

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2019

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File Number: 001-32678

DCP MIDSTREAM, LP

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation or organization)

**370 17th Street, Suite 2500
Denver, Colorado**

(Address of principal executive offices)

03-0567133

(I.R.S. Employer
Identification No.)

80202

(Zip Code)

Registrant's telephone number, including area code: (303) 595-3331

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class:	Trading Symbol(s)	Name of Each Exchange on Which Registered:
Common Units Representing Limited Partner Interests	DCP	New York Stock Exchange
7.875% Series B Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units	DCP PRB	New York Stock Exchange
7.95% Series C Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units	DCP PRC	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Exchange Act of 1934, or the Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of common units held by non-affiliates of the registrant on June 30, 2019, was approximately \$ 2,650,723,000. The aggregate market value was computed by reference to the last sale price of the registrant's common units on the New York Stock Exchange on June 30, 2019.

As of February 14, 2020, there were 208,329,928 common units representing limited partner interests outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

None

DCP MIDSTREAM, LP
FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2019

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GLOSSARY OF TERMS

The following is a list of terms used in the industry and throughout this report:

ASU	accounting standards update
Bbl	barrel
Bbls/d	barrels per day
Bcf	billion cubic feet
Bcf/d	billion cubic feet per day
Btu	British thermal unit, a measurement of energy
Credit Agreement	\$1.4 billion unsecured revolving Credit Agreement, maturing December 9, 2024
Fractionation	the process by which natural gas liquids are separated into individual components
GAAP	generally accepted accounting principles in the United States of America
IDR	incentive distribution right
MBbls	thousand barrels
MBbls/d	thousand barrels per day
MMBtu	million Btus
MMBtu/d	million Btus per day
MMcf	million cubic feet
MMcf/d	million cubic feet per day
NGLs	natural gas liquids
Securitization Facility	\$350 million Accounts Receivable Securitization Facility, maturing August 12, 2022
TBtu/d	trillion Btus per day
Throughput	the volume of product transported or passing through a pipeline or other facility

CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

Our reports, filings and other public announcements may from time to time contain statements that do not directly or exclusively relate to historical facts. Such statements are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. You can typically identify forward-looking statements by the use of forward-looking words, such as “may,” “could,” “should,” “intend,” “assume,” “project,” “believe,” “anticipate,” “expect,” “estimate,” “potential,” “plan,” “forecast” and other similar words.

All statements that are not statements of historical facts, including, but not limited to, statements regarding our future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements.

These forward-looking statements reflect our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside our control. Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks. Known risks and uncertainties include, but are not limited to, the risks set forth in Item 1A. “Risk Factors” in this Annual Report on Form 10-K for the year ended December 31, 2019, including the following risks and uncertainties:

- the extent of changes in commodity prices and the demand for our products and services, our ability to effectively limit a portion of the adverse impact of potential changes in commodity prices through derivative financial instruments, and the potential impact of price, and of producers’ access to capital on natural gas drilling, demand for our services, and the volume of NGLs and condensate extracted;
- the demand for crude oil, residue gas and NGL products;
- the level and success of drilling and quality of production volumes around our assets and our ability to connect supplies to our gathering and processing systems, as well as our residue gas and NGL infrastructure;
- new, additions to, and changes in, laws and regulations, particularly with regard to taxes, safety, regulatory and protection of the environment, including, but not limited to, climate change legislation, regulation of over-the-counter derivatives markets and entities, and hydraulic fracturing regulations, or the increased regulation of our industry, including additional local control over such activities, and their impact on producers and customers served by our systems;
- volatility in the price of our common units and preferred units;
- general economic, market and business conditions;
- the amount of natural gas we gather, compress, treat, process, transport, store and sell, or the NGLs we produce, fractionate, transport, store and sell, may be reduced if the pipelines, storage and fractionation facilities to which we deliver the natural gas or NGLs are capacity constrained and cannot, or will not, accept the natural gas or NGLs or we may be required to find alternative markets and arrangements for our natural gas and NGLs;
- our ability to continue the safe and reliable operation of our assets;
- our ability to grow through organic growth projects, or acquisitions, and the successful integration and future performance of such assets;
- our ability to access the debt and equity markets and the resulting cost of capital, which will depend on general market conditions, our financial and operating results, inflation rates, interest rates, our ability to comply with the covenants in our \$1.4 billion unsecured revolving credit facility or other credit facilities, and the indentures governing our notes, as well as our ability to maintain our credit ratings;
- the creditworthiness of our customers and the counterparties to our transactions;
- the amount of collateral we may be required to post from time to time in our transactions;
- industry changes, including the impact of bankruptcies, consolidations, alternative energy sources, technological advances, infrastructure constraints and changes in competition;
- our ability to construct and start up facilities on budget and in a timely fashion, which is partially dependent on obtaining required construction, environmental and other permits issued by federal, state and municipal governments, or agencies thereof, the availability of specialized contractors and laborers, and the price of and demand for materials;
- our ability to hire, train, and retain qualified personnel and key management to execute our business strategy;
- weather, weather-related conditions and other natural phenomena, including, but not limited to, their potential impact on demand for the commodities we sell and the operation of company-owned and third party-owned infrastructure;
- security threats such as terrorist attacks, and cybersecurity attacks and breaches, against, or otherwise impacting, our facilities and systems; and
- our ability to obtain insurance on commercially reasonable terms, if at all, as well as the adequacy of insurance to cover our losses.

In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. The forward-looking statements in this report speak as of the filing date of this report. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

PART I

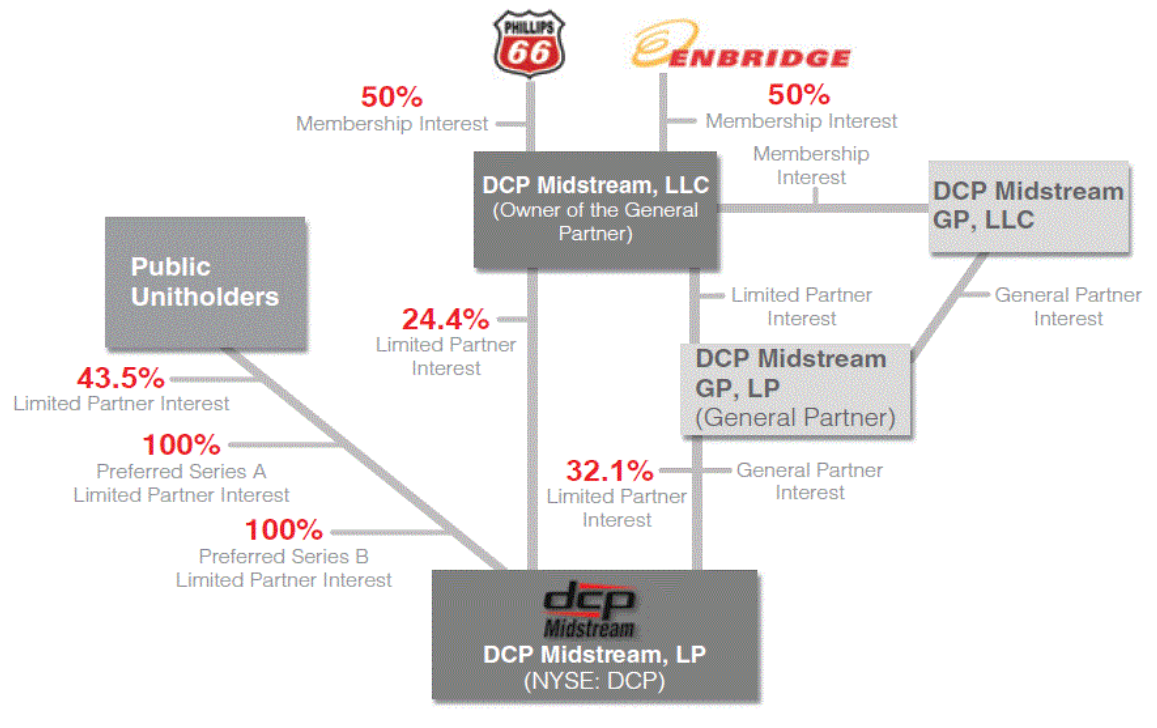
Item 1. Business

OVERVIEW

DCP Midstream, LP (together with its consolidated subsidiaries, “we,” “our,” “us,” the “registrant,” or the “Partnership”) is a Delaware limited Partnership formed in 2005 by DCP Midstream, LLC to own, operate, acquire and develop a diversified portfolio of complementary midstream energy assets. DCP Midstream, LLC and its subsidiaries and affiliates, collectively referred to as DCP Midstream, LLC is owned 50% by Phillips 66 and 50% by Enbridge Inc. and its affiliates, or Enbridge.

On November 6, 2019, we signed and closed a transaction with our general partner, DCP Midstream GP, LP, to eliminate all of our general partner economic interest and incentive distribution rights in exchange for the issuance of 65 million common units to our general partner. Following the close of the transaction, our general partner holds a non-economic general partner interest in us and, together with DCP Midstream, LLC, owns approximately 118 million of our common units, representing approximately 57% of our outstanding common units.

The diagram below depicts our organizational structure as of December 31, 2019.



Our operations are organized into two reportable segments: (i) Logistics and Marketing and (ii) Gathering and Processing. Our Logistics and Marketing segment includes transporting, trading, marketing, and storing natural gas and NGLs, and fractionating NGLs. Our Gathering and Processing segment consists of gathering, compressing, treating, and processing natural gas, producing and fractionating NGLs, and recovering condensate. The remainder of our business operations are presented as “Other,” and consist of unallocated corporate costs.

OUR BUSINESS STRATEGY

Our primary business objectives are to achieve sustained company profitability, a strong balance sheet and profitable growth, thereby sustaining and ultimately growing our cash distribution per unit. We intend to accomplish these objectives by prudently executing the following business strategies:

Operational Performance. We believe our operating efficiency and reliability enhance our ability to attract new natural gas supplies by enabling us to offer more competitive terms, services and service flexibility to producers. Our logistics assets and gathering and processing systems consist of high-quality, well-maintained facilities, resulting in low-cost, efficient operations. Our goal is to establish a reputation in the midstream industry as a reliable, safe and low cost supplier of services to our customers. We will continue to pursue incremental revenue, cost efficiencies and operating improvements of our assets through process and technology improvements. We seek to increase the utilization of our existing facilities by providing additional services to our existing customers, by establishing relationships with new customers and by strategically rationalizing assets. In addition, we maximize efficiency by coordinating the completion of new facilities in a manner that is consistent with the expected production that supports them.

Organic Growth. We intend to use our strategic asset base in the United States and our position as one of the largest processors of natural gas, and as one of the largest producers and marketers of NGLs in the United States, as a platform for future growth. We plan to grow our business by constructing new NGL and natural gas pipeline infrastructure, expanding existing infrastructure, and constructing new gathering lines and processing facilities.

Strategic Partnerships and Acquisitions. We intend to pursue economically attractive and strategic partnership and acquisition opportunities within the midstream energy industry, both in new and existing lines of business, and areas of operation.

OUR COMPETITIVE STRENGTHS

We are one of the largest processors of natural gas and one of the largest producers and marketers of NGLs in the United States. In 2019, our total wellhead volume was approximately 4.9 Bcf/d of natural gas and we produced an average of approximately 417 MBbls/d of NGLs. We provide natural gas gathering services to the wellhead, and leverage our strategic footprint to extend the value chain through our integrated NGL and natural gas pipelines and marketing infrastructure. We believe our ability to provide all of these services gives us an advantage in competing for new supplies of natural gas because we can provide substantially all services to move natural gas and NGLs from wellhead to market, and creates value for our customers. We believe that we are well positioned to execute our business strategies and achieve one of our primary business objectives of sustaining our cash distribution per unit because of the following competitive strengths:

Integrated Logistics and Marketing Operations. We believe the strategic location of our assets coupled with their geographic diversity and our reputation for running our business reliably and effectively, presents us with continuing opportunities to provide competitive services to our customers and attract new natural gas production to our gathering and processing operations. We have connected our gathering and processing operations to key markets with NGL pipelines that we own or operate to offer our customers a competitive, integrated midstream service. We have strategically located NGL transportation pipelines that provide takeaway capabilities for our gathering and processing operations in the Permian Basin, the Denver-Julesburg Basin (“DJ Basin”), the Midcontinent, East Texas, the Gulf Coast, South Texas, and Central Texas. Our NGL pipelines connect to various natural gas processing plants and transport the NGLs to fractionation facilities, a petrochemical plant, a third party underground NGL storage facility and other markets along the Gulf Coast. Our Logistics and Marketing operations also consists of multiple downstream assets including NGL fractionation facilities, an NGL storage facility and a residue gas storage facility.

Strategically Located Gas Gathering and Processing Operations. Our assets are strategically located in areas with the potential for increasing our wellhead volumes and cash flow generation. We have operations in some of the largest producing regions in the United States: DJ Basin, Permian Basin, Midcontinent, and Eagle Ford. In addition, we operate one of the largest portfolios of natural gas processing plants in the United States. Our gathering systems and processing plants are connected to numerous key natural gas pipeline systems that provide producers with access to a variety of natural gas market hubs.

Stable Cash Flows. Our operations consist of a mix of fee-based and commodity-based services, which together with our commodity hedging program, are intended to generate relatively stable cash flows. Growth in our fee-based earnings will reduce the impact of unhedged margins. Additionally, while certain of our gathering and processing contracts subject us to commodity price risk, we have mitigated a portion of our currently anticipated commodity price risk associated with the equity

volumes from our gathering and processing operations with fixed price commodity swaps. As of December 31, 2019, we were approximately 65% fee-based.

Established Relationships with Oil, Natural Gas and Petrochemical Companies We have long-term relationships with many of our suppliers and customers, and we expect that we will continue to benefit from these relationships.

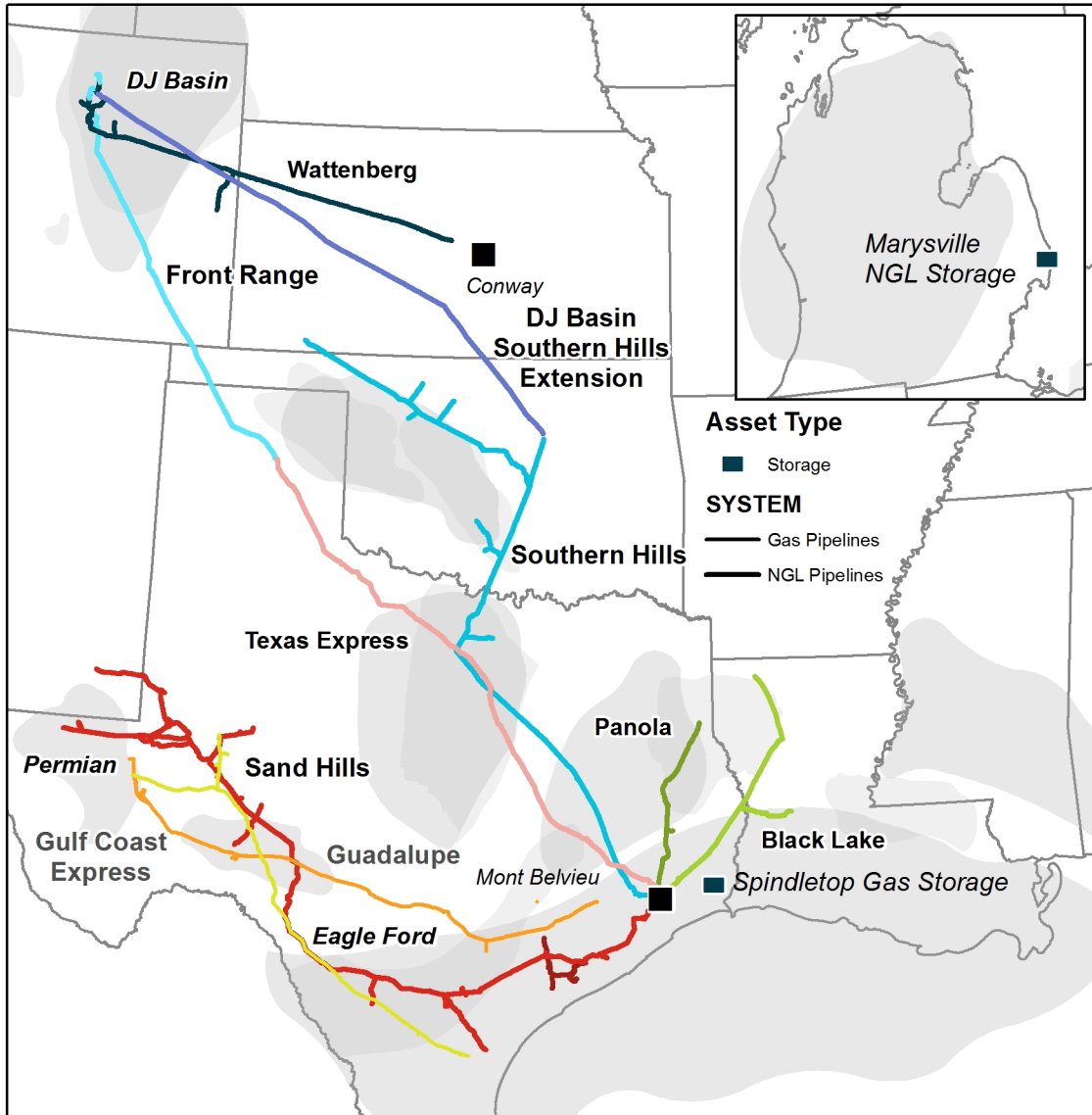
Experienced Management Team. Our senior management team and the board of directors of our General Partner have extensive experience in the midstream industry. We believe our management team has a proven track record of enhancing value through organic growth and the acquisition, optimization and integration of midstream assets.

Affiliation with DCP Midstream, LLC and its owners Our relationship with DCP Midstream, LLC and its owners, Phillips 66 and Enbridge, should continue to provide us with significant business opportunities. Through our relationship with DCP Midstream, LLC and its owners, we believe our strong commercial relationships throughout the energy industry, including with major producers of natural gas and NGLs in the United States, will help facilitate the implementation of our strategies.

DCP Midstream, LLC has a significant interest in us through its ownership, together with our general partner, of an approximately 57% limited partner interest.

OUR OPERATING SEGMENTS

Logistics and Marketing Segment



General

We market our NGLs, residue gas and condensate and provide logistics and marketing services to third-party NGL producers and sales customers in significant NGL production and market centers in the United States. This includes purchasing NGLs on behalf of third-party NGL producers for shipment on our NGL pipelines and resale in key markets.

Our NGL services include plant tailgate purchases, transportation, fractionation, flexible pricing options and price risk management. Our primary NGL operations are located in close proximity to our Gathering and Processing assets in each of the operating regions.

Our NGL pipelines transport NGLs from natural gas processing plants to fractionation facilities, a petrochemical plant and a third party underground NGL storage facility. Our pipelines provide transportation services to customers primarily on a fee basis. Therefore, the results of operations for this business are generally dependent upon the volume of product transported and the level of fees charged to customers. The volumes of NGLs transported on our pipelines are dependent on the level of production of NGLs from processing plants connected to our NGL pipelines. When natural gas prices are high relative to NGL prices, it is less profitable to recover NGLs from natural gas because of the higher value of natural gas compared to the value of NGLs. As a result, we have experienced periods, and will likely experience periods in the future, when higher relative natural gas prices reduce the volume of NGLs produced at plants connected to our NGL pipelines.

Our natural gas systems have the ability to deliver gas into numerous downstream transportation pipelines and markets. We sell residue gas on behalf of our producer customers and residue gas which we earn under our gas supply agreements, supplying the residue gas demands of end-use customers physically attached to our pipeline systems and managing excess capacity of our owned storage and transportation assets. End-users include large industrial companies, natural gas distribution companies and electric utilities. We are focused on extracting the highest possible value for the residue gas that results from our processing and transportation operations. We sell the residue gas at market-based prices.

The following is operating data for our Logistics and Marketing segment:

Operating Data							
System	Approximate System Length (Miles)	Fractionators	Approximate NGL Throughput Capacity (MBbls/d) (a)	Approximate Gas Throughput Capacity (Bcf/d) (a)	Year Ended December 31, 2019		
					Pipeline Throughput (MBbls/d) (a)	Pipeline Throughput (TBtu/d) (a) (b)	Fractionator Throughput (MBbls/d) (a)
Sand Hills pipeline	1,400	—	333	—	323	—	—
Southern Hills pipeline	950	—	128	—	95	—	—
Front Range pipeline	450	—	50	—	49	—	—
Texas Express pipeline	600	—	28	—	19	—	—
Other NGL pipelines	1,150	—	321	—	140	—	—
Gulf Coast Express pipeline	500	—	—	0.5	—	0.2	—
Guadalupe pipeline	600	—	—	0.2	—	0.2	—
Mont Belvieu fractionators	—	2	—	—	—	—	60
Total	5,650	2	860	0.7	626	0.4	60

(a) Represents total capacity or throughput allocated to our proportionate ownership share.

(b) Represents average throughput for full year 2019. Gulf Coast Express pipeline was placed in service September 2019 and had an average throughput of .5 TBtu/d for the fourth quarter of 2019.

NGL Pipelines

DCP Sand Hills Pipeline, LLC, or the Sand Hills pipeline, an interstate NGL pipeline which is owned 66.67% by us and 33.33% by Phillips 66, is a common carrier pipeline that provides takeaway service from plants in the Permian and the Eagle Ford basins to fractionation facilities along the Texas Gulf Coast and at the Mont Belvieu, Texas market hub. We completed the expansion of the Sand Hills pipeline to 500 MBbls/d during the first quarter of 2019.

DCP Southern Hills Pipeline, LLC, or the Southern Hills pipeline, an interstate NGL pipeline which is owned 66.67% by us and 33.33% by Phillips 66, provides takeaway service from the Midcontinent to fractionation facilities at the Mont Belvieu, Texas market hub. During the fourth quarter of 2019, we completed an extension into the DJ Basin via the White Cliffs pipeline conversion.

Front Range Pipeline LLC, or the Front Range pipeline, an interstate NGL pipeline in which we own a 33.33% interest, originates in the DJ Basin and extends to Skellytown, Texas. The Front Range pipeline connects to our O'Connor plants,

Lucerne 1, Lucerne 2, and Mewbourn plants, as well as third party plants in the DJ Basin. Enterprise Products Partners L.P., or Enterprise, is the operator of the pipeline.

Texas Express Pipeline LLC, or the Texas Express pipeline, an intrastate NGL pipeline in which we own a 10% interest, originates near Skellytown in Carson County, Texas, and extends to Enterprise's natural gas liquids fractionation and storage complex at Mont Belvieu, Texas. The pipeline also provides access to other third party facilities in the area. Enterprise is the operator of the pipeline.

The Southern Hills, Sand Hills, Texas Express, and Front Range pipelines have in place long-term, fee-based transportation agreements, a portion of which are ship-or-pay, with us as well as third party shippers. These NGL pipelines collect fee-based transportation revenue under regulated tariffs.

Gas Pipelines

Gulf Coast Express LLC, or the Gulf Coast Express pipeline, an intrastate natural gas pipeline in which we own a 25% interest, originates from the Waha area in West Texas to Agua Dulce, in Nueces County, Texas. Kinder Morgan is the operator of the pipeline. The Gulf Coast Express pipeline is fully subscribed under long-term transportation contracts with us and third party shippers and was placed into service in September 2019.

