounted to $3 million and $4 million, respectively. As of September 30, 2014 and December 31, 2013, environmental liabilities included in the condensed consolidated balance sheets as other long-term liabilities amounted to $11 million and $9 million, respectively.

13. Guarantees and Indemnifications

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

14. Supplemental Cash Flow Information

	Nine Months Ended September 30,	
	2014	2013
	(millions)	
Cash paid for interest, net of capitalized interest	$ 215	$ 171
Cash paid for income taxes, net of income tax refunds received	$ 5	$ 6
Non-cash investing and financing activities:		
Tax distributions payable to members	$ 42	$ 18
Property, plant and equipment acquired with accounts payable	$ 181	$ 138
Other non-cash changes in property, plant and equipment	$ 11	$ 68

During the nine months ended September 30, 2014 and 2013, we received distributions from DCP Partners of $125 million and $83 million, respectively, which have been eliminated in consolidation.

15. Subsequent Events

We have evaluated subsequent events occurring through November 11, 2014, the date the condensed consolidated financial statements were issued.

On October 28, 2014, DCP Partners announced that the board of directors of DCP Partners' general partner declared a quarterly distribution of $0.77 per unit, payable on November 14, 2014 to unitholders of record on November 7, 2014.

In October 2014, our board of directors approved a $73 million dividend which was paid to our owners in October 2014.

In October 2014, DCP Partners issued 457,608 of its common units pursuant to the 2014 equity distribution agreement and received proceeds of $25 million, net of commissions and offering costs of less than $1 million. As of October 31, 2014, approximately $433 million of the aggregate offering amount remains available for sale pursuant to the 2014 equity distribution agreement.