The Guadalupe pipeline is an intrastate natural gas pipeline that provides us access to market centers/hubs including Waha, Texas; Katy, Texas and the Houston Ship Channel and is used primarily in our natural gas asset based trading activities. We may transport volumes for third party shippers using our available capacity in the future.

NGL Fractionation Facilities

We own a 12.5% interest in the Enterprise fractionator operated by Enterprise and a 20% interest in the Mont Belvieu 1 fractionator operated by ONEOK Partners, both located in Mont Belvieu, Texas. The fractionation facilities separate NGLs received from processing plants into their individual components. These fractionation services are provided on a fee basis. The results of operations for this business are generally dependent upon the volume of NGLs fractionated and the level of fees charged to customers.

Storage Facilities

Our Marysville NGL storage facility, which stores ethane, propane and butane, is located in Michigan and has strategic access to Marcellus, Utica and Canadian NGLs. Our facility includes 11 underground salt caverns with approximately 8 MMBbls of storage capacity. Our facility serves regional refining and petrochemical demand, and helps to balance the seasonality of propane distribution in the Midwestern and Northeastern United States and in Sarnia, Canada. We provide services to customers primarily on a fee basis under multi-year storage agreements. The results of operations for this business are generally dependent upon the volume stored and the level of fees charged to customers.

Our Spindletop natural gas storage facility is located in Texas and plays an important role in our ability to act as a full-service natural gas marketer. The facility has capacity for residue gas of approximately 12 Bcf. We may lease a portion of the facility's capacity to third-party customers, and use the balance to manage relatively constant natural gas supply volumes with uneven demand levels, provide "backup" service to our customers and support our asset based trading activities. Our asset based trading activities are designed to realize margins related to fluctuations in commodity prices, time spreads and basis differentials and to maximize the value of our storage facility.

Trading and Marketing

Our energy trading operations are exposed to market variables and commodity price risk. We manage commodity price risk related to our natural gas storage and pipeline assets by engaging in natural gas asset based trading and marketing. We may enter into physical contracts and financial instruments with the objective of realizing a positive margin from the purchase and sale of commodity-based instruments.

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. Our 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.

We may execute a time spread transaction when the difference between the current price of natural gas (cash or futures) and the futures market price for natural gas exceeds our cost of storing physical gas in our owned and/or leased storage facilities. The time spread transaction allows us to lock in a margin when this market condition exists. A time spread transaction is executed by establishing a long gas position at one point in time and establishing an equal short gas position at a different point in time.

We may execute basis spread transactions when the market price differential between locations on a pipeline asset exceeds our cost of transporting physical gas through our owned and/or leased pipeline assets. When this market condition exists, we may execute derivative instruments around this differential at the market price. The basis spread transaction allows us to lock in a margin on our physical purchases and sales of gas.

Customers and Contracts

We sell our commodities to a variety of customers ranging from large, multi-national petrochemical and refining companies to small regional retail propane distributors. Substantially all of our NGL sales are made at market-based prices.

Competition

The Logistics and Marketing business is highly competitive in our markets and includes interstate and intrastate pipelines, integrated oil and gas companies that produce, fractionate, transport, store and sell natural gas and NGLs, and underground storage facilities. Competition is often the greatest in geographic areas experiencing robust drilling by producers and strong petrochemical demand and during periods of high NGL prices relative to natural gas. Competition is also increased in those geographic areas where our contracts with our customers are shorter term and therefore must be renegotiated on a more frequent basis.

Competition in the NGLs marketing area comes from other midstream NGL marketing companies, international producers/traders, chemical companies, refineries and other asset owners. Along with numerous marketing competitors, we offer price risk management and other services. We believe it is important that we tailor our services to the end-use customer to remain competitive.

Gathering and Processing Segment

General

Our Gathering and Processing segment consists of a geographically diverse complement of assets and ownership interests that provide a varied array of wellhead to market services for our producer customers in Alabama, Colorado, Kansas, Louisiana, Michigan, New Mexico, Oklahoma, Texas and Wyoming. These services include gathering, compressing, treating, and processing natural gas, producing and fractionating NGLs, and recovering condensate. Our Gathering and Processing segment's operations are organized into four regions: North, Permian, Midcontinent and South. Our geographic diversity helps to mitigate our natural gas supply risk in that we are not tied to one natural gas resource type or producing area. We believe our current geographic mix of assets is an important factor for maintaining and growing overall volumes and cash flow for this segment. Our assets are positioned in certain areas with active drilling programs and opportunities for organic growth.

We provide our producer customers with gathering and processing services that allow them to move their raw (unprocessed) natural gas to market. Raw natural gas is gathered, compressed and transported through pipelines to our processing facilities. In order for the raw natural gas to be accepted by the downstream market, we remove water, nitrogen and carbon dioxide and separate NGLs for further processing. Processed natural gas, usually referred to as residue natural gas, is then recompressed and delivered to natural gas pipelines and end users. The separated NGLs are in a mixed, unfractionated form and are sold and delivered through natural gas liquids pipelines to fractionation facilities for further separation.

We own or operate 44 active natural gas processing plants and have an interest in one additional plant through our 40% equity interest in Discovery Producer Services, LLC, or Discovery. At some of these facilities, we fractionate NGLs into individual components (ethane, propane, butane and natural gasoline).

We receive natural gas from a diverse group of producers under contracts with varying durations, and we receive fees or commodities from the producers to transport the natural gas from the wellhead to the processing plant. We receive fees or commodities as payment for our natural gas processing services, depending on the types of contracts we enter into with each supplier. We purchase or take custody of substantially all of our natural gas from producers, principally under fee-based or percent-of-proceeds/index processing contracts.

We actively seek new producing customers of natural gas on all of our systems to increase throughput volume and to offset natural declines in the production from connected wells. We obtain new natural gas supplies in our operating areas by contracting for production from new wells, by connecting new wells drilled on dedicated acreage and by obtaining natural gas that has been directly received or released from other gathering systems.

Our contracts with our producing customers in our Gathering and Processing segment are a mix of non-commodity sensitive fee-based contracts and commodity sensitive percent-of-proceeds and percent-of-liquids contracts. Percent-of-proceeds contracts are directly related to the price of natural gas, NGLs and condensate and percent-of-liquids contracts are directly related to the price of NGLs and condensate. Additionally, these contracts may include fee-based components. Generally, the initial term of these purchase agreements is three to five years and in some cases, the life of the lease. As we negotiate new agreements and renegotiate existing agreements, this may result in a change in contract mix period over period.

We enter into derivative financial instruments to mitigate a portion of the risk of weakening natural gas, NGL and condensate prices associated with our gathering, processing and sales activities, thereby stabilizing our cash flows. Our commodity derivative instruments used for our hedging program are a combination of direct NGL product, crude oil, and natural gas hedges.

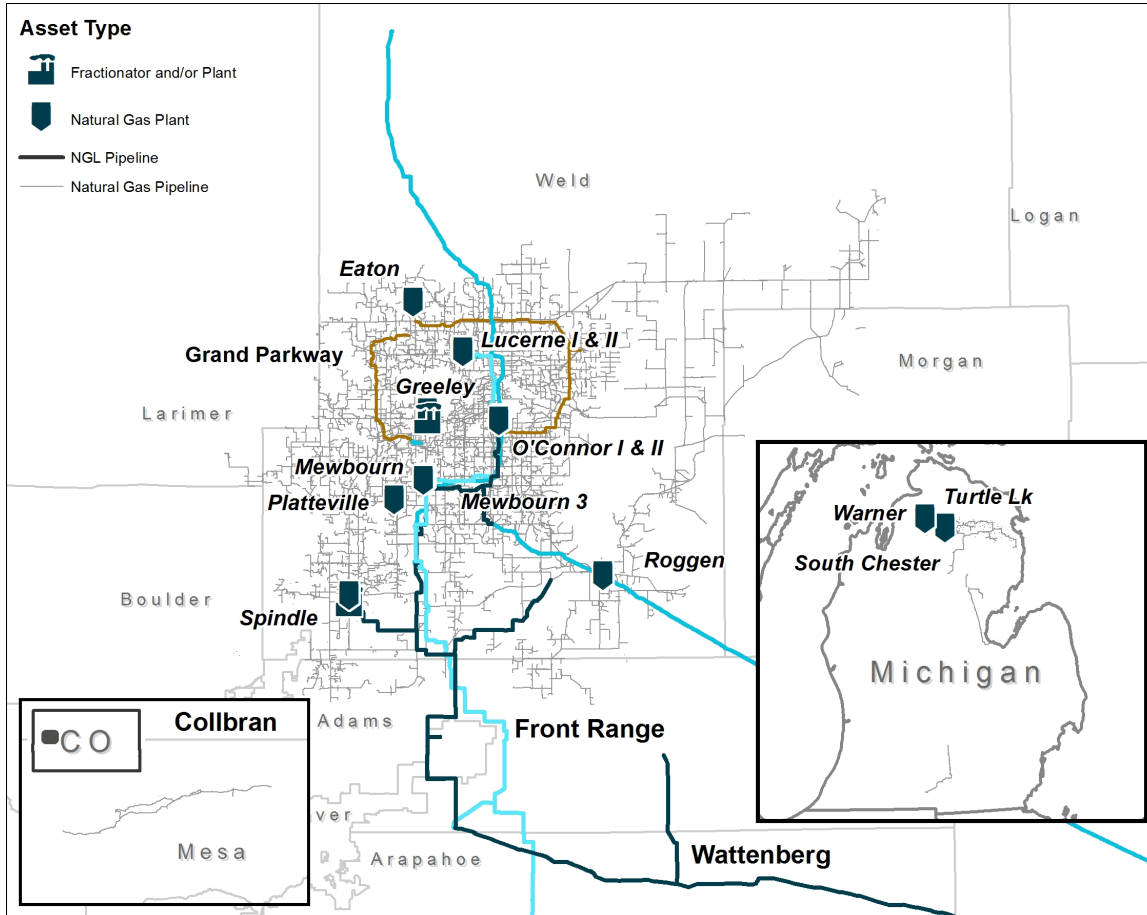
During 2019, total wellhead volume on our assets was approximately 4.9 Bcf/d, originating from a diversified mix of customers. Our systems each have significant customer acreage dedications that we expect will continue to provide opportunities for growth as those customers execute their drilling plans over time. Our gathering systems also attract new natural gas volumes through numerous smaller acreage dedications and by contracting with undedicated producers who are operating in or around our gathering footprint. During 2019, the combined NGL production from our processing facilities was approximately 417 MBbls/d and was delivered and sold into various NGL takeaway pipelines.

The following is operating data for our Gathering and Processing segment by region:

Operating Data					Year ended December 31, 2019	
Regions	Plants	Approximate Gathering and Transmission Systems (Miles)	Approximate Net Nameplate Plant Capacity (MMcf/d) (a)	Natural Gas Wellhead Volume (MMcf/d) (a)	NGL Production (MBbls/d) (a)	
North	13	4,000	1,580	1,452	106	
Permian	11	15,500	1,260	974	109	
Midcontinent	8	24,500	1,415	1,119	100	
South	12	7,000	2,235	1,396	102	
Total	44	51,000	6,490	4,941	417	

(a) Represents total capacity or total volumes allocated to our proportionate ownership share.

North Region

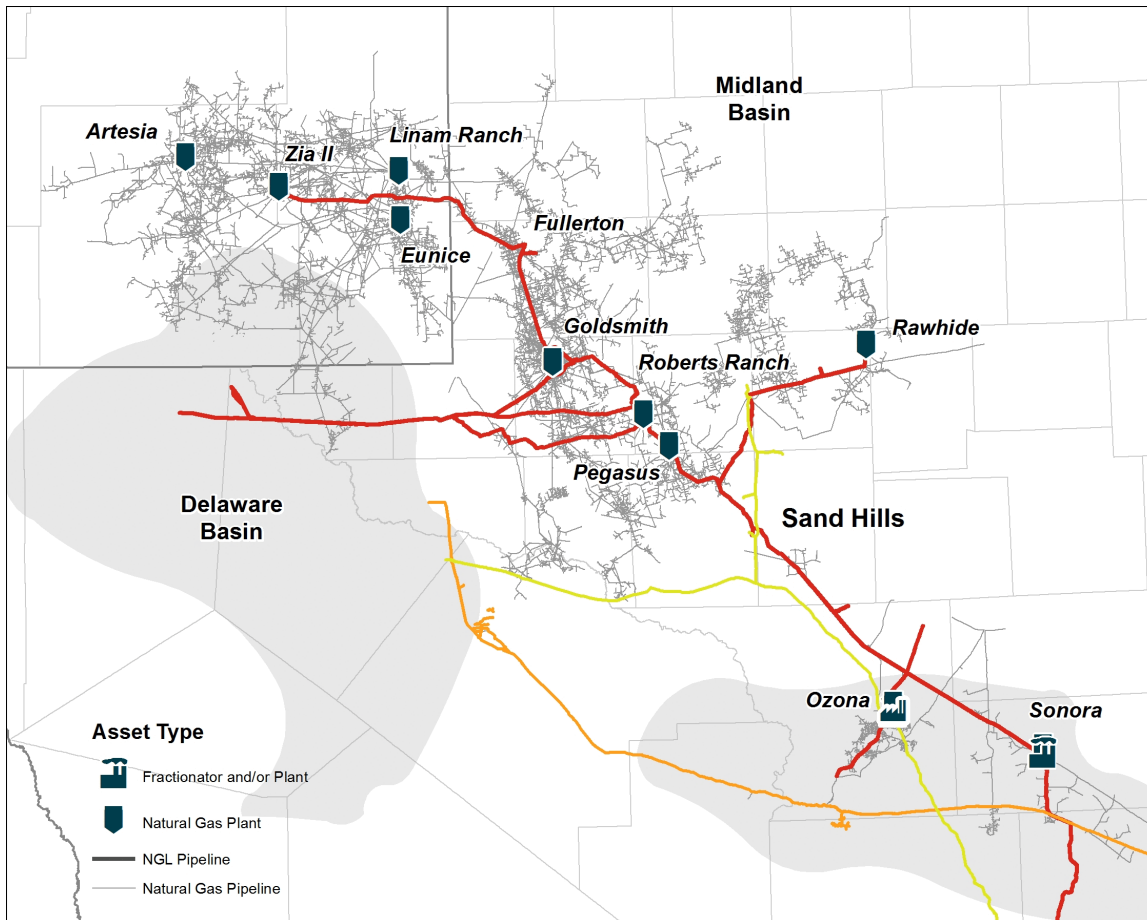


Our North region primarily consists of our DJ Basin system. We have a broad network of gathering, compression, treating, and processing facilities in Weld County, Colorado that provide significant optionality and flexibility.

During 2019, we added 300 MMcf/d of system capacity in the DJ Basin as the 200 MMcf/d O'Connor 2 processing plant was placed into service at the end of the third quarter of 2019 and the up to 100 MMcf/d O'Connor 2 bypass was placed into service during the fourth quarter of 2019. Additionally, we entered into a capital efficient offload agreement which will add up to 225 MMcf/d of committed, incremental DJ Basin processing capacity by mid-2020. O'Connor 2 does, and the incremental offload will, increase capacity to support the growing processing needs of producers in the DJ Basin.

Our DJ Basin system delivers to the Mont Belvieu hub in Mont Belvieu, Texas via the Southern Hills, Front Range and Texas Express pipelines, owned 66.67%, 33.33% and 10% by us, respectively, and to the Conway hub in Bushton, Kansas via our Wattenberg pipeline. We are adding additional NGL takeaway for our producer customers through the expansions of the Texas Express and Front Range pipelines. We are adding additional gas takeaway through our participation in the construction of Cheyenne Connector, LLC ("Cheyenne Connector"), which is owned 50% by us and 50% by Tallgrass Energy. The Cheyenne Connector pipeline is expected to be in service in the first half of 2020.

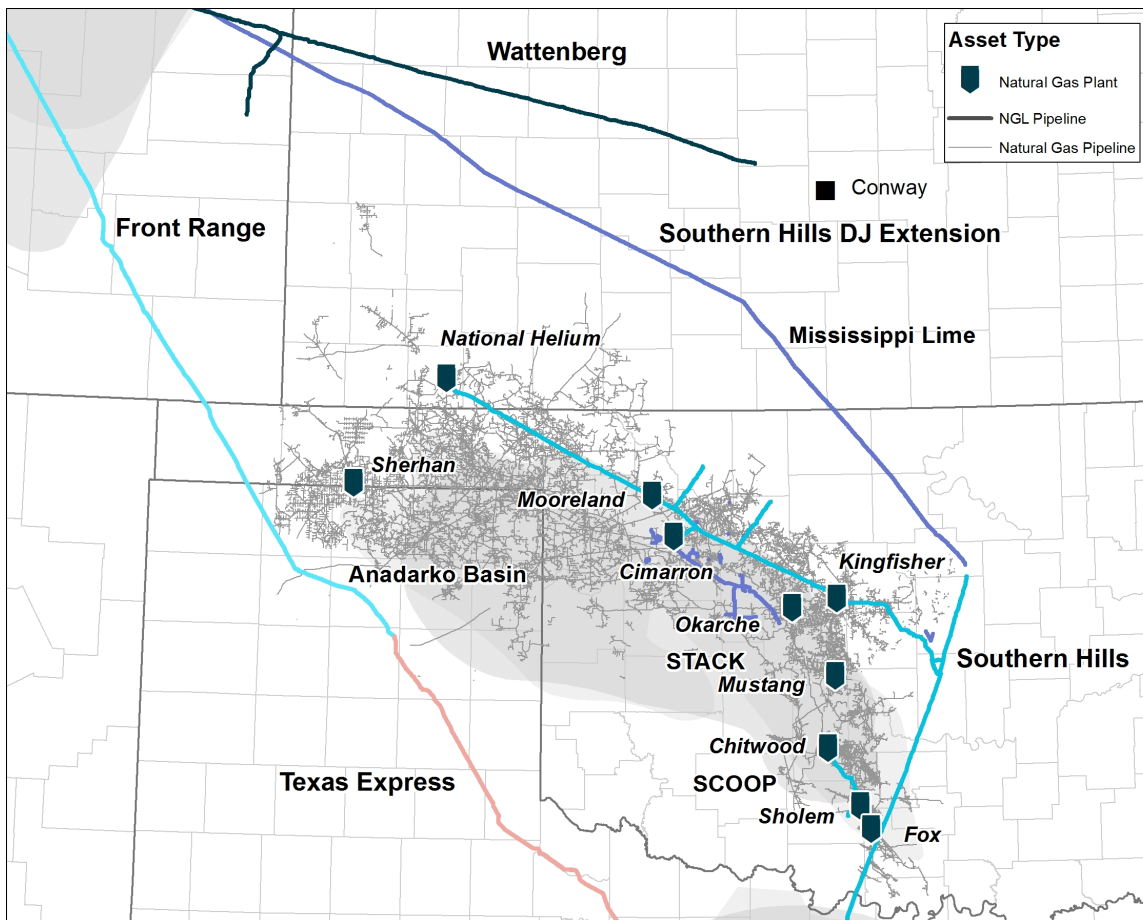
Permian Region



Our Permian region primarily includes our West Texas system in the Midland Basin and our Southeast New Mexico system in the Delaware Basin. Producers continue to focus drilling activity on the most attractive acreage in the Midland and Delaware Basins.

Our gathering and processing assets in the Permian region provide NGL takeaway service via our Sand Hills pipeline, to fractionation facilities along the Gulf Coast and to the Mont Belvieu hub. The Guadalupe pipeline provides gas takeaway from Waha to Katy, Texas. We added additional gas takeaway in the region through our ownership in the Gulf Coast Express pipeline, which is owned 25% by us, 34% by Kinder Morgan Texas Pipeline, Inc, 25% by Targa Resources Corp, and 16% by Altus Midstream, LP. The Gulf Coast Express pipeline was placed in service during the third quarter of 2019.

Midcontinent Region

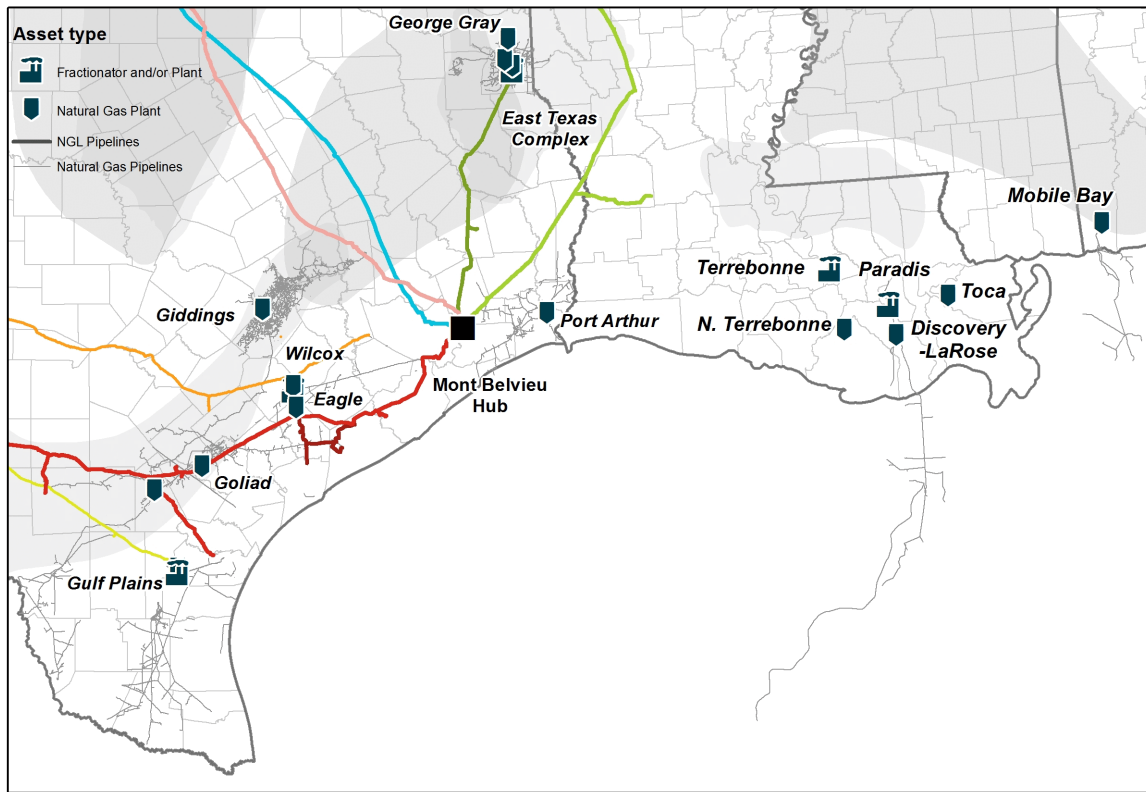


Our Midcontinent region primarily includes our Liberal system and South Central Oklahoma system. We gather and process raw natural gas primarily from the Ardmore and Anadarko Basins, including the South Central Oklahoma Oil Province (“SCOOP”) play and the Sooner Trend Anadarko Basin Canadian and Kingfisher (“STACK”) play.

Our gathering system footprint in the eastern Midcontinent region, which includes our South Central Oklahoma system, serves the SCOOP and STACK plays. Existing production in the western Midcontinent region, which includes our Liberal system in the Hugoton Basin, is typically from mature fields with shallow decline profiles that we expect will provide our plants with a dependable source of raw natural gas over a long term. We believe the infrastructure of our plants and gathering facilities is uniquely positioned to pursue our consolidation strategy in the western Midcontinent region.

Our gathering and processing assets in the Midcontinent region deliver NGLs primarily to the Gulf Coast and Mont Belvieu via our Southern Hills pipeline.

South Region



Our South region primarily includes our Eagle Ford system, East Texas system, and our 40% interest in the Discovery system. We are pursuing cost efficiencies and increasing the utilization of our existing assets.

Our Eagle Ford system delivers NGLs to the Gulf Coast petrochemical markets and to Mont Belvieu through our Sand Hills pipeline and other third party NGL pipelines. Our East Texas system provides NGL takeaway service through the Panola pipeline, owned 15% by us, and delivers gas primarily through its Carthage Hub which delivers residue gas to multiple interstate and intrastate pipelines.

The Discovery system is operated by Williams Partners L.P., which owns a 60% interest, and offers a full range of wellhead-to-market services to both onshore and offshore natural gas producers. The assets are primarily located in the eastern Gulf of Mexico and Louisiana, and have access to downstream pipelines and markets.

Competition

We face strong competition in acquiring raw natural gas supplies. Our competitors in obtaining additional gas supplies and in gathering and processing raw natural gas includes major integrated oil and gas companies, interstate and intrastate pipelines, and companies that gather, compress, treat, process, transport, store and/or market natural gas. Competition is often the greatest in geographic areas experiencing robust drilling by producers and during periods of high commodity prices for crude oil, natural gas and/or NGLs. Competition is also increased in those geographic areas where our commercial contracts with our customers are shorter term and therefore must be renegotiated on a more frequent basis.

We have no revenue attributable to international activities.

REGULATORY AND ENVIRONMENTAL MATTERS

Safety and Maintenance Regulation

We are subject to regulation by the United States Department of Transportation, or DOT, under the Hazardous Liquids Pipeline Safety Act of 1979, as amended, or HLPESA, and comparable state statutes with respect to design, installation, testing, construction, operation, replacement and management of pipeline facilities. HLPESA applies to interstate and intrastate pipeline facilities and the pipeline transportation of liquid petroleum and petroleum products, including NGLs and condensate, and requires any entity that owns or operates pipeline facilities to comply with such regulations, to permit access to and copying of records and to file certain reports and provide information as required by the United States Secretary of Transportation. These regulations include potential fines and penalties for violations. We believe that we are in compliance in all material respects with these HLPESA regulations.

We are also subject to the Natural Gas Pipeline Safety Act of 1968, as amended, or NGPSA, and the Pipeline Safety Improvement Act of 2002. The NGPSA regulates safety requirements in the design, construction, operation and maintenance of gas pipeline facilities while the Pipeline Safety Improvement Act establishes mandatory inspections for all United States oil and natural gas transportation pipelines in high-consequence areas within 10 years. DOT, through the Pipeline and Hazardous Materials Safety Administration (PHMSA), has developed regulations implementing the Pipeline Safety Improvement Act that requires pipeline operators to implement integrity management programs, including more frequent inspections and other safety protections in areas where the consequences of potential pipeline accidents pose the greatest risk to people and their property.

Pipeline safety legislation enacted in 2012, the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011, (the Pipeline Safety and Job Creations Act) reauthorized funding for federal pipeline safety programs through 2015, increases penalties for safety violations, establishes additional safety requirements for newly constructed pipelines, and requires studies of certain safety issues that could result in the adoption of new regulatory requirements for existing pipelines, including the expansion of integrity management, use of automatic and remote-controlled shut-off valves, leak detection systems, sufficiency of existing regulation of gathering pipelines, use of excess flow valves, verification of maximum allowable operating pressure, incident notification, and other pipeline-safety related requirements. New rules proposed by DOT's PHMSA address many areas of this legislation and PHMSA has indicated that it expects to publish these final rules this year. Extending the integrity management requirements to our gathering lines would impose additional obligations on us and could add material cost to our operations.

The Pipeline Safety and Job Creation Act requires more stringent oversight of pipelines and increased civil penalties for violations of pipeline safety rules. The legislation gives PHMSA civil penalty authority up to \$213,268 per day per violation, with a maximum of \$2,132,679 for any related series of violations. Any material penalties or fines under these or other statutes, rules, regulations or orders could have a material adverse impact on our business, financial condition, results of operation and cash flows.

We currently estimate we will incur approximately \$79 million between 2020 and 2024 to implement integrity management program testing along certain segments of our natural gas transmission and NGL pipelines. We believe that we are in compliance in all material respects with the NGPSA and the Pipeline Safety Improvement Act of 2002 and the Pipeline Safety and Job Creation Act.

States are largely preempted by federal law from regulating pipeline safety but may assume responsibility for enforcing intrastate pipeline regulations at least as stringent as the federal standards. In practice, states vary considerably in their authority and capacity to address pipeline safety. We do not anticipate any significant problems in complying with applicable state laws and regulations in those states in which we or the entities in which we own an interest operate. Our natural gas transmission and

regulated gathering pipelines have ongoing inspection and compliance programs designed to keep the facilities in compliance with pipeline safety and pollution control requirements.

In addition, we are subject to the requirements of the federal Occupational Safety and Health Act, or OSHA, and comparable state statutes, whose purpose is to protect the health and safety of workers, both generally and within the pipeline industry. In addition, the OSHA hazard communication standard, the Environmental Protection Agency, or EPA, community right-to-know regulations under Title III of the federal Superfund Amendment and Reauthorization Act and comparable state statutes require that information be maintained concerning hazardous materials used or produced in our operations and that this information be provided to employees, state and local government authorities and citizens. We and the entities in which we own an interest are also subject to OSHA Process Safety Management and EPA Risk Management Program regulations, which are designed to prevent or minimize the consequences of catastrophic releases of toxic, reactive, flammable or explosive chemicals. The OSHA regulations apply to any process that involves a chemical at or above specified thresholds, or any process that involves flammable liquid or gas, pressurized tanks, caverns and wells holding or handling these materials in quantities in excess of 10,000 pounds at various locations. Flammable liquids stored in atmospheric tanks at temperatures below the normal boiling point of the liquids without the benefit of chilling or refrigeration are exempt from these standards. The EPA regulations have similar applicability thresholds. We have an internal program of inspection designed to monitor and enforce compliance with worker safety requirements. We believe that we are in compliance in all material respects with all applicable laws and regulations relating to worker health and safety.

FERC and State Regulation of Operations

Federal Energy Regulatory Commission (“FERC”) regulation of interstate natural gas pipelines, the marketing and sale of natural gas in interstate commerce and the transportation of NGLs in interstate commerce may affect certain aspects of our business and the market for our products and services. Regulation of gathering systems and intrastate transportation of natural gas and NGLs by state agencies may also affect our business.

Interstate Natural Gas Pipeline Regulation

Our Cimarron River, Discovery, Cheyenne Connector, and Dauphin Island Gathering Partners systems, or portions thereof, are some of our natural gas pipeline assets that are subject to regulation by FERC, under the Natural Gas Act of 1938, as amended, or NGA. Natural gas companies subject to the NGA may only charge rates that have been determined to be just and reasonable. In addition, FERC authority over natural gas companies that provide natural gas pipeline transportation services in interstate commerce includes:

- certification and construction of new facilities;
- abandonment of services and facilities;
- maintenance of accounts and records;
- acquisition and disposition of facilities;
- initiation and discontinuation of transportation services;
- terms and conditions of transportation services and service contracts with customers;
- depreciation and amortization policies;
- conduct and relationship with certain affiliates; and
- various other matters.

Generally, the maximum filed recourse rates for an interstate natural gas pipeline's transportation services are based on the pipeline's cost of service including recovery of and a return on the pipeline's actual prudent investment cost. Key determinants in the ratemaking process are costs of providing service, allowed rate of return and volume throughput and contractual capacity commitment assumptions. The allocation of costs to various pipeline services and the manner in which rates are designed also can impact a pipeline's profitability. The maximum applicable recourse rates and terms and conditions for service are set forth in each pipeline's FERC-approved gas tariff. FERC-regulated natural gas pipelines are permitted to discount their firm and interruptible rates without further FERC authorization down to the minimum rate or variable cost of performing service, provided they do not “unduly discriminate.”

Tariff changes can only be implemented upon approval by FERC. Two primary methods are available for changing the rates, terms and conditions of service of an interstate natural gas pipeline. Under the first method, the pipeline voluntarily seeks a tariff change by making a tariff filing with FERC justifying the proposed tariff change and providing notice, generally 30 days, to the appropriate parties. If FERC determines, as required by the NGA, that a proposed change is just and reasonable, FERC will accept the proposed change and the pipeline will implement such change in its tariff. However, if FERC determines that a proposed change may not be just and reasonable as required by NGA, then FERC may suspend such change for up to five months beyond the date on which the change would otherwise go into effect and set the matter for an administrative hearing. Subsequent to any suspension period ordered by FERC, the proposed change may be placed into effect by the company, pending final FERC approval. In most cases, a proposed rate increase is placed into effect before a final FERC determination on such rate increase, and the proposed increase is collected subject to refund (plus interest). Under the second method, FERC may, on its own motion or based on a complaint, initiate a proceeding to compel the company to change or justify its rates, terms and/or conditions of service. If FERC determines that the existing rates, terms and/or conditions of service are unjust, unreasonable, unduly discriminatory or preferential, then any rate reduction or change that it orders generally will be effective prospectively from the date of the FERC order requiring this change.

The natural gas industry historically has been heavily regulated; therefore, there is no assurance that a more stringent regulatory approach will not be pursued by FERC and Congress, especially in light of potential market power abuse by marketing companies engaged in interstate commerce. In the Energy Policy Act of 2005, or EPACT 2005, Congress amended the NGA and Federal Power Act to add anti-fraud and anti-manipulation requirements. EPACT 2005 prohibits the use of any “manipulative or deceptive device or contrivance” in connection with the purchase or sale of natural gas, electric energy or transportation subject to FERC jurisdiction. FERC adopted market manipulation and market behavior rules to implement the authority granted under EPACT 2005. These rules, which prohibit fraud and manipulation in wholesale energy markets, are subject to broad interpretation. Given FERC’s broad mandate granted in EPACT 2005, if energy prices are high, or exhibit what FERC deems to be “unusual” trading patterns, FERC may investigate energy markets to determine if behavior unduly impacted or “manipulated” energy prices.

In addition, EPACT 2005 gave FERC increased penalty authority for violations of the NGA and FERC’s rules and regulations thereunder. FERC may issue civil penalties of up to \$1 million per day per violation, and violators may be subject to criminal penalties of up to \$1 million per violation and five years in prison. FERC may also order disgorgement of profits obtained in violation of FERC rules. FERC relies on its enforcement authority in issuing a number of natural gas enforcement actions. Failure to comply with the NGA and FERC’s rules and regulations thereunder could result in the imposition of civil penalties and disgorgement of profits.

Intrastate Natural Gas Pipeline Regulation

Intrastate natural gas pipeline operations are not generally subject to rate regulation by FERC, but they are subject to regulation by various agencies in the respective states where they are located. While the regulatory regime varies from state to state, state agencies typically require intrastate gas pipelines to provide service that is not unduly discriminatory and to file and/or seek approval of their rates with the agencies and permit shippers to challenge existing rates or proposed rate increases. For example, our Guadalupe system and Gulf Coast Express pipeline are intrastate pipelines regulated as a gas utility by the Railroad Commission of Texas. To the extent that an intrastate pipeline system transports natural gas in interstate commerce, the rates and terms and conditions of such interstate transportation service are subject to FERC rules and regulations under Section 311 of the Natural Gas Policy Act, or NGPA. Certain of our systems are subject to FERC jurisdiction under Section 311 of the NGPA for their interstate transportation services. Section 311 regulates, among other things, the provision of transportation services by an intrastate natural gas pipeline on behalf of a local distribution company or an interstate natural gas pipeline. Under Section 311, rates charged for transportation must be fair and equitable, and amounts collected in excess of fair and equitable rates are subject to refund with interest. Rates for service pursuant to Section 311 of the NGPA are generally subject to review and approval by FERC at least once every five years. Additionally, the terms and conditions of service set forth in the intrastate pipeline’s Statement of Operating Conditions are subject to FERC approval. Non-compliance with FERC’s rules and regulations established under Section 311 of the NGPA, including failure to observe the service limitations applicable to transportation services provided under Section 311, failure to comply with the rates approved by FERC for Section 311 service, and failure to comply with the terms and conditions of service established in the pipeline’s FERC-approved Statement of Operating Conditions could result in the imposition of civil and criminal penalties. Among other matters, EPACT 2005 also amended the NGPA to give FERC authority to impose civil penalties for violations of the NGPA up to \$1 million for any one violation and violators may be subject to criminal penalties of up to \$1 million per violation and five years in prison.

Gathering Pipeline Regulation

Section 1(b) of the NGA exempts natural gas gathering facilities from the jurisdiction of FERC under the NGA. We believe that our natural gas gathering facilities meet the traditional tests FERC has used to establish a pipeline's status as a gatherer not subject to FERC jurisdiction. However, the distinction between FERC-regulated transmission services and federally unregulated gathering services continues to be a current issue in various FERC proceedings with respect to facilities that interconnect gathering and processing plants with nearby interstate pipelines, so the classification and regulation of our gathering facilities may be subject to change based on future determinations by FERC and the courts. State regulation of gathering facilities generally includes various safety, environmental, and, in many circumstances, nondiscriminatory take requirements and complaint-based rate regulation.

Our purchasing, gathering and intrastate transportation operations are subject to ratable take and common purchaser statutes in the states in which they operate. The ratable take statutes generally require gatherers to take, without undue discrimination, natural gas production that may be tendered to the gatherer for handling. Similarly, common purchaser statutes generally require gatherers to purchase without undue discrimination as to source of supply or producer. These statutes are designed to prohibit discrimination in favor of one producer over another producer or one source of supply over another source of supply. These statutes have the effect of restricting our right as an owner of gathering facilities to decide with whom we contract to purchase or transport natural gas.

Natural gas gathering may receive greater regulatory scrutiny at both the state and federal levels where FERC has recognized a jurisdictional exemption for the gathering activities of interstate pipeline transmission companies and a number of such companies have transferred gathering facilities to unregulated affiliates. Many of the producing states have adopted some form of complaint-based regulation that generally allows natural gas producers and shippers to file complaints with state regulators in an effort to resolve grievances relating to natural gas gathering access and rate discrimination. Our gathering operations could be adversely affected should they be subject in the future to the application of state or federal regulation of rates and services. Additional rules and legislation pertaining to these matters are considered or adopted from time to time. We cannot predict what effect, if any, such changes might have on our operations, but the industry could be required to incur additional capital expenditures and increased costs depending on future legislative and regulatory changes.

Sales of Natural Gas

The price at which we buy and sell natural gas currently is not subject to federal regulation and, for the most part, is not subject to state regulation. However, with regard to our interstate purchases and sales of natural gas, and any related hedging activities that we undertake, we are required to observe anti-market manipulation laws and related regulations enforced by FERC and/or the Commodity Futures Trading Commission, or CFTC. Should we violate the anti-market manipulation laws and regulations, in addition to civil and criminal penalties, we could be subject to related third party damage claims by, among others, market participants, sellers, royalty owners and taxing authorities.

Our sales of natural gas are affected by the availability, terms and cost of pipeline transportation. As noted above, the price and terms of access to pipeline transportation are subject to extensive federal and state regulation. FERC is continually proposing and implementing new rules and regulations affecting those segments of the natural gas industry, most notably interstate natural gas transmission companies that remain subject to FERC jurisdiction. These initiatives also may affect the intrastate transportation of natural gas under certain circumstances. The stated purpose of many of these regulatory changes is to promote competition among the various sectors of the natural gas industry. We cannot predict the ultimate impact of these regulatory changes to our natural gas marketing operations.

Interstate NGL Pipeline Regulation

Certain of our pipelines, including Sand Hills and Southern Hills, are common carriers that provide interstate NGL transportation services subject to FERC regulation. FERC regulates interstate common carriers under its Oil Pipeline Regulations, the Interstate Commerce Act of 1887, as amended, or ICA, and the Elkins Act of 1903, as amended. FERC requires that common carriers file tariffs containing all the rates, charges and other terms for services provided by such pipelines. The ICA requires that tariffs apply to the interstate movement of NGLs, as is the case with the Sand Hills, Southern Hills, Black Lake, Wattenberg and Front Range pipelines. Pursuant to the ICA, rates must be just, reasonable, and nondiscriminatory, and can be challenged at FERC either by protest when they are initially filed or increased or by complaint at any time they remain on file with FERC.

In October 1992, Congress passed EPACT, which among other things, required FERC to issue rules establishing a

simplified and generally applicable ratemaking methodology for pipelines regulated by FERC pursuant to the ICA. FERC responded to this mandate by issuing several orders, including Order No. 561 that enables common carrier pipelines to charge rates up to their ceiling levels, which are adjusted annually based on an inflation index. Specifically, the indexing methodology requires a pipeline to adjust the ceiling level for its rates annually by the inflation index established by the FERC. FERC reviews the indexing methodology every five years, and in 2015, the indexing methodology for the five years beginning July 1, 2016 was changed to be the Producer Price Index for Finished Goods plus 1.23%. FERC will be reviewing its indexing methodology in 2020 for the five years beginning July 1, 2021. Rate increases made pursuant to the indexing methodology are subject to protest, but such protests must show that the portion of the rate increase resulting from application of the index is substantially in excess of the pipeline's increase in costs from the previous year. If the indexing methodology results in a reduced ceiling level that is lower than a pipeline's filed rate, the pipeline is required to reduce its rate to comply with the lower ceiling unless doing so would reduce a rate "grandfathered" under EPACT below the grandfathered level. A pipeline must, as a general rule, utilize the indexing methodology to change its rates. FERC, however, retained cost-of-service ratemaking, market-based rates, and settlement as alternatives to the indexing approach, which alternatives may be used in certain specified circumstances. The ceiling levels calculated for our interstate NGL pipelines are typically increased each year pursuant to the indexing methodology, but may be subject to decrease, which occurred in 2016 and resulted in the decrease in the tariff rates for many such pipelines.

On October 20, 2016, FERC issued an Advance Notice of Proposed Rulemaking, which presented significant changes to the indexing mechanism and reporting requirements of common carriers subject to FERC's jurisdiction under the ICA. The proposed changes to the indexing methodology, would prohibit an increase in a common carrier's ceiling level and rates if a complaint was filed and the return as reported by the common carrier in two previous annual reports exceeded a predetermined threshold. Additionally, the FERC proposed multiple changes to its annual reporting requirements. We cannot predict the outcome of the proceeding, but the proposal, if implemented, could adversely impact future rate increases of our common carriers and place additional administration and reporting burdens on our business.

Intrastate NGL Pipeline Regulation

NGL and other common carrier petroleum pipelines that provide intrastate transportation services are subject to regulation by various agencies in the respective states where they are located. While the regulatory regime varies from state to state, state agencies typically require intrastate petroleum pipelines to file tariffs and their rates with the agencies and permit shippers to challenge existing rates or proposed rate increases. For example, certain of our pipelines have tariffs filed with the Railroad Commission of Texas for their intrastate NGL transportation services.

Environmental Matters

General

Our operation of pipelines, plants and other facilities for gathering, compressing, treating, processing, transporting, fractionating, storing or selling natural gas, NGLs and other products is subject to stringent and complex federal, state and local laws and regulations governing the emission or discharge of materials into the environment or otherwise relating to the protection of the environment.

As an owner or operator of these facilities, we must comply with these laws and regulations at the federal, state and local levels. These laws and regulations can restrict or impact our business activities in many ways, such as:

- requiring the acquisition of permits or authorizations to conduct regulated activities and imposing obligations in those permits, potentially including capital expenditures or operational requirements, that reduce or limit impacts to the environment;
- restricting the ways that we can handle or dispose of our wastes;
- limiting or prohibiting construction or operational activities in sensitive areas such as wetlands, coastal regions or areas inhabited by threatened and endangered species;
- requiring remedial action to mitigate pollution conditions caused by our operations or attributable to former operations; and
- enjoining, or compelling changes to, the operations of facilities deemed not to be in compliance with environmental regulations or with permits issued pursuant to such environmental laws and regulations.

Failure to comply with these laws and regulations may trigger a variety of administrative, civil, or potentially criminal enforcement measures, including the assessment of monetary penalties, the imposition of remedial requirements, potential

citizen lawsuits, and the issuance of orders enjoining or affecting current or future operations. Certain environmental statutes impose strict liability or joint and several liability for costs required to clean up and restore sites where hazardous substances, or in some cases hydrocarbons, have been disposed or otherwise released. Moreover, it is not uncommon for neighboring landowners and other third parties to file claims for property damage or personal injury allegedly caused by the release of substances or other waste products into the environment.

The overall trend in federal and state environmental programs is to expand regulatory requirements, placing more restrictions and limitations on activities that may affect the environment. Thus, there can be no assurance as to the amount or timing of future expenditures for environmental compliance or remediation, and actual future expenditures may be different from the amounts we currently anticipate. We try to anticipate future regulatory requirements that might be imposed and plan accordingly to remain in compliance with changing environmental laws and regulations, participate as applicable in the public process to ensure such new requirements are well founded and reasonable or to revise them if they are not, and to manage the costs of such compliance. We also actively participate in industry groups that help formulate recommendations for addressing existing or future regulations.

We do not believe that compliance with federal, state or local environmental laws and regulations will have a material adverse effect on our business, financial position or results of operations. Below is a discussion of the more significant environmental laws and regulations that relate to our business.

Impact of Air Quality Standards and Climate Change

A number of states have adopted or considered programs to reduce “greenhouse gases,” or GHGs, which can include methane, and, depending on the particular program or jurisdiction, we could be required to purchase and surrender allowances, either for GHG emissions resulting from our operations (e.g., compressor units) or from downstream combustion of fuels (e.g., oil or natural gas) that we process, or we may otherwise be required by regulation to take steps to reduce emissions of GHGs. Also, the EPA has declared that GHGs “endanger” public health and welfare, and is regulating GHG emissions from mobile sources such as cars and trucks. The EPA’s 2010 action on the GHG vehicle emission rule triggered regulation of carbon dioxide and other GHG emissions from stationary sources under certain Clean Air Act programs at both the federal and state levels, including the Prevention of Significant Deterioration (“PSD”) program and Title V permitting. In 2016 EPA proposed a rule to revise the PSD and Title V permitting regulations applicable to GHGs in response to a 2014 U.S. Supreme Court decision and subsequent D.C. Circuit decision striking down its 2011 rules. The proposed revisions required that major sources of non-GHG air pollutants, such as volatile organic compounds or nitrogen oxides, which also emit 100,000 tons per year or more of CO₂ equivalent (or modifications of these sources that result in an increase of emissions of 75,000 tons per year or more of CO₂ equivalent), obtain permits addressing emissions of greenhouse gases. The EPA has not acted to finalize this proposed rule. The EPA also has published various rules relating to the mandatory reporting of GHG emissions, including mandatory reporting requirements of GHGs from petroleum and natural gas systems. In October 2015, the EPA amended and expanded greenhouse gas reporting requirements to all segments of the oil and gas sector starting with the 2016 reporting year. In June 2016, the EPA published final new source performance standards (“NSPS”) for methane (a greenhouse gas) from new and modified oil and gas sector sources. These regulations expand upon the 2012 EPA rulemaking for oil and gas equipment-specific emissions controls, for example, regulating well head production emissions with leak detection and repair requirements, pneumatic controllers and pumps requirements, compressor requirements, and instituting leak detection and repair requirements for natural gas compressor and booster stations for the first time. In June 2017, EPA published a proposed rule to stay certain requirements of the 2016 NSPS rule for two years while it completes reconsideration of certain aspects of the rule and reviews the entire rule, and in October 2018 EPA published proposed revisions to the NSPS regulation for methane. In August 2019, EPA proposed amendments to the 2012 and 2016 NSPS for the oil and gas industry by removing transmission and storage infrastructure from regulation of methane emissions and other VOCs and rescinding methane requirements for oil and gas production and processing equipment. EPA also proposed, as an alternative, to rescind the methane requirements for oil and gas sources altogether. EPA has not yet issued the final rule, but once it has, judicial challenges are expected. In October 2015, the EPA finalized a reduction of the ambient ozone standard from 75 parts per billion to 70 parts per billion under the Clean Air Act, and in December 2018 EPA published a final rule “Implementation of the 2015 National Ambient Air Quality Standards for Ozone: Nonattainment Area State Implementation Plan Requirements.” The 2015 Ozone standard was challenged in the U.S. Circuit Court of Appeals for the District of Columbia. In August 2019, the court upheld the health-based ozone standards but remanded back to the EPA other aspects of the rule. The 2015 Ozone standard is being implemented pursuant to the December 2018 final implementation rule. The EPA in October 2016 issued Control Techniques Guidelines for emissions of volatile organic compounds from oil and gas sector sources that were to be implemented or utilized by states in ozone nonattainment areas, with an expected co-benefit of reduced methane emissions, and in March 2018 EPA published a proposal to withdraw the Control Techniques Guidelines. The Clean Air Act imposes substantial potential civil and criminal penalties for non-compliance. State laws for the control of air pollution also provide varying administrative, civil and potentially criminal penalties and liabilities. The permitting, regulatory compliance and

reporting programs, taken as a whole, increase the costs and complexity of oil and gas operations with potential to adversely affect the cost of doing business for our customers resulting in reduced demand for our gas processing and transportation services, and which may also require us to incur certain capital and operating expenditures in the future to meet regulatory requirements or for air pollution control equipment, for example, in connection with obtaining and maintaining operating permits and approvals for air emissions associated with our facilities and operations.

Hazardous Substances and Waste

Our operations are subject to environmental laws and regulations relating to the management and release of hazardous substances, or solid or hazardous wastes, or petroleum hydrocarbons. These laws generally regulate the generation, storage, treatment, transportation and disposal of solid and hazardous waste, and may impose strict liability or joint and several liability for the investigation and remediation of areas at a facility where hazardous substances, or in some cases hydrocarbons, may have been released or disposed. For instance, the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, or CERCLA, also known as the Superfund law, and comparable state laws impose liability, without regard to fault or the legality of the original conduct, on certain classes of persons that contributed to the release of a hazardous substance into the environment. These persons include current and prior owners or operators of the site where the release occurred and companies that disposed or arranged for the disposal of the hazardous substances found at the site. Under CERCLA, these persons may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies. CERCLA also authorizes the EPA and, in some instances, third parties to act in response to threats to public health or the environment and to seek to recover from the responsible parties the costs that the agency incurs. Despite the “petroleum exclusion” of CERCLA Section 101(14), which encompasses natural gas, we may nonetheless handle hazardous substances within the meaning of CERCLA, or similar state statutes, in the course of our ordinary operations and, as a result, may be jointly and severally liable under CERCLA for all or part of the costs required to clean up sites at which these hazardous substances have been released into the environment.

We also generate solid wastes, including hazardous wastes that are subject to the requirements of the Resource Conservation and Recovery Act, as amended, or RCRA, and comparable state statutes. While RCRA regulates both solid and hazardous wastes, it imposes strict requirements on the generation, storage, treatment, transportation and disposal of hazardous wastes. Certain petroleum and natural gas production wastes are excluded from RCRA’s hazardous waste regulations. However, it is possible that these wastes, which could include wastes currently generated during our operations, may in the future be designated by the EPA as hazardous wastes and therefore be subject to more rigorous and costly disposal requirements. Any such changes in the laws and regulations could have a material adverse effect on our sustaining capital expenditures and operating expenses.

We currently own or lease properties where petroleum hydrocarbons are being or have been handled for many years. Although we have utilized operating and disposal practices that were standard in the industry at the time, petroleum hydrocarbons or other wastes may have been disposed of or released on or under the properties owned or leased by us, or on or under the other locations where these petroleum hydrocarbons and wastes have been taken for treatment or disposal. In addition, certain of these properties may have been operated by third parties whose treatment and disposal or release of petroleum hydrocarbons or other wastes was not under our control. These properties and wastes disposed or released thereon may be subject to CERCLA, RCRA and analogous state laws, or separate state laws that address hydrocarbon releases. Under these laws, we could be required to remove or remediate releases of hydrocarbon materials, or previously disposed wastes (including wastes disposed of or released by prior owners or operators), or to clean up contaminated property (including contaminated groundwater) or to perform remedial operations to prevent future contamination. We are not currently aware of any facts, events or conditions relating to the application of such requirements that could reasonably have a material impact on our financial condition or results of operations.

Water

The Federal Water Pollution Control Act of 1972, as amended, also referred to as the Clean Water Act, or CWA, and analogous state laws impose restrictions and strict controls regarding the discharge of pollutants into navigable waters. Pursuant to the CWA and analogous state laws, permits must be obtained to discharge pollutants into state and federal waters. The CWA also requires implementation of spill prevention, control and countermeasure plans, also referred to as “SPCC plans,” in connection with on-site storage of threshold quantities of oil or certain other materials. The CWA imposes substantial potential civil and criminal penalties for non-compliance. State laws for the control of water pollution also provide varying administrative, civil and potentially criminal penalties and liabilities. In addition, some states maintain groundwater protection programs that require permits for discharges or operations that may impact groundwater. The EPA has also promulgated regulations that require us to have permits in order to discharge certain storm water. The EPA has entered into agreements with

certain states in which we operate whereby the permits are issued and administered by the respective states. These permits may require us to monitor and sample the storm water discharges. We are not currently aware of any facts, events or conditions relating to the application of such requirements that could reasonably have a material impact on our financial condition or results of operations.

The Oil Pollution Act of 1990, or OPA, which is part of the Clean Water Act, addresses prevention, containment and cleanup, and liability associated with oil pollution. OPA applies to vessels, offshore platforms, and onshore facilities, including natural gas gathering and processing facilities, terminals, pipelines, and transfer facilities. OPA subjects owners of such facilities to strict liability for containment and removal costs, natural resource damages, and certain other consequences of oil spills into jurisdictional waters. Any unpermitted release of petroleum or other pollutants from our operations could result in government penalties and civil liability. We are not currently aware of any facts, events or conditions relating to the application of such requirements that could reasonably have a material impact on our financial condition or results of operations.

Anti-Terrorism Measures

The federal Department of Homeland Security regulates the security of chemical and industrial facilities pursuant to regulations known as the Chemical Facility Anti-Terrorism Standards. These regulations apply to oil and gas facilities, among others, that are deemed to present “high levels of security risk.” Pursuant to these regulations, certain of our facilities are required to comply with certain regulatory provisions, including requirements regarding inspections, audits, recordkeeping, and protection of chemical-terrorism vulnerability information.

Employees

We do not have any employees. Our operations and activities are managed by our general partner, DCP Midstream GP, LP, which is managed by its general partner, DCP Midstream GP, LLC, (the “General Partner”), which is 100% owned by DCP Midstream, LLC. As of December 31, 2019, approximately 2,250 employees of DCP Services, LLC, a wholly-owned subsidiary of DCP Midstream, LLC, provided support for our operations pursuant to the Services and Employee Secondment Agreement between DCP Services, LLC and us (the “Services Agreement”). For additional information, refer to Item 10. “Directors, Executive Officers and Corporate Governance” and Item 13. “Certain Relationships and Related Transactions, and Director Independence” in this Annual Report on Form 10-K.

General

We make certain filings with the Securities and Exchange Commission (“SEC”), including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments and exhibits to those reports, which are available free of charge through our website, www.dcpmidstream.com, as soon as reasonably practicable after they are filed with the SEC. Our website and the information contained on that site, or connected to that site, are not incorporated by reference into this report. Also, these filings are available on the internet at www.sec.gov. Our annual reports to unitholders, press releases and recent analyst presentations are also available free of charge on our website. We have also posted our code of business ethics on our website.

Item 1A. Risk Factors

Limited partner interests are inherently different from capital stock of a corporation, although many of the business risks to which we are subject are similar to those that would be faced by a corporation engaged in similar businesses. You should consider carefully the following risk factors together with all of the other information included in this Annual Report on Form 10-K for the year ended December 31, 2019 in evaluating an investment in our common units.

If any of the following risks were actually to occur, our business, financial condition or results of operations could be materially affected. In that case, we might not be able to pay distributions on our units, the trading price of our units could decline and you could lose all or part of your investment.

Risks Related to Our Business

Our cash flow is affected by natural gas, NGL and crude oil prices.

Our business is affected by natural gas, NGL and crude oil prices. The prices of natural gas, NGLs and crude oil have historically been volatile, and we expect this volatility to continue.

The level of drilling activity is dependent on economic and business factors beyond our control. Among the factors that impact drilling decisions are commodity prices, the liquids content of the natural gas production, drilling requirements for producers to hold leases, the cost of finding and producing natural gas and crude oil and the general condition of the financial markets. Commodity prices experienced volatility during 2019, as illustrated by the following table:

	Year Ended		
	December 31, 2019		
Commodity:	Daily High	Daily Low	December 31, 2019
NYMEX Natural Gas (\$/MMBtu)	\$ 3.59	\$ 2.07	\$ 2.19
NGLs (\$/Gallon)	\$ 0.65	\$ 0.38	\$ 0.48
Crude Oil (\$/Bbl)	\$ 66.30	\$ 46.54	\$ 61.06

Market conditions, including commodity prices, may impact our earnings, financial condition and cash flows.

The markets and prices for natural gas, NGLs, condensate and crude oil depend upon factors beyond our control and may not always have a close relationship. These factors include supply of, and demand for, these commodities, which fluctuate with changes in domestic and export markets and economic conditions and other factors, including:

- the level of domestic and offshore production;
- the availability of natural gas, NGLs and crude oil and the demand in the U.S. and globally for these commodities;
- a general downturn in economic conditions;
- the impact of weather, including abnormally mild winter or summer weather that cause lower energy usage for heating or cooling purposes, respectively, or extreme weather that may disrupt our operations or related upstream or downstream operations;
- actions taken by foreign oil and gas producing and importing nations;
- the availability of local, intrastate and interstate transportation systems and condensate and NGL export facilities;
- the availability and marketing of competitive fuels; and
- the extent of governmental regulation and taxation.

The primary natural gas gathering and processing arrangements that expose us to commodity price risk are our percent-of-proceeds arrangements. Under percent-of-proceeds arrangements, we generally purchase natural gas from producers for an agreed percentage of the proceeds from the sale of residue gas and/or NGLs resulting from our processing activities, and then sell the resulting residue gas and NGLs at market prices. Under these types of arrangements, our revenues and our cash flows increase or decrease, whichever is applicable, as the price of natural gas and NGLs fluctuate.

The amount of natural gas we gather, compress, treat, process, transport, store and sell, or the NGLs we produce, fractionate, transport, store and sell, may be reduced if the pipelines, storage and fractionation facilities to which we deliver the natural gas or NGLs are capacity constrained and cannot, or will not, accept the natural gas or NGLs or we may be required to find alternative markets and arrangements for our natural gas and NGLs.

The natural gas we gather, compress, treat, process, transport, sell and store, or the NGLs we produce, fractionate, transport, sell and store, are delivered into pipelines for further delivery to end-users, including fractionation facilities. If these pipelines, storage and fractionation facilities cannot, or will not, accept delivery of the gas or NGLs due to capacity constraints or changes in interstate pipeline gas quality specifications, we may be forced to limit or stop the flow of gas or NGLs through our pipelines and processing, treating, and fractionation facilities. We have long and short-term arrangements with facilities to fractionate our NGL production; however, additional fractionation capacity may be limited to the extent current and planned fractionation facilities experience delays in construction, significant mechanical or other problems arise at existing facilities, or such facilities otherwise become unavailable to us due to unforeseen circumstances. As a result, we may be required to find alternative markets and arrangements for our production and for fractionation, and such alternative markets and arrangements may not be available on favorable terms, or at all. Additionally, capacity constraints may impact production volumes from our producer customers and/or transportation volumes from our third-party NGL customers if there is insufficient fractionation or storage capacity to handle all of their projected volumes. Any number of factors beyond our control could cause such interruptions or constraints, including fully utilized capacity, necessary and scheduled maintenance, or unexpected damage to the pipelines. Because our revenues and net operating margins depend upon (i) the volumes of natural gas we process, gather and transmit, (ii) the throughput of NGLs through our transportation, fractionation and storage facilities and (iii) the volume of natural gas we gather and transport, any reduction of volumes could adversely affect our operations and cash flows available for distribution to our unitholders.

Our NGL pipelines could be adversely affected by any decrease in NGL prices relative to the price of natural gas.

The profitability of our NGL pipelines is dependent on the level of production of NGLs from processing plants. When natural gas prices are high relative to NGL prices, it is less profitable to process natural gas because of the higher value of natural gas compared to the value of NGLs and because of the increased cost (principally that of natural gas as a feedstock and fuel) of separating the NGLs from the natural gas. As a result, we may experience periods in which higher natural gas prices relative to NGL prices reduce the volume of natural gas processed at plants connected to our NGL pipelines, and reduce the amount of NGL extraction, which would decrease the volumes and gross margins attributable to our NGL pipelines and NGL storage facilities.

Our hedging activities and the application of fair value measurements may have a material adverse effect on our earnings, profitability, cash flows, liquidity and financial condition.

We are exposed to risks associated with fluctuations in commodity prices. The extent of our commodity price risk is related largely to the effectiveness and scope of our hedging activities. For example, the derivative instruments we utilize are based on posted market prices, which may differ significantly from the actual natural gas, NGL and condensate prices that we realize in our operations. To mitigate a portion of our cash flow exposure to fluctuations in the price of natural gas and NGLs, we have entered into derivative financial instruments relating to the future price of natural gas and NGLs, as well as crude oil. Furthermore, we have entered into derivative transactions related to only a portion of the volume of our expected natural gas supply and production of NGLs and condensate from our processing plants; as a result, we will continue to have direct commodity price risk to the portion not covered by derivative transactions. Our actual future production may be significantly higher or lower than we estimate at the time we entered into the derivative transactions for that period. If the actual amount is higher than we estimate, we will have greater commodity price risk than we intended. If the actual amount is lower than the amount that is subject to our derivative financial instruments, we might be forced to satisfy all or a portion of our derivative transactions without the benefit of the cash flow from our sale of the underlying physical commodity, reducing our liquidity.

We record all of our derivative financial instruments at fair value on our balance sheet primarily using information readily observable within the marketplace. In situations where market observable information is not available, we may use a variety of data points that are market observable, or in certain instances, develop our own expectation of fair value. We will continue to use market observable information as the basis for our fair value calculations; however, there is no assurance that such information will continue to be available in the future. In such instances, we may be required to exercise a higher level of judgment in developing our own expectation of fair value, which may be significantly different from the historical fair values, and may increase the volatility of our earnings.

We will continue to evaluate whether to enter into any new derivative arrangements, but there can be no assurance that we will enter into any new derivative arrangement or that our future derivative arrangements will be on terms similar to our existing derivative arrangements. Additionally, although we enter into derivative instruments to mitigate a portion of our commodity price risk, we also forego the benefits we would otherwise experience if commodity prices were to change in our favor.

Our derivative instruments may require us to post collateral based on predetermined collateral thresholds. Depending on the movement in commodity prices, the amount of posted collateral required may increase, reducing our liquidity.

Our hedging activities may not be as effective as we intend and may actually increase the volatility of our earnings and cash flows. In addition, even though our management monitors our hedging activities, these activities can result in material losses. Such losses could occur under various circumstances, including if a counterparty does not or is unable to perform its obligations under the applicable derivative arrangement, the derivative arrangement is imperfect or ineffective, or our risk management policies and procedures are not properly followed or do not work as planned.

We could incur losses due to impairment in the carrying value of our goodwill or long-lived assets.

We periodically evaluate goodwill and long-lived assets for impairment. Our impairment analyses for long-lived assets require management to apply judgment in evaluating whether events and circumstances are present that indicate an impairment may have occurred. If we believe an impairment may have occurred judgments are then applied in estimating future cash flows as well as asset fair values, including forecasting useful lives of the assets, assessing the probability of different outcomes, and selecting the discount rate that reflects the risk inherent in future cash flows. To perform the impairment assessment for goodwill, we primarily use a discounted cash flow analysis, supplemented by a market approach analysis. 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 (including forecasted volumes and commodity prices), as well as historical and other factors. 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 impairment charges. Adverse changes in our business or the overall operating environment, such as lower commodity prices, may affect our estimate of future operating results, which could result in future impairment due to the potential impact on our operations and cash flows.

A reduction in demand for NGL products by the petrochemical, refining or other industries or by the fuel markets could materially adversely affect our results of operations and financial condition.

The NGL products we produce have a variety of applications, including as heating fuels, petrochemical feedstocks and refining blend stocks. A reduction in demand for NGL products, whether because of general or industry specific economic conditions, new government regulations, global competition, reduced demand by consumers for products made with NGL products (for example, reduced petrochemical demand observed due to lower activity in the automobile and construction industries), increased competition from petroleum-based feedstocks due to pricing differences, mild winter weather for some NGL applications or other reasons, could result in a decline in the volume of NGL products we handle or reduce the fees we charge for our services.

Volumes of natural gas dedicated to our systems in the future may be less than we anticipate.

If the reserves connected to our gathering systems are less than we anticipate and we are unable to secure additional sources of natural gas, then the volumes of natural gas on our systems in the future could be less than we anticipate.

We depend on certain natural gas producer customers for a significant portion of our supply of natural gas and NGLs.

We identify as primary natural gas suppliers those suppliers individually representing 10% or more of our total natural gas and NGLs supply. We have no natural gas supplier representing 10% or more of our total natural gas supply as of December 31, 2019. While some of these customers are subject to long-term contracts, we may be unable to negotiate extensions or replacements of these contracts on favorable terms, if at all. The loss of all or even a portion of the natural gas and NGL volumes supplied by these customers, as a result of competition or otherwise, could have a material adverse effect on our business.

Because of the natural decline in production from existing wells, our success depends on our ability to obtain new sources of supplies of natural gas and NGLs.

Our gathering and transportation pipeline systems are connected to, or dependent, on the level of production from natural gas and crude wells, from which production will naturally decline over time. As a result, our cash flows associated with these wells will also decline over time. In order to maintain or increase throughput levels on our gathering and transportation pipeline systems and NGL pipelines and the asset utilization rates at our natural gas processing plants, we must continually obtain new supplies. The primary factors affecting our ability to obtain new supplies of natural gas and NGLs, and to attract new customers to our assets include the level of successful drilling activity near these assets, the demand for natural gas, crude oil and NGLs,

producers' desire and ability to obtain necessary permits in an efficient manner, natural gas field characteristics and production performance, surface access and infrastructure issues, and our ability to compete for volumes from successful new wells. If we are not able to obtain new supplies of natural gas to replace the natural decline in volumes from existing wells or because of competition, throughput on our pipelines and the utilization rates of our treating and processing facilities would decline, which could have a material adverse effect on our business, results of operations, financial position and cash flows, and our ability to make cash distributions.

Third party pipelines and other facilities interconnected to our natural gas and NGL pipelines and facilities may become unavailable to transport, process or produce natural gas and NGLs.

We depend upon third party pipelines and other facilities that provide delivery options to and from our pipelines and facilities for the benefit of our customers. Since we do not own or operate any of these third-party pipelines or other facilities, their continuing operation is not within our control and may become unavailable to transport, process or produce natural gas and NGLs. If any of these third parties do not continue operation of these facilities or they become unavailable to us, and we are not able to obtain new facilities to transport, process or produce natural gas and NGLs, it could have a material adverse effect on our business, results of operations, financial position and cash flows, and our ability to make cash distributions.

We may not successfully balance our purchases and sales of natural gas.

We purchase from producers and other customers a substantial amount of the natural gas that flows through our natural gas gathering, processing and transportation systems for resale to third parties, including natural gas marketers and end-users. We may not be successful in balancing our purchases and sales. A producer or supplier could fail to deliver contracted volumes or deliver in excess of contracted volumes, or a purchaser could purchase less than contracted volumes. Any of these actions could cause our purchases and sales to be unbalanced. While we attempt to balance our purchases and sales, if our purchases and sales are unbalanced, we will face increased exposure to commodity price risks and could have increased volatility in our operating income and cash flows.

Our ability to manage and grow our business effectively could be adversely affected if we or DCP Midstream, LLC and its subsidiaries fail to attract and retain key management personnel and skilled employees.

We rely on our executive management team to manage our day-to-day affairs and establish and execute our strategic business and operational plans. This executive management team has significant experience in the midstream energy industry. The loss of any of our executives or the failure to fill new positions created by expansion, turnover or retirement could adversely affect our ability to implement our business strategy. In addition, our operations require engineers, operational and field technicians and other highly skilled employees. Competition for experienced executives and skilled employees is intense and increases when the demand from other energy companies for such personnel is high. Our ability to execute on our business strategy and to grow or continue our level of service to our current customers may be impaired and our business may be adversely impacted if we or DCP Midstream, LLC and its subsidiaries are unable to attract, train and retain such personnel, which may have an adverse effect on our results of operations and ability to make cash distributions.

A downgrade of our credit rating could impact our liquidity, access to capital and our costs of doing business, and independent third parties determine our credit ratings outside of our control.

A downgrade of our credit rating could increase our cost of borrowing under our Credit Agreement and could require us to post collateral with third parties, including our hedging arrangements, which could negatively impact our available liquidity and increase our cost of debt.

Credit rating agencies perform independent analysis when assigning credit ratings. The analysis includes a number of criteria including, but not limited to, business composition, market and operational risks, as well as various financial tests. Credit rating agencies continue to review the criteria for industry sectors and various debt ratings and may make changes to those criteria from time to time. Credit ratings are not recommendations to buy, sell or hold our securities, although such credit ratings may affect the market value of our debt instruments. Ratings are subject to revision or withdrawal at any time by the ratings agencies.

Our debt levels may limit our flexibility in obtaining additional financing and in pursuing other business opportunities.

We continue to have the ability to incur additional debt, subject to limitations within our Credit Agreement. Our level of debt could have important consequences to us, including the following:

- our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired or such financing may not be available on favorable terms;
- an increased amount of cash flow will be required to make interest payments on our debt;
- our debt level will make us more vulnerable to competitive pressures or a downturn in our business or the economy generally; and
- our debt level may limit our flexibility in responding to changing business and economic conditions.

Our ability to obtain new debt funding or service our existing debt will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, in addition to market interest rates. If our operating results are not sufficient to service our current or future indebtedness, we may take actions such as reducing distributions, reducing or delaying our business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing our debt, or seeking additional equity capital. We may not be able to effect any of these actions on satisfactory terms, or at all.

Restrictions in our debt agreements may limit our ability to make distributions to unitholders and may limit our ability to capitalize on acquisitions and other business opportunities.

Our debt agreements contain covenants limiting our ability to make distributions, incur indebtedness, grant liens, make acquisitions, investments or dispositions and engage in transactions with affiliates. Furthermore, our Credit Agreement contains covenants requiring us to maintain a certain leverage ratio and meet certain other tests. Any subsequent replacement of our debt agreements or any new indebtedness could have similar or greater restrictions. If our covenants are not met, whether as a result of reduced production levels of natural gas and NGLs as described above or otherwise, our financial condition, results of operations and ability to make distributions to our unitholders could be materially adversely affected.

Changes in interest rates may adversely impact our ability to issue additional equity or incur debt, as well as the ability of exploration and production companies to finance new drilling programs around our systems.

Interest rates on future credit facilities and debt offerings could be higher than current levels, causing our financing costs to increase. As with other yield-oriented securities, our unit price is impacted by the level of our cash distributions and implied distribution yield. The distribution yield is often used by investors to compare and rank related yield-oriented securities for investment decision-making purposes. Therefore, changes in interest rates, either positive or negative, may affect the yield requirements of investors who invest in our units, and a rising interest rate environment could impair our ability to issue additional equity or incur debt to make acquisitions, and for other purposes. Increased interest costs could also inhibit the financing of new capital drilling programs by exploration and production companies served by our systems.

It is unclear how changes in the regulation of LIBOR or the discontinuation of LIBOR all together may affect our financing costs in the future.

The Credit Agreement and the Securitization Facility both bear interest based on pricing grids tied to the London Interbank Offered Rate (“LIBOR”). Additionally, our three series of preferred limited partner units convert from fixed percentage distributions to distributions that accumulate an annual floating rate of the three-month LIBOR plus a spread of 5.148% (Series A starting in December 2022), 4.919% (Series B starting in June 2023), and 4.882% (Series C starting in October 2023), respectively. On July 27, 2017, the United Kingdom’s Financial Conduct Authority (the “FCA”), which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR after this time, which may cause LIBOR to perform differently than it did in the past and have other consequences that cannot be predicted.

In addition, any other legal or regulatory changes made by the FCA, ICE Benchmark Administration Limited, the European Money Markets Institute (formerly Euribor-EBF), the European Commission or any other successor governance or oversight body, or future changes adopted by such body, in the method by which LIBOR is determined or the transition from LIBOR to a successor benchmark may result in, among other things, a sudden or prolonged increase or decrease in LIBOR, a delay in the publication of LIBOR, and changes in the rules or methodologies in LIBOR, which may discourage market participants from continuing to administer or to participate in LIBOR’s determination. This could result in LIBOR no longer being determined and published. If a published U.S. dollar LIBOR rate is unavailable after 2021, the interest rate on our Credit Agreement will need to be determined using alternative methods, which may result in interest obligations which are more than or do not otherwise correlate over time with the payments that would have been made on any outstanding debt under the Credit Agreement if U.S. dollar LIBOR was available in its current form. Further, the same costs and risks that may lead to the discontinuation or unavailability of U.S. dollar LIBOR may make one or more alternative methods of calculating interest

impossible or impracticable to determine. As a result, any of these consequences may have an adverse effect on our financing costs.

The outstanding senior notes and junior subordinated notes, or notes, are unsecured obligations of our operating subsidiary, DCP Midstream Operating, LP, or DCP Operating, and are not guaranteed by any of our subsidiaries. As a result, our notes are effectively junior to DCP Operating's existing and future secured debt and to all debt and other liabilities of its subsidiaries.

The outstanding senior notes and junior subordinated notes, or notes, are unsecured obligations of our operating subsidiary, DCP Midstream Operating, LP, or DCP Operating, and are not guaranteed by any of our subsidiaries. As a result, our notes are effectively junior to DCP Operating's existing and future secured debt and to all debt and other liabilities of its subsidiaries.

The 5.35% Senior Notes due 2020, 4.75% Senior Notes due 2021, 4.95% Senior Notes due 2022, 3.875% Senior Notes due 2023, 5.375% Senior Notes due 2025, 5.125% Senior Notes due 2029, 8.125% Senior Notes due 2030, 6.450% Senior Notes due 2036, 6.750% Senior Notes due 2037, and 5.60% Senior Notes due 2044, or the Senior Notes, are senior unsecured obligations of DCP Operating and rank equally in right of payment with all of its other existing and future senior unsecured debt and effectively junior to any of its future secured indebtedness to the extent of the collateral securing such indebtedness. The 5.85% Fixed-to-Floating Rate Junior Subordinated Notes due 2043 are junior subordinated obligations of DCP Operating and rank junior in right of payment with all of its other existing and future senior unsecured debt. All of our operating assets are owned by our subsidiaries, and none of these subsidiaries guarantee DCP Operating's obligations with respect to the notes. Creditors of DCP Operating's subsidiaries may have claims with respect to the assets of those subsidiaries that rank effectively senior to the notes. In the event of any distribution or payment of assets of such subsidiaries in any dissolution, winding up, liquidation, reorganization or bankruptcy proceeding, the claims of those creditors would be satisfied prior to making any such distribution or payment to DCP Operating in respect of its direct or indirect equity interests in such subsidiaries. Consequently, after satisfaction of the claims of such creditors, there may be little or no amounts left available to make payments in respect of our notes. As of December 31, 2019, DCP Operating's subsidiaries had no debt for borrowed money owing to any unaffiliated third parties, other than the amounts borrowed under the Securitization Facility. Such subsidiaries are not prohibited under the indentures governing the notes from incurring indebtedness in the future.

In addition, because our notes and our guarantees of our notes are unsecured, holders of any secured indebtedness of us would have claims with respect to the assets constituting collateral for such indebtedness that are senior to the claims of the holders of our notes. Currently, we do not have any secured indebtedness, with the exception of our Securitization Facility. Although our debt agreements place some limitations on our ability to create liens securing debt, there are significant exceptions to these limitations that will allow us to secure significant amounts of indebtedness without equally and ratably securing the notes. If we incur secured indebtedness and such indebtedness is either accelerated or becomes subject to a bankruptcy, liquidation or reorganization, our assets would be used to satisfy obligations with respect to the indebtedness secured thereby before any payment could be made on our notes. Consequently, any such secured indebtedness would effectively be senior to our notes and our guarantee of our notes, to the extent of the value of the collateral securing the secured indebtedness. In that event, our noteholders may not be able to recover all the principal or interest due under our notes.

Our significant indebtedness and the restrictions in our debt agreements may adversely affect our future financial and operating flexibility.

As of December 31, 2019, our consolidated principal indebtedness was \$5,925 million. Our significant indebtedness and any additional debt we may incur in the future may adversely affect our liquidity and therefore our ability to make interest payments on our notes and distributions on our units.

Debt service obligations and restrictive covenants in our Credit Agreement, and the indentures governing our notes may adversely affect our ability to finance future operations, pursue acquisitions and fund other capital needs as well as our ability to make distributions to our unitholders. In addition, this leverage may make our results of operations more susceptible to adverse economic or operating conditions by limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate and may place us at a competitive disadvantage as compared to our competitors that have less debt.

If we incur any additional indebtedness, including trade payables, that ranks equally with our notes, the holders of that debt will be entitled to share ratably with the holders of our notes in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding up of us or DCP Operating. This may have the effect of reducing the amount of proceeds paid to our noteholders. If new debt is added to our current debt levels, the related risks that we now face could intensify.

The adoption of financial reform legislation by the United States Congress could have an adverse effect on our ability to use derivative instruments to hedge risks associated with our business.

We hedge a portion of our commodity risk. In its rulemaking under the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Act, the Commodities Futures Trading Commission, or CFTC, adopted regulations to set position limits for certain futures and option contracts in the major energy markets and for swaps that are their economic equivalents, but these rules were successfully challenged in Federal district court by the Securities Industry Financial Markets Association and the International Swaps and Derivatives Association and largely vacated by the court. In December 2016, the CFTC repropose rules that place limits on speculative positions in certain physical commodity futures and options contracts and their “economically equivalent” swaps, including NYMEX Henry Hub Natural Gas and NYMEX Light Sweet Crude Oil contracts, subject to exceptions for certain bona fide hedging transactions. The CFTC has sought comment on the position limits rules as repropose, but since these rules are not yet final, the impact of those provisions on us is uncertain at this time. Under the repropose rules, we believe our hedging transactions will qualify for the non-financial, commercial end user exception, which exempts derivatives intended to hedge or mitigate commercial risk from the mandatory swap clearing requirement, and as a result, we do not expect our hedging activity to be subject to mandatory clearing. The Act may also require us to comply with margin requirements in connection with our hedging activities, although the application of those provisions to us is uncertain at this time. The Act may also require the counterparties to our derivative instruments to spin off some of their hedging activities to a separate entity, which may not be as creditworthy as the current counterparty. The new legislation and related regulations could significantly increase the cost of derivatives contracts for our industry (including requirements to post collateral which could adversely affect our available liquidity), materially alter the terms of derivatives contracts, reduce the availability of derivatives to protect against risks we encounter, reduce our ability to monetize or restructure our existing derivatives contracts, and increase our exposure to less creditworthy counterparties, particularly if we are unable to utilize the commercial end user exception with respect to certain of our hedging transactions. If we reduce our use of hedging as a result of the legislation and regulations, our results of operations may become more volatile and our cash flows may be less predictable, which could adversely affect our ability to plan for and fund capital expenditures and fund unitholder distributions. Finally, the legislation was intended, in part, to reduce the volatility of oil and natural gas prices, which some legislators attributed to speculative trading in derivatives and commodity instruments related to oil and natural gas. Our revenues could therefore be adversely affected if a consequence of the legislation and regulations is to lower commodity prices. Any of these consequences could have a material adverse effect on our business, our financial condition, and our results of operations.

Future disruptions in the global credit markets may make equity and debt markets less accessible and capital markets more costly, create a shortage in the availability of credit and lead to credit market volatility, which could disrupt our financing plans and limit our ability to grow.

From time to time, public equity markets experience significant declines, and global credit markets experience a shortage in overall liquidity and a resulting disruption in the availability of credit. Future disruptions in the global financial marketplace, including the bankruptcy or restructuring of financial institutions, could make equity and debt markets inaccessible, and adversely affect the availability of credit already arranged and the availability and cost of credit in the future. We have availability under our Credit Agreement to borrow additional capital, but our ability to borrow under that facility could be impaired if one or more of our lenders fails to honor its contractual obligation to lend to us.

As a publicly traded partnership, these developments could significantly impair our ability to make acquisitions or finance growth projects. We distribute all of our available cash, as defined in our amended and restated Partnership Agreement (the “Partnership Agreement”), to our common unitholders on a quarterly basis. We rely upon external financing sources, including the issuance of debt and equity securities and bank borrowings, to fund acquisitions or expansion capital expenditures or fund routine periodic working capital needs. Any limitations on our access to external capital, including limitations caused by illiquidity or volatility in the capital markets, may impair our ability to complete future acquisitions and construction projects on favorable terms, if at all. As a result, we may be at a competitive disadvantage as compared to businesses that reinvest all of their available cash to expand ongoing operations, particularly under adverse economic conditions.

Volatility in the capital markets may adversely impact our liquidity.

The capital markets may experience volatility, which may lead to financial uncertainty. Our access to funds under the Credit Agreement is dependent on the ability of the lenders that are party to the Credit Agreement to meet their funding obligations. Those lenders may not be able to meet their funding commitments if they experience shortages of capital and liquidity. If lenders under the Credit Agreement were to fail to fund their share of the Credit Agreement, our available borrowings could be further reduced. In addition, our borrowing capacity may be further limited by the financial covenants contained in the Credit Agreement.

A significant downturn in the economy could adversely affect our results of operations, financial position or cash flows. In the event that our results were negatively impacted, we could require additional borrowings. A deterioration of the capital markets could adversely affect our ability to access funds on reasonable terms in a timely manner.

We have a holding company structure in which our subsidiaries conduct our operations and own our operating assets.

The partnership is a holding company, and our subsidiaries conduct all of our operations and own all of our operating assets. We do not have significant assets other than equity in our subsidiaries and equity method investments. As a result, our ability to make required payments on our notes depends on the performance of our subsidiaries and their ability to distribute funds to us. The ability of our subsidiaries to make distributions to us may be restricted by, among other things, credit instruments, applicable state business organization laws and other laws and regulations. If our subsidiaries are prevented from distributing funds to us, we may be unable to pay all the principal and interest on the notes when due.

We may incur significant costs and liabilities resulting from implementing and administering pipeline and asset integrity programs and related repairs.

Pursuant to the Pipeline Safety Improvement Act of 2002, PHMSA has adopted regulations requiring pipeline operators to develop integrity management programs for transportation pipelines located where a leak or rupture could do the most harm in “high consequence areas.” The regulations require operators to:

- perform ongoing assessments of pipeline integrity;
- identify threats to pipeline segments that could impact a high consequence area and assess the risks that such threats pose to pipeline integrity;
- collect, integrate, and analyze data regarding threats and risks posed to the pipeline;
- repair and remediate the pipeline as necessary; and
- implement preventive and mitigating actions.

Pipeline safety legislation enacted in 2012, the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011, or the Pipeline Safety and Job Creations Act, reauthorizes funding for federal pipeline safety programs through 2015, increases penalties for safety violations, establishes additional safety requirements for newly constructed pipelines, and requires studies of certain safety issues that could result in the adoption of new regulatory requirements for existing pipelines, including the expansion of integrity management, use of automatic and remote-controlled shut-off valves, leak detection systems, sufficiency of existing regulation of gathering pipelines, use of excess flow valves, verification of maximum allowable operating pressure, incident notification, and other pipeline-safety related requirements. New rules proposed by PHMSA address many areas of this legislation and PHMSA has indicated that it expects to publish these final rules this year. Extending the integrity management requirements to our gathering lines would impose additional obligations on us and could add material cost to our operations.

Although many of our natural gas facilities currently are not subject to pipeline integrity requirements, we may incur significant costs and liabilities associated with repair, remediation, preventative or mitigation measures associated with non-exempt pipelines. Such costs and liabilities might relate to repair, remediation, preventative or mitigating actions that may be determined to be necessary as a result of the testing program, or new requirements that may be imposed as a result of the Pipeline Safety and Job Creation Act, as well as lost cash flows resulting from shutting down our pipelines during the pendency of such repairs. Additionally, we may be affected by the testing, maintenance and repair of pipeline facilities downstream from our own facilities. With the exception of our Wattenberg pipeline, our NGL pipelines are also subject to integrity management and other safety regulations imposed by the Texas Railroad Commission, or TRRC.

We currently estimate that we will incur costs of approximately \$79 million between 2020 and 2024 to implement pipeline integrity management program testing along certain segments of our natural gas and NGL pipelines. This does not include the costs, if any, of any repair, remediation, preventative or mitigating actions that may be determined to be necessary as a result of the testing program, or new requirements that may be imposed as a result of the Pipeline Safety and Job Creation Act, which costs could be substantial.

We currently transport NGLs produced at our processing plants on our owned and third party NGL pipelines. Accordingly, in the event that an owned or third party NGL pipeline becomes inoperable due to any necessary repairs resulting from integrity testing programs or for any other reason for any significant period of time, we would need to transport NGLs by other means. There can be no assurance that we will be able to enter into alternative transportation arrangements under comparable terms, if at all.

Any new or expanded pipeline integrity requirements or the adoption of other asset integrity requirements could also increase our cost of operation and impair our ability to provide service during the period in which assessments and repairs take place, adversely affecting our business. Further, execution of and compliance with such integrity programs may cause us to incur greater than expected capital and operating expenditures for repairs and upgrades that are necessary to ensure the continued safe and reliable operation of our assets.

State and local legislative and regulatory initiatives relating to oil and gas operations could adversely affect our third-party customers' production and, therefore, adversely impact our midstream operations.

Certain states in which we operate have adopted or are considering adopting measures that could impose new or more stringent requirements on oil and gas exploration and production activities. For example, the potential for adverse impacts to our business is present where local governments have enacted ordinances directly regulating pipeline assets and operations, and private individuals have sponsored and may in the future sponsor citizen initiatives to limit hydraulic fracturing, increase mandatory setbacks of oil and gas operations from occupied structures, and achieve more restrictive state or local control over such activities.

In the event state or local restrictions or prohibitions are adopted in our areas of operations, our customers may incur significant compliance costs or may experience delays or curtailment in the pursuit of their exploration, development, or production activities, and possibly be limited or precluded in the drilling of certain wells altogether. Any adverse impact on our customers' activities would have a corresponding negative impact on our throughput volumes. In addition, while the general focus of debate is on upstream development activities, certain proposals may, if adopted, directly impact our ability to competitively locate, construct, maintain, and operate our own assets. Accordingly, such restrictions or prohibitions could have a material adverse effect on our business, prospects, results of operations, financial condition, cash flows and ability to make distributions to our unitholders.

Recently enacted laws and corresponding rulemakings in Colorado could have a material adverse impact on new oil and gas development in the state and could reduce the demand for our services in the state.

On April 16, 2019, the Colorado Governor signed into law Senate Bill 19-181 ("SB-181"), which amended existing laws and enacted new laws concerning the conduct of oil and gas operations in Colorado. The bill mandates the Colorado Oil and Gas Conservation Commission (the "COGCC") to "regulate," as opposed to the previous mandate to "foster," the development and production of oil and gas, and requires the current nine-member COGCC to be restructured with reduced oil and gas representation to five full-time paid commissioners, only one of whom will be required to have any industry expertise. Other key elements of SB-181 include granting local governments ability to regulate facility siting and surface impacts of oil and gas operations and the ability to inspect and impose fines for leaks, spills, and emissions, and requiring the Colorado Department of Public Health and Environment (the "CDPHE") to adopt additional rules that call for the minimization and continual monitoring of emissions at oil and gas facilities. SB-181 also requires the COGCC to conduct rulemakings concerning the cumulative impacts of oil and gas development, additional flowline regulations, as well as other matters. While much of our oil and gas infrastructure in Colorado is not located near populous areas, the population in Colorado continues to grow, which may result in populated areas coming closer to existing and proposed oil and gas development. These new laws, and regulatory rulemakings at state and local levels that may be introduced in the future, could cause a curtailment in the permitting of new oil and gas development and facilities as well as an increase in costs to us and our producer customers. Any such curtailments on new oil and gas development, would, as production from existing and previously permitted wells depletes, lead to a reduction in demand for our gathering, processing, and transportation services in the state, which reduction, over time, may be material.

While COGCC and CDPHE have completed several rulemakings mandated by SB-181, those have not resulted in new regulations that we expect to significantly impact our ability or that of our customers to operate in Colorado. The most comprehensive amendments to COGCC rules mandated by SB-181 are in their early stages and are expected to be finalized in 2020, but the scope of such amendments is presently undetermined.

We may incur significant costs and liabilities in the future resulting from a failure to comply with existing or new environmental regulations or an accidental release of hazardous substances or hydrocarbons into the environment.

Our operations are subject to stringent and complex federal, state and local environmental laws and regulations. These include, for example: (i) the federal Clean Air Act and comparable state laws and regulations, including federal and state air permits, that impose obligations related to air emissions; (ii) RCRA, and comparable state laws that impose requirements for the management, storage and disposal of solid and hazardous waste from our facilities; (iii) CERCLA, and comparable state laws that regulate the cleanup of hazardous substances that may have been released at properties currently or previously owned or operated by us or locations to which we have sent waste for disposal; (iv) the Clean Water Act and the Oil Pollution Act, and

comparable state laws that impose requirements on discharges to waters as well as requirements to prevent and respond to releases of hydrocarbons to waters of the United States and regulated state waters; and (v) state laws that impose requirements on the response to and remediation of hydrocarbon releases to soil or groundwater and managing related wastes. Failure to comply with these laws and regulations or newly adopted laws or regulations may trigger a variety of administrative, civil and potentially criminal enforcement measures, including the assessment of monetary penalties, the imposition of remedial requirements, and the issuance of orders enjoining or affecting current or future operations. Certain environmental regulations, including CERCLA and analogous state laws and regulations, impose strict liability and joint and several liability for costs required to clean up and restore sites where hazardous substances, and in some cases hydrocarbons, have been disposed or otherwise released.

There is inherent risk of the incurrence of environmental costs and liabilities in our business due to our handling of natural gas, NGLs and other petroleum products, air emissions related to our operations, and historical industry operations and waste management and disposal practices. For example, an accidental release from one of our facilities could subject us to substantial liabilities arising from environmental cleanup and restoration costs, claims made by neighboring landowners and other third parties for personal injury and property damage, governmental claims for natural resource damages or imposing fines or penalties for related violations of environmental laws, permits or regulations. In addition, it is possible that stricter laws, regulations or enforcement policies could significantly increase our compliance costs and the cost of any remediation that may become necessary. We may not be able to recover some or any of these costs from insurance or third-party indemnification.

A change in the jurisdictional characterization of some of our assets by federal, state or local regulatory agencies or a change in policy by those agencies may result in increased regulation of our assets.

The majority of our natural gas gathering and intrastate transportation operations are exempt from FERC regulation under the NGA, but FERC regulation still affects these businesses and the markets for products derived from these businesses. FERC's policies and practices across the range of its oil and natural gas regulatory activities, including, for example, its policies on open access transportation, ratemaking, capacity release and market center promotion, indirectly affect intrastate markets. In recent years, FERC has pursued pro-competitive policies in its regulation of interstate oil and natural gas pipelines, however there can be no assurance that FERC will continue this approach as it considers matters such as pipeline rates and rules and policies that may affect rights of access to oil and natural gas transportation capacity. In addition, the distinction between FERC-regulated transportation services and federally unregulated gathering services has been the subject of regular litigation, so the classification and regulation of some of our gathering facilities and intrastate transportation pipelines may be subject to change based on any reassessment by us of the jurisdictional status of our facilities or on future determinations by FERC and the courts.

In addition, the rates, terms and conditions of some of the transportation services we provide on certain of our pipeline systems are subject to FERC regulation under Section 311 of the NGPA. Under Section 311, rates charged for transportation must be fair and equitable, and amounts collected in excess of fair and equitable rates are subject to refund with interest.

Several of our pipelines are interstate transporters of NGLs and are subject to FERC jurisdiction under the Interstate Commerce Act and the Elkins Act. The base interstate tariff rates for our NGL pipelines are determined either by a FERC cost-of-service proceeding or by agreement with an unaffiliated party, and adjusted annually through the FERC's indexing methodology. The NGL pipelines may also provide incentive rates, which offer tariff rates below the base tariff rates for high volume shipments.

Should we fail to comply with all applicable FERC-administered statutes, rules, regulations and orders, we could be subject to substantial penalties and disgorgement of profits. Under EPACT 2005, FERC has civil penalty authority under the NGA to impose penalties of up to \$1 million per day for each violation and possible criminal penalties of up to \$1 million per violation and five years in prison. Under the NGPA, FERC may impose civil penalties of up to \$1 million for any one violation and may impose criminal penalties of up to \$1 million and five years in prison.

Other state and local regulations also affect our business. Our non-proprietary gathering lines are subject to ratable take and common purchaser statutes. Ratable take statutes generally require gatherers to take, without undue discrimination, oil or natural gas production that may be tendered to the gatherer for handling. Similarly, common purchaser statutes generally require gatherers to purchase without undue discrimination as to source of supply or producer. These statutes restrict our right as an owner of gathering facilities to decide with whom we contract to purchase or transport oil or natural gas. Federal law leaves any economic regulation of natural gas gathering to the states. The states in which we operate have adopted complaint-based regulation of oil and natural gas gathering activities, which allows oil and natural gas producers and shippers to file complaints with state regulators in an effort to resolve grievances relating to oil and natural gas gathering access and rate discrimination. Other state regulations may not directly regulate our business, but may nonetheless affect the availability of

natural gas for purchase, processing and sale, including state regulation of production rates and maximum daily production allowable from gas wells. While our proprietary gathering lines are currently subject to limited state regulation, there is a risk that state laws will change, which may give producers a stronger basis to challenge the proprietary status of a line, or the rates, terms and conditions of a gathering line providing transportation service.

The interstate tariff rates of certain of our pipelines are subject to review and possible adjustment by federal regulators.

FERC, pursuant to the NGA, regulates many aspects of our interstate natural gas pipeline transportation service, including the rates our pipelines are permitted to charge for such service. Under the NGA, interstate transportation rates must be just and reasonable and not unduly discriminatory. If FERC fails to permit our requested tariff rate increases, or if FERC lowers the tariff rates we are permitted to charge, on its own initiative, or as a result of challenges raised by customers or third parties, our tariff rates may be insufficient to recover the full cost of providing interstate transportation service. In certain circumstances, FERC also has the power to order refunds.

Should we fail to comply with all applicable FERC-administered statutes, rules, regulations and orders, we could be subject to substantial penalties and the disgorgement of profits. Under EPACT 2005, FERC has civil penalty authority under the NGA to impose penalties for current violations of up to \$1 million per day for each violation and possible criminal penalties of up to \$1 million per violation and five years in prison.

The transportation rates for our NGL pipelines that provide interstate transportation services, our interstate natural gas pipelines, and our intrastate pipelines that provide interstate services under Section 311 of the NGPA could be adversely impacted by FERC's revised income tax allowance policy for partnership pipelines and the federal law reducing the corporate income tax rate.

Effective January 1, 2018, the federal corporate tax rate was reduced to 21%, and in March 2018, FERC issued a revised policy statement disallowing an income tax allowance in the cost-of-service rates for partnership-owned pipelines. Previously, FERC's policy generally permitted partnership pipelines to recover an income tax allowance in a cost-of-service proceeding before FERC if the pipeline's ultimate owners had income tax liability. The maximum cost-based rates for our interstate natural gas pipelines and intrastate pipelines that provide interstate transportation services could be adversely affected in future rate proceedings as a result of the change in policy and law. For interstate oil and NGL pipelines, FERC has indicated that it will consider the impacts of the tax policy and law changes on an industry-wide basis during the 2020 calendar year through its indexing methodology review. We cannot predict the changes to the indexing methodology, but the tax policy and law changes could adversely impact the FERC index that is applied to the ceiling rates for our interstate NGL pipelines beginning in 2021. Additionally, any new cost-based rates for our pipelines regulated by the FERC will be affected by the new policy and tax law.

Recently proposed or finalized rules imposing more stringent requirements on the oil and gas industry could cause our customers and us to incur increased capital expenditures and operating costs as well as reduce the demand for our services.

On August 16, 2012, the EPA issued final regulations under the Clean Air Act that, among other things, require additional emissions controls for natural gas and natural gas liquids production, including New Source Performance Standards, or NSPS, to address emissions of sulfur dioxide and volatile organic compounds, or VOCs, and a separate set of emission standards to address hazardous air pollutants frequently associated with such production activities. The final regulations would have required, among other things, the reduction of VOC emissions from existing natural gas wells that are re-fractured, as well as newly-drilled and fractured wells through the use of reduced emission completions or "green completions" and well completion combustion devices, such as flaring, as of January 1, 2015. In addition, these rules would have established specific requirements regarding emissions from compressors and controllers at natural gas gathering and boosting stations and processing plants together with emissions reduction requirements for dehydrators and storage tanks at natural gas processing plants, compressor stations and gathering and boosting stations. The rules would also have established new requirements for detection and repair of VOC leaks exceeding 500 parts per million in concentration at new or modified natural gas processing plants. The EPA made certain revisions to the regulation from 2013 to 2015, which was the subject of Petitions for Review before the U.S. Circuit Court of Appeals for the District of Columbia. In addition, in June 2016, the EPA expanded the NSPS regulations for new or modified sources of VOCs to include methane emissions. Among other things, this regulation would have imposed leak detection and repair requirements for VOCs and methane on producer well site equipment and on midstream equipment such as compressor and booster stations, imposes additional emission reduction requirements on specific pieces of oil and gas equipment, and would have been a regulatory pre-condition to the EPA acting to regulate existing oil and gas methane sources in the future under Section 111(d) of the Clean Air Act. This regulation is the subject of a Petition for Review before the U.S. Circuit Court of Appeals for the District of Columbia. It was also the subject of review pursuant to the March 28, 2017, Presidential Executive Order on Promoting Energy Independence and Economic Growth, which ordered the EPA Administrator to review this regulation for consistency with the Executive Order's policy to review existing regulations impacting natural gas

development and, if appropriate, “suspend, revise, or rescind the guidance or publish for notice and comment proposed rules suspending, revising or rescinding those rules.” In response to the Executive Order, in October 2018 the EPA published proposed revisions to the regulation significantly revising elements of the rule. The EPA separately withdrew the information request that it had issued in November 2016 as part of an effort to develop standards for methane and other emissions from existing sources in the oil and natural gas industry. On August 29, 2019, EPA proposed amendments to the 2012 and 2016 NSPS for the oil and gas industry by removing transmission and storage infrastructure from regulation of methane emissions and other VOCs. The amendments would also rescind methane requirements for oil and gas production and processing equipment. As an alternative, EPA proposed to rescind the methane requirements for oil and gas sources altogether and sought comment on alternative interpretations of its authority to regulate pollutants under Section 111 of the Clean Air Act. EPA has not yet published the final version of the rule, but judicial challenges are expected when such rule revisions are promulgated as final. The EPA, in October 2015, revised and lowered the ambient air quality standard for ozone in the U.S. under the Clean Air Act, from 75 parts per billion to 70 parts per billion, which is likely to result in more, and expanded, ozone non-attainment areas, which in turn will require states to adopt implementation plans to reduce emissions of ozone-forming pollutants, like VOCs and nitrogen oxides, that are emitted from, among others, the oil and gas industry. Persistent non-attainment status, such as for ozone, can result in lower major source permitting thresholds (making it more costly and complex to site and permit major new or modified facilities) and additional control requirements. A judicial challenge in the D.C. Circuit Court to the October 2015 EPA regulation was put in abeyance temporarily while the EPA reviewed the regulation. The EPA later indicated it will not revise the rule, and challenges from industry and environmental groups moved forward. In August 2019, the D.C. Court of Appeals upheld the health-based ozone standards but remanded to the EPA the secondary, public welfare standards designed to protect environmental values. The 2015 Ozone standard is being implemented pursuant to the December 2018 final implementation rule. In October 2016, the EPA also finalized Control Techniques Guidelines for VOC emissions from existing oil and natural gas equipment and processes in moderate ozone non-attainment areas. These Control Techniques Guidelines provide recommendations for states and local air agencies to consider when determining what emissions control requirements apply to sources in the non-attainment areas. In March 2018, however, the EPA published a request for comments on withdrawing the guidelines in their entirety. Similarly, states can initiate and promulgate regulations affecting oil and gas operations and associated emissions, either as a matter of their own statutory authority and programs or when implementing federal programs, such as the federal ozone ambient air quality standard or the federal Regional Haze regulation. Judicial challenges to new regulatory measures are likely and we cannot predict the outcome of such challenges. New regulatory suspensions, revisions, or rescissions and conflicting state and federal regulatory mandates may inhibit our ability to accurately forecast the costs associated with future regulatory compliance. Collectively, implementation of more stringent regulations could require modifications to the operations of our exploration and production customers, as well as our operations, including the installation of new equipment and new emissions management practices, which could result in significant additional costs, both increased capital expenditures and operating costs. The incurrence of such expenditures and costs by our customers could also result in reduced production by those customers and thus translate into reduced demand for our services, which could in turn have an adverse effect on our business and cash available for distributions.

We may incur significant costs in the future associated with proposed climate change regulation and legislation.

The United States Congress and some states where we have operations may consider legislation or regulations related to greenhouse gas emissions, including methane emissions, which may compel reductions of such emissions. In addition, there have been international conventions and efforts to establish standards for the reduction of greenhouse gases globally, including the Paris accords in December 2015. The conditions for entry into force of the Paris accords were met on October 5, 2016 and the Agreement went into force 30 days later on November 4, 2016. In August 2017, however, the United States notified the United Nations Secretary-General that it intends to withdraw from the agreement as soon as it is able to do so, in November 2019, although the United States signed implementation agreements framed in December 2018 at the U.N. Climate Change Conference in Warsaw, Poland. On November 4, 2019, President Trump formally notified the United Nations that the United States would withdraw from the Paris Agreement. The November 4, 2019 formal notice triggered the start of a year-long withdrawal process. Legislative proposals have included or could include limitations, or caps, on the amount of greenhouse gas that can be emitted, as well as a system of emissions allowances. For example, legislation passed by the U.S. House of Representatives in 2010, which was not taken up by the Senate, would have placed the entire burden of obtaining allowances for the carbon content of NGLs on the owners of NGLs at the point of fractionation. In June 2013, President Obama announced a climate action plan that targets methane emissions from the oil and gas industry as part of a comprehensive interagency methane reduction strategy, and in June 2016, the EPA expanded the NSPS regulations for new or modified sources of VOCs to include methane emissions, which, among other things, imposes leak detection and repair requirements for VOCs and methane on producer well site equipment and on midstream equipment such as compressor and booster stations, imposes additional emission reduction requirements on specific pieces of oil and gas equipment, and is a regulatory pre-condition to the EPA acting to regulate existing oil and gas methane sources in the future under Section 111(d) of the Clean Air Act. Many of the actions taken under the Obama Administration have been targeted by the Trump Administration. For instance, in October 2018 the EPA published proposed revisions to the 2016 NSPS regulation significantly revising elements of the rule. In March 2018,

the EPA published a request for comments on entirely withdrawing the October 2016 Control Techniques Guidelines for emissions of VOCs from existing oil and gas industry sources in ozone nonattainment areas, which had an expected co-benefit of reduced methane emissions. On August 29, 2019, EPA proposed amendments to the 2012 and 2016 NSPS for the oil and gas industry by removing transmission and storage infrastructure from regulation of methane emissions and over VOCs. The amendments would also rescind methane requirements for oil and gas production and processing equipment. As an alternative, EPA proposed to rescind the methane requirements for oil and gas sources altogether and sought comment on alternative interpretations of its authority to regulate pollutants under Section 111 of the Clean Air Act. Relatedly, the D.C. Circuit Court challenge to the October 2015 EPA regulation reducing the ambient ozone standard from 75 parts per billion to 70 parts per billion under the Clean Air Act was put in abeyance temporarily while the EPA reviewed the regulation. The EPA later indicated it will not revise the rule, and challenges from industry and environmental groups moved forward. In August 2019, the D.C. Court of Appeals upheld the health-based ozone standards but remanded to the EPA the secondary, public welfare standards designed to protect environmental values. The 2015 Ozone standard is being implemented pursuant to the December 2018 final implementation rule. Separately, in 2011 the EPA issued permitting rules for sources of greenhouse gases; however, in June 2014, the U.S. Supreme Court reversed a D.C. Circuit Court of Appeals decision that had upheld these rules, and struck down the EPA's greenhouse gas permitting rules to the extent they impose a requirement to obtain a permit based solely on emissions of greenhouse gases. Under the Court ruling and the EPA's subsequent proposed rules, major sources of other air pollutants, such as VOCs or nitrogen oxides, could still be required to implement process or technology controls and obtain permits regarding emissions of greenhouse gases. These proposed rules have not been finalized. The EPA has issued rules requiring reporting of greenhouse gases, on an annual basis, for certain onshore natural gas and oil production facilities, and in October 2015, the EPA amended and expanded those greenhouse gas reporting requirements to all segments of the oil and gas industry effective January 1, 2016. Similarly, some states can initiate and promulgate regulations affecting oil and gas operations and associated greenhouse gas emissions as a matter of their own statutory authority and programs. Judicial challenges to new regulatory measures are likely and we cannot predict the outcome of such challenges. New regulatory suspensions, revisions, or rescissions and conflicting state and federal regulatory mandates may inhibit our ability to accurately forecast the costs associated with future regulatory compliance. To the extent legislation is enacted or additional regulations are promulgated that regulate greenhouse gas emissions, it could significantly increase our costs to (i) acquire allowances; (ii) permit new large facilities; (iii) operate and maintain our facilities; (iv) install new emission controls or institute emission reduction measures; and (v) manage a greenhouse gas emissions program. If such legislation becomes law or additional rules are promulgated in the United States or any states in which we have operations and we are unable to pass these costs through as part of our services, it could have an adverse effect on our business and cash available for distributions.

Increased regulation of hydraulic fracturing could result in reductions, delays or increased costs in drilling and completing new oil and natural gas wells, which could adversely impact our revenues by decreasing the volumes of natural gas and natural gas liquids that we gather, process and transport.

Certain of our customers' natural gas is developed from formations requiring hydraulic fracturing as part of the completion process. Fracturing is a process where water, sand, and chemicals are injected under pressure into subsurface formations to stimulate hydrocarbon production. While the underground injection of fluids is regulated by the EPA under the Safe Drinking Water Act, or SDWA, hydraulic fracturing is excluded from regulation unless the injection fluid is diesel fuel. The EPA has published an interpretive memorandum and permitting guidance related to regulation of fracturing fluids using this regulatory authority. The EPA has finalized various regulatory programs directed at hydraulic fracturing. For example, in June 2016, the EPA issued regulations under the federal Clean Water Act to further regulate wastewater discharges from hydraulic fracturing and other natural gas production to publicly-owned treatment works. States can propose or promulgate regulations or enact initiatives or legislation imposing conditions or restrictions on hydraulic fracturing practices or oil and gas well development using hydraulic fracturing or horizontal drilling techniques. The adoption of new laws or regulations imposing reporting obligations on, or otherwise limiting or regulating, the hydraulic fracturing process could make it more difficult for our customers to complete oil and natural gas wells in shale formations and increase their costs of compliance. In addition, the EPA has studied the potential adverse impact that each stage of hydraulic fracturing may have on the environment; the EPA released a final assessment report of the potential impacts of hydraulic fracturing on drinking water resources in December 2016. Several states in which our customers operate have also adopted regulations requiring disclosure of fracturing fluid components or otherwise regulate their use more closely. In Oklahoma, induced seismicity from injection of fluids in wastewater disposal wells has resulted in regulatory limitations on wastewater disposal into such wells. Under a recent settlement agreement, the EPA had until March 2019 to decide whether to initiate rulemaking governing the disposal of wastewater from oil and gas development under RCRA Subtitle D. In April 2019, the EPA released its review, concluding that no new regulations are needed for managing wastewater, based on the EPA's conclusion that existing state regulations and best management practices are sufficiently protective of human health and the environment. The implementation of rules relating to hydraulic fracturing could result in increased expenditures for our exploration and production customers, which could cause them to reduce their production and thereby result in reduced demand for our services by these customers.

On March 28, 2017, President Trump issued Executive Order 13783 entitled “Promoting Energy Independence and Economic Growth.” Executive Order 13783 directed executive departments and agencies to review regulations that potentially burden the development or use of domestically produced energy resources and, as appropriate, suspend, revise, or rescind those that unduly burden domestic energy resources development. On March 26, 2015, the federal Bureau of Land Management (“BLM”) finalized regulations requiring disclosure of chemicals used in hydraulic fracturing activities upon Native American Indian and other federal lands, and added requirements on the use of hydraulic fracturing techniques and management of produced water on these lands. The rule was never implemented due to court challenges. On December 29, 2017, the BLM rescinded the rule. On November 18, 2016, the BLM finalized regulations to, among other things, curtail the flaring during the production of natural gas and oil on Native American Indian and other federal lands, which affects how hydraulically fractured wells are developed and operated. On December 8, 2017, the BLM finalized a rule suspending or delaying many of the provisions of the regulation while it reviews the regulation, which action was subsequently enjoined by the U.S. District Court in a challenge brought by two states and a non-profit organization. On February 22, 2018, the BLM proposed changes to the 2016 regulation, and on September 28, 2018, the BLM finalized the regulatory action rescinding parts of the rule and revising other parts of the rule. Our customers will continue to be subject to uncertainty associated with new regulatory measures as well as new regulatory suspensions, revisions, or rescissions and conflicting state and federal regulatory mandates, which could adversely affect their production and thereby result in reduced demand for our services by these customers.

Construction of new assets is subject to regulatory, environmental, political, legal, economic, civil protest, and other risks that may adversely affect our financial results.

The construction of new midstream facilities or additions or modifications to our existing midstream asset systems involves numerous regulatory, environmental, political, legal, and economic uncertainties beyond our control and may require the expenditure of significant amounts of capital. For example, public participation in review and permitting processes can introduce uncertainty and additional costs associated with project timing and completion. Relatedly, civil protests regarding environmental and social issues, including construction of infrastructure associated with fossil fuels, may lead to increased legislative and regulatory initiatives and review at federal, state, and local levels of government that could prevent or delay the construction of such infrastructure and realization of associated revenues. Construction expenditures may occur over an extended period of time, yet we will not receive any material increases in cash flow until the project is completed and fully operational. Moreover, our cash flow from a project may be delayed or may not meet our expectations. These projects may not be completed on schedule or within budgeted cost, or at all. We may construct facilities to capture anticipated future growth in production in a region in which such growth does not materialize. Since we are not engaged in the exploration for, and development of, natural gas and oil reserves, we often do not have access to third party estimates of potential reserves in an area prior to constructing facilities in such area. To the extent we rely on estimates of future production in our decision to construct new systems or additions to our systems, such estimates may prove to be inaccurate because there are numerous uncertainties inherent in estimating quantities of future production. As a result, these facilities may not be able to attract enough throughput to achieve our expected investment return, which could adversely affect our results of operations and financial condition. The construction of new systems or additions to our existing gathering and transportation assets may require us to obtain new rights-of-way prior to constructing these facilities. We may be unable to obtain such rights-of-way to connect new natural gas supplies to our existing gathering lines or capitalize on other attractive expansion opportunities. The construction of new systems or additions to our existing gathering and transportation assets may require us to rely on third parties downstream of our facilities to have available capacity for our delivered natural gas and NGLs. If such third party facilities are not constructed or operational at the time that the addition to our facilities is completed, we may experience adverse effects on our results of operations and financial condition. The construction of additional systems may require greater capital investment if the commodity prices of certain supplies, such as steel, increase. Construction also subjects us to risks related to the ability to construct projects within anticipated costs, including the risk of cost overruns resulting from inflation or increased costs of equipment, materials, labor, or other factors beyond our control that could adversely affect results of operations, financial position or cash flows.

We are exposed to the credit risks of our key producer customers, and any material nonpayment or nonperformance by our key producer customers could reduce our ability to make distributions to our unitholders.

We are subject to risks of loss resulting from nonpayment or nonperformance by our producer customer. Any material nonpayment or nonperformance by our key producer customers could reduce our ability to make distributions to our unitholders. Furthermore, some of our producer customers may be highly leveraged and subject to their own operating and regulatory risks, which could increase the risk that they may default on their obligations to us. Additionally, a decline in the availability of credit to producers in and surrounding our geographic footprint could decrease the level of capital investment and growth that would otherwise bring new volumes to our existing assets and facilities.

If we do not make acquisitions on economically acceptable terms, our future growth could be limited.

Our ability to make acquisitions that are accretive to our cash generated from operations per unit is based upon our ability to identify attractive acquisition candidates, negotiate acceptable purchase contracts and obtain financing for these acquisitions on economically acceptable terms. Furthermore, even if we do make acquisitions that we believe will be accretive, these acquisitions may nevertheless result in a decrease in the cash generated from operations per unit. Additionally, net assets contributed by DCP Midstream, LLC represent a transfer of net assets between entities under common control, and are recognized at DCP Midstream, LLC's basis in the net assets transferred. The amount of the purchase price in excess of DCP Midstream, LLC's basis in the net assets, if any, is recognized as a reduction to partners' equity. Conversely, the amount of the purchase price less than DCP Midstream's basis in the net assets, if any, is recognized as an increase to partners' equity.

Any acquisition involves potential risks, including, among other things:

- mistaken assumptions about volumes, future contract terms with customers, revenues and costs, including synergies;
- an inability to successfully integrate the businesses we acquire;
- the assumption of unknown liabilities;
- limitations on rights to indemnity from the seller;
- mistaken assumptions about the overall costs of equity or debt;
- the diversion of management's and employees' attention from other business concerns;
- change in competitive landscape;
- unforeseen difficulties operating in new product areas or new geographic areas; and
- customer or key employee losses at the acquired businesses.

If we consummate any future acquisitions, our capitalization and results of operations may change significantly, and unitholders will not have the opportunity to evaluate the economic, financial and other relevant information that we will consider in determining the application of these funds and other resources.

In addition, any limitations on our access to substantial new capital to finance strategic acquisitions will impair our ability to execute this component of our growth strategy. If the cost of such capital becomes too expensive, our ability to develop or acquire accretive assets will be limited. We may not be able to raise the necessary funds on satisfactory terms, if at all. The primary factors that influence our cost of capital include market conditions and offering or borrowing costs such as interest rates or underwriting discounts.

We may not be able to grow or effectively manage our growth.

Historically, a principal focus of our strategy was to continue to grow the per unit distribution on our units by expanding our business. Our acquisition of the DCP Midstream Business in January 2017 ("the Transaction") resulted in significant growth of the Partnership, but also in the potential loss of certain future drop down opportunities from DCP Midstream, LLC. Our future growth will depend upon a number of factors, some of which we can control and some of which we cannot. These factors include our ability to:

- complete construction projects and consummate accretive acquisitions or joint ventures;
- identify businesses engaged in managing, operating or owning pipelines, processing and storage assets or other midstream assets for acquisitions, joint ventures and construction projects;
- appropriately identify liabilities associated with acquired businesses or assets;
- integrate acquired or constructed businesses or assets successfully with our existing operations and into our operating and financial systems and controls;
- hire, train and retain qualified personnel to manage and operate our growing business; and
- obtain required financing for our existing and new operations at reasonable rates.

A deficiency in any of these factors could adversely affect our ability to sustain the level of our cash flows or realize benefits from acquisitions, joint ventures or construction projects. In addition, competition from other buyers could reduce our acquisition opportunities. DCP Midstream, LLC and its affiliates are not restricted from competing with us. DCP Midstream, LLC and its affiliates may acquire, construct or dispose of midstream or other assets in the future without any obligation to offer us the opportunity to purchase or construct those assets. Furthermore, in recent years we have grown through organic projects, dropdowns and acquisitions. If we fail to properly integrate these assets successfully with our existing operations, if the future performance of these assets does not meet our expectations, if we did not properly value the assets, or if we did not identify significant liabilities associated with acquired assets, the anticipated benefits from these transactions may not be fully realized.

Acquisitions may not be beneficial to us.

Acquisitions involve numerous risks, including:

- the failure to realize expected profitability, growth or accretion;
- an increase in indebtedness and borrowing costs;
- potential environmental or regulatory compliance matters or liabilities;
- potential title issues;
- the incurrence of unanticipated liabilities and costs; and
- the temporary diversion of management's attention from managing the remainder of our assets to the process of integrating the acquired businesses.

Assets recently acquired will also be subject to many of the same risks as our existing assets. If any of these risks or unanticipated liabilities or costs were to materialize, any desired benefits of these acquisitions may not be fully realized, if at all, and our future financial performance and results of operations could be negatively impacted.

Our assets and operations can be affected by weather, weather-related conditions and other natural phenomena.

Our assets and operations can be adversely affected by hurricanes, floods, tornadoes, wind, lightning, cold weather and other natural phenomena, which could impact our results of operations and make it more difficult for us to realize historic rates of return. Although we carry insurance on the vast majority of our assets, insurance may be inadequate to cover our loss and in some instances, we have been unable to obtain insurance on some of our assets on commercially reasonable terms, if at all. If we incur a significant disruption in our operations or a significant liability for which we were not fully insured, our financial condition, results of operations and ability to make distributions to our unitholders could be materially adversely affected.

We may not have sufficient cash from operations following the establishment of cash reserves and payment of fees and expenses, including cost reimbursements to our general partner, to enable us to continue to make cash distributions to our unitholders.

The amount of cash we can distribute on our units principally depends upon the amount of cash we generate from our operations, which will fluctuate from quarter to quarter based on, among other things:

- the fees we charge and the margins we realize for our services;
- the prices of, level of production of, and demand for natural gas, condensate, and NGLs;
- the success of our commodity and interest rate hedging programs in mitigating fluctuations in commodity prices and interest rates;
- the volume and quality of natural gas we gather, compress, treat, process, transport and sell, and the volume of NGLs we process, transport, sell and store;
- the operational performance and efficiency of our assets, including our plants and equipment;
- the operational performance and efficiency of third party assets that provide services to us;
- the relationship between natural gas, NGL and crude oil prices;
- the level of competition from other energy companies;
- the impact of weather conditions on the demand for natural gas and NGLs;
- the level of our operating and maintenance and general and administrative costs; and
- prevailing economic conditions.

In addition, the actual amount of cash we will have available for distribution will depend on other factors, some of which are beyond our control, including:

- the level of capital expenditures we make;

- the cost and form of payment for acquisitions;
- our debt service requirements and other liabilities;
- fluctuations in our working capital needs;
- our ability to borrow funds and access capital markets at reasonable rates;
- restrictions contained in our Credit Agreement and the indentures governing our notes;
- the timing of our producers' obligations to make volume deficiency payments to us;
- the amount of cash distributions we receive from our equity interests;
- the amount of cost reimbursements to our general partner;
- the amount of cash reserves established by our general partner; and
- new, additions to and changes in laws and regulations.

We have partial ownership interests in various joint ventures, which could adversely affect our ability to operate and control these entities. In addition, we may be unable to control the amount of cash we will receive from the operation of these entities and we could be required to contribute significant cash to fund our share of their operations, which could adversely affect our ability to distribute cash to our unitholders.

Our inability, or limited ability, to control the operations and management of joint ventures in which we have a partial ownership interest may mean that we will not receive the amount of cash we expect to be distributed to us. In addition, for joint ventures in which we have a minority ownership interest, we will be unable to control ongoing operational decisions, including the incurrence of capital expenditures that we may be required to fund. Specifically,

- we have limited ability to control decisions with respect to the operations of these joint ventures, including decisions with respect to incurrence of expenses and distributions to us;
- these joint ventures may establish reserves for working capital, capital projects, environmental matters and legal proceedings which would reduce cash available for distribution to us;
- these joint ventures may incur additional indebtedness, and principal and interest made on such indebtedness may reduce cash otherwise available for distribution to us; and
- these joint ventures may require us to make additional capital contributions to fund working capital and capital expenditures, our funding of which could reduce the amount of cash otherwise available for distribution.

All of these items could significantly and adversely impact our ability to distribute cash to our unitholders.

The amount of cash we have available for distribution to our unitholders depends primarily on our cash flow and not solely on profitability.

Profitability may be significantly affected by non-cash items. As a result, we may make cash distributions during periods when we record losses for financial accounting purposes and may not make cash distributions during periods when we record net earnings for financial accounting purposes.

We do not own all of the land on which our pipelines, facilities and rail terminals are located, which may subject us to increased costs.

We may become subject to more onerous terms and/or increased costs to retain necessary land use if we do not have valid rights of way or if such rights of way lapse or terminate. Certain of our leases contain renewal provisions that allow for our continued use and access of the subject land and, although we review and renew our leases as a routine business matter, there may be instances where we may not be able to renew our contract leases on commercially reasonable terms or may have to commence eminent domain proceedings to establish our right to continue to use the land. We obtain the rights to construct and operate our pipelines, surface sites and rail terminals on land owned by third parties and governmental agencies for a specific period of time.

Our business involves many hazards and operational risks, some of which may not be fully covered by insurance.

Our operations, and the operations of third parties, are subject to many hazards inherent in the gathering, compressing, treating, processing, storing, transporting and fractionating, as applicable, of natural gas and NGLs, including:

- damage to pipelines, plants, terminals, storage facilities and related equipment and surrounding properties caused by hurricanes, tornadoes, floods, fires and other natural disasters and acts of terrorism;
- inadvertent damage from construction, farm and utility equipment;

- leaks of natural gas, NGLs and other hydrocarbons from our pipelines, plants, terminals, or storage facilities, or losses of natural gas or NGLs as a result of the malfunction of equipment or facilities;
- contaminants in the pipeline system;
- fires and explosions; and
- other hazards that could also result in personal injury and loss of life, pollution and suspension of operations.

These risks could result in substantial losses due to personal injury and/or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage and may result in curtailment or suspension of our related operations. We are not fully insured against all risks inherent to our business, including offshore wind. We insure our underground pipeline systems against property damage, although coverage on certain of our small diameter gathering pipelines is subject to usual and customary sublimits. We are not insured against all environmental accidents that might occur, which may include toxic tort claims, other than those considered to be sudden and accidental. In some instances, certain insurance could become unavailable or available only for reduced amounts of coverage, or may become prohibitively expensive, and we may elect not to carry such a policy.

Our increasing dependence on digital technology puts us at risk for a cyber incident that could result in information theft, data corruption, operational disruption or financial loss.

We are increasingly reliant on digital technology to run our business and operate our assets. Our DCP 2.0 digital transformation includes a focus on increasing the use of digital technology in all aspects of our business. We use digital technology to conduct certain of our plant operations, to monitor pipelines, compressors, pumps, meters, and other operating assets, to record financial and operating data, and to maintain various information databases relating our business. Our service providers are also increasingly reliant on digital technology. Our and their reliance on this technology increasingly puts us at risk for technology system failures, telecommunication, data, and network disruptions, and cyberattacks and other breaches in cybersecurity, which could significantly impair our ability to conduct our business. Our insurance may not provide adequate protection from these risks. Any such events could damage our reputation and lead to financial losses from remedial actions, loss of business, or potential liability. As these cyber-risks continue to evolve and our dependence on digital technology grows, we may be required to expend significant additional resources to continue to modify or enhance our protective measures and remediate cyber vulnerabilities.

Our business could be negatively impacted by security threats, including cybersecurity threats, terrorist attacks, the threat of terrorist attacks and related disruptions.

We face a variety of security threats, including cybersecurity threats to gain unauthorized access to sensitive information or to render data or systems unusable. Cybersecurity threats are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. These events could damage our reputation and lead to financial losses from remedial actions, loss of business or potential liability.

We face the threat of future terrorist attacks on both our industry in general and on us, including the possibility that infrastructure facilities could be direct targets of, or indirect casualties of, an act of terror. The increased security measures we have taken as a precaution against possible terrorist attacks have resulted in increased costs to our business. Any physical damage to facilities or cyber incidents resulting from acts of terrorism may not be covered, or covered fully, by insurance. We may be required to expend material amounts of capital to repair any facilities, the expenditure of which could adversely affect our business and cash flows. Changes in the insurance markets attributable to terrorist attacks may make certain types of insurance more difficult for us to obtain. Moreover, the insurance that may be available to us may be significantly more expensive than our existing insurance coverage. Instability in the financial markets as a result of terrorism or war could also affect our ability to raise capital.

Risks Inherent in an Investment in Our Common Units

Conflicts of interest may exist between our individual unitholders and DCP Midstream, LLC, the owner of our general partner, which has sole responsibility for conducting our business and managing our operations.

DCP Midstream, LLC owns and controls our general partner. Some of our general partner's directors and all of its executive officers are directors or executive officers of DCP Midstream, LLC or its owners. Therefore, conflicts of interest may arise between DCP Midstream, LLC and its affiliates and our unitholders. In resolving these conflicts of interest, our general partner may favor its own interests and the interests of its affiliates over the interests of our unitholders. These conflicts include, among others, the following situations:

- neither our Partnership Agreement nor any other agreement requires DCP Midstream, LLC to pursue a business strategy that favors us. DCP Midstream, LLC's directors and officers have a fiduciary duty to make these decisions in the best interests of the owners of DCP Midstream, LLC, which may be contrary to our interests;
- our general partner is allowed to take into account the interests of parties other than us, such as DCP Midstream, LLC and its affiliates, including Phillips 66 and Enbridge, in resolving conflicts of interest;
- DCP Midstream, LLC and its affiliates, including Phillips 66 and Enbridge, are not limited in their ability to compete with us. Please read "DCP Midstream, LLC and its affiliates are not limited in their ability to compete with us" below;
- our general partner has limited its liability and reduced its fiduciary duties, and has also restricted the remedies available to our unitholders for actions that, without the limitations, might constitute breaches of fiduciary duty;
- our general partner determines the amount and timing of asset purchases and sales, borrowings, issuance of additional partnership securities and reserves, each of which can affect the amount of cash that is distributed to unitholders;
- our general partner determines the amount and timing of any capital expenditures and whether a capital expenditure is a sustaining capital expenditure, which reduces operating surplus, or an expansion capital expenditure, which does not reduce operating surplus. This determination can affect the amount of cash that is distributed to our unitholders;
- our general partner determines which costs incurred by it and its affiliates are reimbursable by us;
- our Partnership Agreement does not restrict our general partner from causing us to pay it or its affiliates for any services rendered to us or entering into additional contractual arrangements with any of these entities on our behalf;
- our general partner intends to limit its liability regarding our contractual and other obligations and, in some circumstances, is entitled to be indemnified by us;
- our general partner may exercise its limited right to call and purchase common units if it and its affiliates own more than 80% of the common units;
- our general partner controls the enforcement of obligations owed to us by our general partner and its affiliates; and
- our general partner decides whether to retain separate counsel, accountants or others to perform services for us.

DCP Midstream, LLC and its affiliates are not limited in their ability to compete with us, which could cause conflicts of interest and limit our ability to acquire additional assets or businesses, which in turn could adversely affect our results of operations and cash available for distribution to our unitholders.

Neither our Partnership Agreement nor the Services Agreement between us and DCP Midstream, LLC prohibits DCP Midstream, LLC and its affiliates, including Phillips 66 and Enbridge, from owning assets or engaging in businesses that compete directly or indirectly with us. In addition, DCP Midstream, LLC and its affiliates, including Phillips 66 and Enbridge, may acquire, construct or dispose of additional midstream or other assets in the future, without any obligation to offer us the opportunity to purchase or construct any of those assets. Each of these entities is a large, established participant in the midstream energy business, and each has significantly greater resources than we have, which factors may make it more difficult for us to compete with these entities with respect to commercial activities as well as for acquisition candidates. As a result, competition from these entities could adversely impact our results of operations and cash available for distribution.

Cost reimbursements due to our general partner and its affiliates for services provided, which will be determined by our general partner, will be material.

Pursuant to the Services Agreement, DCP Midstream, LLC and its affiliates will receive reimbursement for the payment of operating expenses related to our operations and for the provision of various general and administrative services for our benefit. Payments for these services will be material. In addition, under Delaware partnership law, our general partner has unlimited liability for our obligations, such as our debts and environmental liabilities, except for our contractual obligations that are expressly made without recourse to our general partner. To the extent our general partner incurs obligations on our behalf, we are obligated to reimburse or indemnify it. If we are unable or unwilling to reimburse or indemnify our general partner, our general partner may take actions to cause us to make payments of these obligations and liabilities. These factors may reduce the amount of cash otherwise available for distribution to our unitholders.

Our Partnership Agreement limits our general partner's fiduciary duties to holders of our units.

Although our general partner has a fiduciary duty to manage us in a manner beneficial to us and our unitholders, the directors and officers of our general partner have a fiduciary duty to manage our general partner in a manner beneficial to its owner, DCP Midstream, LLC. Our Partnership Agreement contains provisions that reduce the standards to which our general partner would otherwise be held by state fiduciary duty laws. For example, our Partnership Agreement permits our general

partner to make a number of decisions either in its individual capacity, as opposed to in its capacity as our general partner or otherwise free of fiduciary duties to us and our unitholders. This entitles our general partner to consider only the interests and factors that it desires, and it has no duty or obligation to give any consideration to any interest of, or factors affecting, us, our affiliates or any limited partner. Examples include:

- its limited call right;
- its voting rights with respect to the units it owns;
- its registration rights; and
- its determination whether or not to consent to any merger or consolidation of the partnership or amendment to the Partnership Agreement.

By purchasing a unit, a unitholder will agree to become bound by the provisions in the Partnership Agreement, including the provisions discussed above.

Our Partnership Agreement restricts the remedies available to holders of our units for actions taken by our general partner that might otherwise constitute breaches of fiduciary duty.

Our Partnership Agreement contains provisions that restrict the remedies available to our unitholders for actions taken by our general partner that might otherwise constitute breaches of fiduciary duty. For example, our Partnership Agreement:

- provides that our general partner will not have any liability to us or our unitholders for decisions made in its capacity as a general partner so long as it acted in good faith, meaning it believed the decision was in the best interests of our partnership;
- generally provides that affiliated transactions and resolutions of conflicts of interest not approved by the special committee of the board of directors of our general partner and not involving a vote of our unitholders must be on terms no less favorable to us than those generally being provided to or available from unrelated third parties or must be “fair and reasonable” to us, as determined by our general partner in good faith and that, in determining whether a transaction or resolution is “fair and reasonable,” our general partner may consider the totality of the relationships between the parties involved, including other transactions that may be particularly advantageous or beneficial to us; and provides that our general partner and its officers and directors will not be liable for monetary damages to us, our limited partners or assignees for any acts or omissions unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that the general partner or those other persons acted in bad faith or engaged in fraud or willful misconduct or, in the case of a criminal matter, acted with knowledge that the conduct was criminal.

Holders of our units have limited voting rights and are not entitled to elect our general partner or its directors.

Unlike the holders of common stock in a corporation, unitholders have only limited voting rights on matters affecting our business and, therefore, limited ability to influence management’s decisions regarding our business. Our unitholders do not elect our general partner or its board of directors, and have no right to elect our general partner or its board of directors on an annual or other continuing basis. The members of the board of directors of our general partner are chosen by the owner of our general partner. As a result of these limitations, the price at which the units trade could be diminished because of the absence or reduction of a takeover premium in the trading price.

Our units may experience price volatility.

Our unit price has experienced volatility in the past, and volatility in the price of our units may occur in the future as a result of any of the risk factors contained herein and the risks described in our other public filings with the SEC. For instance, our units may experience price volatility as a result of changes in investor sentiment with respect to our competitors, our business partners and our industry in general, which may be influenced by volatility in prices for NGLs, natural gas and crude oil. In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies but affect the market price of their securities. These market fluctuations may also materially and adversely affect the market price of our units.

Even if our unitholders are dissatisfied, they may be unable to remove our general partner without its consent.

The unitholders may be unable to remove our general partner without its consent because our general partner and its affiliates own a significant percentage of our outstanding units. The vote of the holders of at least 66 2/3% of all outstanding common units is required to remove the general partner. As of December 31, 2019, our general partner and its affiliates owned approximately 57% of our outstanding common units.

Our Partnership Agreement restricts the voting rights of our unitholders owning 20% or more of any class of our units.

Our unitholders' voting rights are further restricted by the Partnership Agreement provision providing that any units held by a person that owns 20% or more of any class of units then outstanding, other than our general partner, its affiliates, their transferees and persons who acquired such units with the prior approval of the board of directors of our general partner, cannot vote on any matter. Our Partnership Agreement also contains provisions limiting the ability of our unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting our unitholders' ability to influence the manner or direction of management.

If we are deemed an "investment company" under the Investment Company Act of 1940, it would adversely affect the price of our common units and could have a material adverse effect on our business.

Our assets include certain equity investments, such as minority ownership interests in joint ventures, which may be deemed to be "investment securities" within the meaning of the Investment Company Act of 1940, as amended (the "Investment Company Act"). In the future, we may acquire additional minority-owned interests in joint ventures that could be deemed "investment securities." If a sufficient amount of our assets are deemed to be "investment securities" within the meaning of the Investment Company Act, we would either have to register as an investment company under the Investment Company Act, obtain exemptive relief from the SEC or modify our organizational structure or our contract rights to fall outside the definition of an investment company. Registering as an investment company could, among other things, materially limit our ability to engage in transactions with affiliates, including the purchase and sale of certain securities or other property to or from our affiliates, restrict our ability to borrow funds or engage in other transactions involving leverage and require us to add additional directors who are independent of us or our affiliates. The occurrence of some or all of these events may have a material adverse effect on our business.

Moreover, treatment of us as an investment company would prevent our qualification as a partnership for federal income tax purposes in which case we would be treated as a corporation for federal income tax purposes, and be subject to federal income tax at the corporate tax rate, which could significantly reduce the cash available for distributions. Additionally, distributions to our unitholders would be taxed again as corporate distributions and none of our income, gains, losses or deductions would flow through to our unitholders.

Additionally, as a result of our desire to avoid having to register as an investment company under the Investment Company Act, we may have to forgo potential future acquisitions of interests in companies that may be deemed to be investment securities within the meaning of the Investment Company Act or dispose of our current interests in any of our assets that are deemed to be "investment securities."

Control of our general partner may be transferred to a third party without unitholder consent.

Our general partner may transfer its general partner interest to a third party in a merger or in a sale of all or substantially all of its assets without the consent of our unitholders. Furthermore, under our Partnership Agreement the owners of our general partner may pledge, impose a lien or transfer all or a portion of their respective ownership interest in our general partner to a third party. Any new owners of our general partner would then be in a position to replace the board of directors and officers of the general partner with its own choices and thereby influence the decisions taken by the board of directors and officers.

We may generally issue additional units, including units that are senior to our common units, without our unitholders' approval, which would dilute our unitholders' existing ownership interests.

Our Partnership Agreement does not limit the number of additional common units that we may issue at any time without the approval of our unitholders. The issuance by us of additional common units, preferred units, or other equity securities of equal or senior rank will have the following effects:

- our unitholders' proportionate ownership interest in us will decrease, including a relative dilution of any voting rights;

- the amount of cash available for distribution on each unit may decrease;
- the ratio of taxable income to distributions may increase;
- the relative voting strength of each previously outstanding unit may be diminished; and
- the market price of the common units may decline.

We are prohibited from paying distributions on our common units if distributions on our Preferred Units are in arrears.

The holders of our 7.375% Series A Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units (“Series A Preferred Units”), our 7.875% Series B Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units (“Series B Preferred Units”), and our 7.95% Series C Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units (“Series C Preferred Units and together with the Series A Preferred Units and the Series B Preferred Units, the “Preferred Units”) are entitled to certain rights that are senior to the rights of holders of common units, such as rights to distributions and rights upon liquidation of the Partnership. If we do not pay the required distributions on our Preferred Units, we will be unable to pay distributions on our common units. Additionally, because distributions to our Preferred Unitholders are cumulative, we will have to pay all unpaid accumulated preferred distributions before we can pay any distributions to our common unitholders. Also, because distributions to our common unitholders are not cumulative, if we do not pay distributions on our common units with respect to any quarter, our common unitholders will not be entitled to receive distributions covering any prior periods if we later commence paying distributions on our common units. The preferences and privileges of the Preferred Units could adversely affect the market price for our common units, or could make it more difficult for us to sell our common units in the future.

Our Preferred Units are subordinated to our existing and future debt obligations, and your interests could be diluted by the issuance of additional units, including additional Preferred Units, and by other transactions.

The Preferred Units are subordinated to all of our existing and future indebtedness. The payment of principal and interest on our debt reduces cash available for distribution to our limited partners, including the holders of Preferred Units. The issuance of additional units on parity with or senior to the Preferred Units (including additional Preferred Units) would dilute the interests of the holders of the Preferred Units, and any issuance of equal or senior ranking securities or additional indebtedness could affect our ability to pay distributions on, redeem or pay the liquidation preference on the Preferred Units.

We distribute all of our available cash to our common unitholders and are not required to accumulate cash for the purpose of meeting our future obligations to holders of the Preferred Units, which may limit the cash available to make distributions on the Preferred Units.

Our Partnership Agreement requires us to distribute all of our “available cash” each quarter to our common unitholders. “Available cash” is defined in our Partnership Agreement and described below under “Item 5. Market for Registrant’s Common Equity, Related Unitholder Matters and Issuer Purchases of Common Units—Distributions of Available Cash—Definition of Available Cash.” As a result, we do not expect to accumulate significant amounts of cash. Depending on the timing and amount of our cash distributions, these distributions could significantly reduce the cash available to us in subsequent periods to make payments on the Preferred Units.

Our general partner including its affiliates may sell units in the public or private markets, which could reduce the market price of our outstanding common units.

If our general partner or its affiliates holding unregistered common units were to dispose of a substantial portion of these units in the public market, whether in a single transaction or series of transactions, it could reduce the market price of our outstanding common units. In addition, these sales, or the possibility that these sales may occur, could make it more difficult for us to sell our common units in the future.

Our general partner has a limited call right that may require our unitholders to sell their units at an undesirable time or price.

If at any time our general partner and its affiliates own more than 80% of the common units, our general partner will have the right, but not the obligation, which it may assign to any of its affiliates or to us, to acquire all, but not less than all, of the common units held by unaffiliated persons at a price not less than their then-current market price. As a result, our common unitholders may be required to sell their common units at an undesirable time or price and may not receive any return on their investment. Our common unitholders may also incur a tax liability upon a sale of their common units.

The liability of holders of limited partner interests may not be limited if a court finds that unitholder action constitutes control of our business.

A general partner of a partnership generally has unlimited liability for the obligations of the partnership, except for those contractual obligations of the partnership that are expressly made without recourse to the general partner. Our partnership is organized under Delaware law and we conduct business in a number of other states. The limitations on the liability of holders of limited partner interests for the obligations of a limited partnership have not been clearly established in some of the other states in which we do business. Holders of limited partner interests could be liable for any and all of our obligations as if such holder were a general partner if:

- a court or government agency determined that we were conducting business in a state but had not complied with that particular state's partnership statute; or
- the right of holders of limited partner interests to act with other unitholders to remove or replace the general partner, to approve some amendments to our Partnership Agreement or to take other actions under our Partnership Agreement constitute "control" of our business.

Unitholders may have liability to repay distributions that were wrongfully distributed to them.

Under certain circumstances, our unitholders may have to repay amounts wrongfully returned or distributed to them. Under Section 17-607 of the Delaware Revised Uniform Limited Partnership Act, we may not make a distribution to our unitholders if the distribution would cause our liabilities to exceed the fair value of our assets. Delaware law provides that for a period of three years from the date of the impermissible distribution, limited partners who received the distribution and who knew at the time of the distribution that it violated Delaware law will be liable to the limited partnership for the distribution amount. Substituted limited partners are liable for the obligations of the assignor to make contributions to the partnership that are known to the substituted limited partner at the time it became a limited partner and for unknown obligations if the liabilities could be determined from the Partnership Agreement. Liabilities to partners on account of their partnership interest and liabilities that are non-recourse to the partnership are not counted for purposes of determining whether a distribution is permitted.

Tax Risks to Unitholders

Our tax treatment depends on our status as a partnership for federal income tax purposes, as well as our being subject to minimal entity-level taxation by individual states. If the Internal Revenue Service, or IRS, were to treat us as a corporation for federal income tax purposes, or we become subject to a material amount of entity-level taxation for state tax purposes, it would substantially reduce the amount of cash available for distribution to our unitholders.

The anticipated after-tax economic benefit of an investment in the common units depends largely on our being treated as a partnership for federal income tax purposes. We have not requested, and do not plan to request, a ruling from the IRS regarding our status as a partnership.

Despite the fact that we are a limited partnership under Delaware law, it is possible in certain circumstances for a partnership such as ours to be treated as a corporation for federal income tax purposes. Although we do not believe based upon our current operations that we will be treated as a corporation, the IRS could disagree with the positions we take or a change in our business (or a change in current law) could cause us to be treated as a corporation for federal income tax purposes or otherwise subject us to taxation as an entity.

If we were treated as a corporation for federal income tax purposes, we would pay federal income tax on our taxable income at the corporate tax rate, which is currently 21% for taxable years beginning after December 31, 2017, and would likely pay state income tax at varying rates. Distributions to a unitholder would generally be taxed again as corporate dividends (to the extent of our current and accumulated earnings and profits), and no income, gains, losses, deductions, or credits would flow through to the unitholder. Because a tax would be imposed upon us as a corporation, our cash available for distribution to a unitholder would be substantially reduced. Therefore, treatment of us as a corporation for federal tax purposes would result in a material reduction in the anticipated cash flow and after-tax return to a unitholder, likely causing a substantial reduction in the value of our units.

The tax treatment of publicly traded partnerships or an investment in our units could be subject to potential legislative, judicial or administrative changes and differing interpretations, possibly on a retroactive basis.

The present federal income tax treatment of publicly traded partnerships, including us, or an investment in our units, may be modified by administrative, legislative or judicial interpretation at any time. Any modification to the federal income tax laws

and interpretations thereof may or may not be applied retroactively. Moreover, any such modification could make it more difficult or impossible for us to meet the exception that allows publicly traded partnerships that generate qualifying income to be treated as partnerships (rather than corporations) for federal income tax purposes, affect or cause us to change our business activities, or affect the tax consequences of an investment in our units. The U.S. Treasury Department issued final regulations interpreting the scope of activities that generate qualifying income under Section 7704 of the Internal Revenue Code of 1986, as amended, or the Code. We believe that the income we currently treat as qualifying income satisfies the requirements for qualifying income under the final regulations.

The Tax Cuts and Jobs Act provides a deduction under Code Section 199A to a non-corporate common unitholder, for taxable years beginning after December 31, 2017 and ending on or before December 31, 2025, equal to 20% of his or her allocable share of our “qualified business income.” For purposes of this deduction, our “qualified business income” is equal to the sum of the net amount of our items of income, gain, deduction and loss to the extent such items are included or allowed in the determination of taxable income for the year, excluding, however, certain specified types of passive investment income (such as capital gains and dividends); and any gain recognized upon a disposition of our units to the extent such gain is attributable to certain assets, such as depreciation recapture and our “inventory items,” and is thus treated as ordinary income under Section 751 of the Code. This law also includes certain new limitations on the use of losses and other deductions to offset taxable income. Various aspects of this deduction and these limitations may be modified by administrative, legislative or judicial interpretations at any time, which may or may not be applied retroactively.

Because of widespread state budget deficits and other reasons, several states are evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise and other forms of taxation, which would reduce the cash available for distribution to our unitholders. For example, we are required to pay the State of Texas a margin tax that is assessed at 0.75% of taxable margin apportioned to Texas.

Changes in tax laws could adversely affect our performance.

We are subject to extensive tax laws and regulations, with respect to federal, state and foreign income taxes and transactional taxes such as excise, sales/use, payroll, franchise and ad valorem taxes. New tax laws and regulations and changes in existing tax laws and regulations are continuously being enacted that could result in increased tax expenditures in the future.

If tax authorities contest the tax positions we take, the market for our units may be adversely impacted, and the cost of any contest with a tax authority would reduce our cash available for distribution to our unitholders.

We have not requested a ruling from the IRS with respect to our treatment as a partnership for federal income tax purposes. Tax authorities may adopt positions that differ from the conclusions of our counsel or from the positions we take, and the tax authority's positions may ultimately be sustained. It may be necessary to resort to administrative or court proceedings to sustain some or all of our counsel's conclusions or the positions we take. A court may not agree with some or all of our counsel's conclusions or positions we take. Any contest with a tax authority, and the outcome of any such contest, may increase a unitholder's tax liability and result in adjustment to items unrelated to us and could materially and adversely impact the market for our units and the price at which they trade. In addition, our costs of any contest with any tax authority will be borne indirectly by our unitholders and our general partner because such costs will reduce our cash available for distribution.

For taxable years beginning after December 31, 2017, the procedures for auditing large partnerships and the procedures for assessing and collecting taxes due (including applicable penalties and interest) as a result of an audit have changed. Unless we are eligible to (and choose to) elect to issue revised Schedules K-1 to our partners with respect to an audited and adjusted return, the IRS may assess and collect taxes (including any applicable penalties and interest) directly from us in the year in which the audit is completed under the new procedures. If we are required to pay taxes, penalties and interest as the result of audit adjustments, cash available for distribution to our unitholders may be substantially reduced. In addition, because payment would be due for the taxable year in which the audit is completed, unitholders during that taxable year would bear the expense of the adjustment even if they were not unitholders during the audited taxable year.

Our unitholders may be required to pay taxes on income from us even if the unitholders do not receive any cash distributions from us.

Because our unitholders will be treated as partners to whom we will allocate taxable income, which could be different in amount than the cash we distribute, unitholders will be required to pay any federal income taxes and, in some cases, state and local income taxes on their share of our taxable income even if they receive no cash distributions from us. Unitholders may not receive cash distributions from us equal to their share of our taxable income or even equal to the tax liability that results from that income.

Certain actions that we may take, such as issuing additional units, may increase the federal income tax liability of unitholders.

In the event we issue additional units or engage in certain other transactions in the future, the allocable share of nonrecourse liabilities allocated to the unitholders will be recalculated to take into account our issuance of any additional units. Any reduction in a unitholder's share of our nonrecourse liabilities will be treated as a distribution of cash to that unitholder and will result in a corresponding tax basis reduction in a unitholder's units. A deemed cash distribution may, under certain circumstances, result in the recognition of taxable gain by a unitholder, to the extent that the deemed cash distribution exceeds such unitholder's tax basis in its units.

In addition, the federal income tax liability of a unitholder could be increased if we dispose of assets or make a future offering of units and use the proceeds in a manner that does not produce substantial additional deductions, such as to repay indebtedness currently outstanding or to acquire property that is not eligible for depreciation or amortization for federal income tax purposes or that is depreciable or amortizable at a rate significantly slower than the rate currently applicable to our assets.

Tax gain or loss on disposition of common units could be more or less than expected.

If a unitholder sells its common units, the unitholder will recognize a gain or loss equal to the difference between the amount realized and the unitholder's tax basis in those common units. Because distributions to a unitholder in excess of the total net taxable income allocated to it for a common unit decreases its tax basis in that common unit, the amount, if any, of such prior excess distributions with respect to the units sold will, in effect, become taxable income to the unitholder if the common unit is sold at a price greater than their tax basis in that common unit, even if the price is less than their original cost. Furthermore, a substantial portion of the amount realized, whether or not representing gain, may be taxed as ordinary income due to potential recapture items, including depreciation recapture. In addition, because the amount realized includes a unitholder's share of our nonrecourse liabilities, if a unitholder sells its units, the unitholder may incur a tax liability in excess of the amount of cash the unitholder receives from the sale.

Our unitholders may be subject to limitation on their ability to deduct interest expense incurred by us.

In general, we are entitled to a deduction for interest paid or accrued on indebtedness properly allocable to our trade or business during our taxable year. However, under the Tax Cuts and Jobs Act enacted on December 22, 2017 (the "Tax Cuts and Jobs Act"), for taxable years beginning after December 31, 2017, our deduction for "business interest" is limited to the sum of our business interest income and 30% of our "adjusted taxable income." For the purposes of this limitation, our adjusted taxable income is computed without regard to any business interest expense or business interest income, and in the case of taxable years beginning before January 1, 2022, any deduction allowable for depreciation, amortization, or depletion that is not required to be capitalized as part of cost of goods sold.

Tax-exempt entities and non-U.S. persons face unique tax issues from owning units that may result in adverse tax consequences to them.

Investment in units by tax-exempt entities, such as individual retirement accounts, or IRAs, other retirement plans and non-U.S. persons raises issues unique to them. For example, virtually all of our income allocated to organizations that are exempt from federal income tax, including IRAs and other retirement plans, will be unrelated business taxable income, which may be taxable to them. Further, with respect to taxable years beginning after December 31, 2017, a tax-exempt entity with more than one unrelated trade or business (including by attribution from investment in a partnership such as ours that is engaged in one or more unrelated trade or business) is required to compute the unrelated business taxable income of such tax-exempt entity separately with respect to each such trade or business (including for purposes of determining any net operating loss deduction). As a result, for years beginning after December 31, 2017, it may not be possible for tax-exempt entities to utilize losses from an investment in our partnership to offset unrelated business taxable income from another unrelated trade or business or vice versa.

Distributions to non-U.S. persons will be reduced by withholding taxes at the highest applicable effective tax rate, and non-U.S. persons will be required to file United States federal tax returns and pay tax on their share of our taxable income. Gain recognized from a sale or other disposition of our units by a non-U.S. person will be subject to federal income tax as income effectively connected with a U.S. trade or business. Moreover, the transferee of our units is generally required to withhold 10% of the amount realized by the transferor unless the transferor certifies that it is not a foreign person, and we are required to deduct and withhold from the transferee amounts that should have been withheld by the transferees but were not withheld. Because the “amount realized” includes a partner’s share of the partnership’s liabilities, 10% of the amount realized could exceed the total cash purchase price for the units. However, the IRS has suspended the application of this withholding rule to open market transfers of interest in publicly traded partnerships, pending promulgation of regulations or other guidance that address the amount to be withheld, the reporting necessary to determine such amount and the appropriate party to withhold such amounts. It is not clear if or when such regulations or other guidance will be issued.

If a unitholder is a tax-exempt entity or a non-U.S. person, the unitholder should consult its tax advisor before investing in our units.

We treat each purchaser of our common units as having the same tax benefits without regard to the actual common units purchased. The IRS may challenge this treatment, which could adversely affect the value of the common units.

Because we cannot match transferors and transferees of common units and because of other reasons, we have adopted depreciation and amortization positions that may not conform to all aspects of existing Treasury regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to the unitholders. It also could affect the timing of these tax benefits or the amount of gain from the sale of common units and could have a negative impact on the value of our common units or result in audit adjustments to our unitholders’ tax returns.

We prorate our items of income, gain, loss and deduction between transferors and transferees of our units each month based upon the ownership of our units on the first day of each month, instead of on the basis of the date a particular unit is transferred. The IRS may challenge this treatment, which could change the allocation of items of income, gain, loss and deduction among our unitholders.

We prorate our items of income, gain, loss and deduction between transferors and transferees of our units each month based upon the ownership of our units on the first day of each month, instead of on the basis of the date a particular unit is transferred. The U.S. Treasury Department has adopted final regulations that provide a safe harbor pursuant to which publicly traded partnerships may use a similar monthly simplifying convention to allocate tax items among transferor and transferee unitholders. These regulations do not specifically authorize the proration method we have previously used. If the IRS were to challenge our proration method or new Treasury regulations were issued, we may be required to change the allocation of items of income, gain, loss and deduction among our unitholders.

A unitholder whose units are loaned to a “short seller” to cover a short sale of units may be considered as having disposed of those units. If so, the unitholder would no longer be treated for tax purposes as a partner with respect to those units during the period of the loan and may be required to recognize gain or loss from the disposition.

Because a unitholder whose units are loaned to a “short seller” to cover a short sale of units may be considered as having disposed of the loaned units, the unitholder may no longer be treated for tax purposes as a partner with respect to those units during the period of the loan to the short seller and such unitholder may be required to recognize gain or loss from such disposition. Moreover, during the period of the loan to the short seller, any of our income, gain, loss or deduction with respect to those units may not be reportable by the unitholder and any cash distributions received by the unitholder as to those units could be fully taxable as ordinary income. Unitholders desiring to assure their status as partners and avoid the risk of gain recognition from a loan to a short seller are urged to modify any applicable brokerage account agreements to prohibit their brokers from borrowing and lending their units.

We have adopted certain valuation methodologies that may result in a shift of income, gain, loss and deduction between the general partner and the unitholders. The IRS may challenge this treatment, which could adversely affect the value of the units.

When we issue additional units or engage in certain other transactions, we determine the fair market value of our assets and allocate any unrealized gain or loss attributable to our assets to the capital accounts of our unitholders and our general partner. Our methodology may be viewed as understating the value of our assets. In that case, there may be a shift of income, gain, loss and deduction between certain unitholders and the general partner, which may be unfavorable to such unitholders. Moreover, subsequent purchasers of our units may have a greater portion of their adjustment under Section 743(b) of the Code allocated to

our tangible assets and a lesser portion allocated to our intangible assets. The IRS may challenge our valuation methods, or our allocation of the Section 743(b) adjustment attributable to our tangible and intangible assets, and allocations of income, gain, loss and deduction between the general partner and certain of our unitholders.

A successful IRS challenge to these methods or allocations could adversely affect the amount of taxable income or loss being allocated to our unitholders. It also could affect the amount of gain from our unitholders' sale of our units and could have a negative impact on the value of our units or result in audit adjustments to our unitholders' tax returns without the benefit of additional deductions.

Treatment of distributions on our Preferred Units as guaranteed payments for the use of capital creates a different tax treatment for the holders of Preferred Units than the holders of our common units.

The tax treatment of distributions on our Preferred Units is uncertain. We will treat the holders of our Preferred Units as partners for tax purposes and will treat distributions on our Preferred Units as guaranteed payments for the use of capital that will generally be taxable to the holders of our Preferred Units as ordinary income and will not be eligible for the deduction provided for under Code Section 199A. Although a holder of our Preferred Units could recognize taxable income from the accrual of such a guaranteed payment even in the absence of a contemporaneous distribution, we anticipate accruing and making the guaranteed payment distributions associated with the Preferred Units. Because the guaranteed payment for each unit must accrue as income to a holder during the taxable year of the accrual, the guaranteed payments attributable to the period beginning December 15 and ending December 31 will accrue as income to the holder of record of a Preferred Unit on December 31 for such period, regardless of whether such holder continues to own the Preferred Units at the time the actual distribution is made. Otherwise, the holders of our Preferred Units are generally not anticipated to share in our items of income, gain, loss or deduction, except to the extent necessary to provide, to the extent possible, the Preferred Units with the benefit of the liquidation preference. We will not allocate any share of our nonrecourse liabilities to the holders of our Preferred Units. If our Preferred Units were treated as indebtedness for tax purposes, rather than as partnership interests, distributions on our Preferred Units likely would be treated as payments of interest by us to the holders of our Preferred Units, rather than as guaranteed payments for the use of capital.

A holder of our Preferred Units will be required to recognize gain or loss on a sale of its Preferred Units equal to the difference between the amount realized by such holder and tax basis in the Preferred Units sold. The amount realized generally will equal the sum of the cash and the fair market value of other property such holder receives in exchange for such Preferred Units. Subject to general rules requiring a blended basis among multiple partnership interests, the tax basis of a Preferred Unit will generally be equal to the sum of the cash and the fair market value of other property paid by the holder of the Preferred Unit to acquire such Preferred Unit. Gain or loss recognized by a holder of a Preferred Unit on the sale or exchange of a Preferred Unit held for more than one year generally will be taxable as long-term capital gain or loss. Because holders of our Preferred Units will generally not be allocated a share of our items of depreciation, depletion or amortization, it is not anticipated that such holders would be required to recharacterize any portion of their gain as ordinary income as a result of the recapture rules.

Unitholders may be subject to state and local taxes and return filing requirements in states where they do not live as a result of investing in our units.

In addition to federal income taxes, unitholders may be subject to other taxes, including foreign, state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we do business or own property, even if the unitholders do not live in any of those jurisdictions. Unitholders may be required to file foreign, state and local income tax returns and pay state and local income taxes in some or all of these jurisdictions. Further, the unitholder may be subject to penalties for failure to comply with those requirements. As we make acquisitions or expand our business, we may own assets or do business in additional states that impose a personal income tax or an entity level tax. It is each unitholder's responsibility to file all United States federal, foreign, state and local tax returns. Our counsel has not rendered an opinion on the foreign, state or local tax consequences of an investment in our units.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

For details on our plants, fractionation and storage facilities and pipeline systems, please read Item 1. “Business - Our Operating Segments.” We believe that our properties are generally in good condition, well maintained and are suitable and adequate to carry on our business at capacity for the foreseeable future.

Our real property falls into two categories: (1) parcels that we own in fee; and (2) parcels in which our interest derives from leases, easements, rights-of-way, permits or licenses from landowners or governmental authorities permitting the use of such land for our operations. Portions of the land on which our plants and other major facilities are located are owned by us in fee title, and we believe that we have satisfactory title to these lands. The remainder of the land on which our plant sites and major facilities are located are held by us pursuant to ground leases between us, as lessee, and the fee owner of the lands, as lessors. We, or our predecessors, have leased these lands for many years without any material challenge known to us relating to the title to the land upon which the assets are located, and we believe that we have satisfactory leasehold estates to such lands. We have no knowledge of any challenge to the underlying fee title of any material lease, easement, right-of-way, permit or license held by us or to our title to any material lease, easement, right-of-way, permit or lease, and we believe that we have satisfactory title to all of our material leases, easements, rights-of-way, permits and licenses.

Our principal executive offices are located at 370 17th Street, Suite 2500, Denver, Colorado 80202, our telephone number is 303-595-3331 and our website address is www.dcpmidstream.com.

Item 3. Legal Proceedings

We are not a party to any significant legal proceedings, but are a party to various administrative and regulatory proceedings and commercial disputes that have arisen in the ordinary course of our business. Management currently believes that the ultimate resolution of these matters, taken as a whole, and after consideration of amounts accrued, insurance coverage or other indemnification arrangements, will not have a material adverse effect upon our consolidated results of operations, financial position or cash flows. For more information, please read “Environmental Matters” in Item 1 in this Annual Report on Form 10-K.

Environmental — The operation of pipelines, plants and other facilities for gathering, transporting, processing, treating, fractionating, or storing natural gas, 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, in some cases, local levels that relate to worker safety, pipeline safety, air and water quality, solid and hazardous 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, worker safety standards, and safety standards applicable to our various facilities. In addition, there is increasing focus from (i) regulatory bodies and communities, and through litigation, on hydraulic fracturing and the real or perceived environmental or public health impacts of this technique, which indirectly presents some risk to our available supply of natural gas and the resulting supply of NGLs, (ii) regulatory bodies regarding pipeline system safety which could impose additional regulatory burdens and increase the cost of our operations, (iii) state and federal regulatory officials regarding the emission of greenhouse gases and other air emissions, which could impose regulatory burdens and increase the cost of our operations, and (iv) regulatory bodies and communities that could prevent or delay the development of fossil fuel energy infrastructure such as pipelines, plants, and other facilities used in our business. 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 existing laws and regulations will not have a material adverse effect on our results of operations, financial position or cash flows.

Item 4. *Mine Safety Disclosures*

Not applicable.

PART II

Item 5. Market for Registrant's Common Units, Related Unitholder Matters and Issuer Purchases of Common Units

Market Information

Our common units are listed on the New York Stock Exchange ("NYSE") under the symbol "DCP". As of February 14, 2020, there were approximately 40 unitholders of record of our common units. This number does not include unitholders whose common units are held in trust by other entities.

Distributions of Available Cash

General - Our Partnership Agreement requires that, within 45 days after the end of each quarter, we distribute all of our Available Cash (defined below) to unitholders of record on the applicable record date, as determined by our general partner.

The Fifth Amended and Restated Partnership Agreement amends and restates the Fourth Amended and Restated Agreement of Limited Partnership of the Partnership in its entirety to, among other items, (i) convert the general partner interest in the Partnership into a non-economic general partner interest in the Partnership, (ii) reflect the cancellation of the general partner units and incentive distribution rights of the Partnership and (iii) eliminate certain legacy provisions that no longer apply, including provisions related to the economic general partner interest and the general partner units, incentive distribution rights, subordinated units, class B units, class C units and class D units of the Partnership that were formerly outstanding.

Prior to November 6, 2019, our general partner was entitled to a percentage of all quarterly distributions equal to its general partner interest of approximately 2% and limited partner interest of 36%, as well as an increasing share of Available Cash as a result of the incentive distribution rights. Distributions allocated to the general partner interest have ceased for distributions paid after the fourth quarter of 2019.

Definition of Available Cash - Available Cash, for any quarter, consists of all cash and cash equivalents on the date of determination of available cash for that quarter:

- less the amount of cash reserves established by our general partner to:
 - provide for the proper conduct of our business, including reserves for future capital expenditures and anticipated credit needs;
 - comply with applicable law or any debt instrument or other agreement or obligation;
 - provide funds to make payments on the Preferred Units; or
 - provide funds for distributions to our common unitholders for any one or more of the next four quarters.
- plus, if our general partner so determines, all or a portion of cash and cash equivalents on hand on the date of determination of Available Cash for the quarter.

Our current quarterly distribution is \$0.78 per unit, or \$3.12 per unit annualized. There is no guarantee that we will maintain our current distribution or pay any distribution on the units in any quarter. Even if our cash distribution policy is not modified or revoked, the amount of distributions paid under our policy and the decision to make any distribution is determined by our general partner, taking into consideration the terms of our Partnership Agreement. Please read "Management's Discussion and Analysis of Financial Condition and Results of Operations - Capital Requirements - Liquidity and Capital Resources" for a discussion of the restrictions included in our Credit Agreement that may restrict our ability to make distributions.

Please read the *Distributions of Available Cash* section in Note 16 of the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data" for more details about the distribution targets.

On January 22, 2020, we announced that the board of directors of DCP Midstream GP, LLC declared a quarterly distribution of \$0.78 per unit, which was paid on February 14, 2020, to unitholders of record on February 3, 2020.

Preferred Units - Distributions of the Preferred Units are payable out of Available Cash, are accretive and are cumulative from the date of original issuance of the Preferred Units.

- Distributions on the Series A Preferred Units are payable semiannually in arrears on June 15th and December 15th of each year.

- Distributions on the Series B Preferred Units are payable quarterly in arrears on the 15th day of March, June, September and December of each year to holders of record as of the close of business on the first business day of the month in which the distribution will be made.
- Distributions on the Series C Preferred Units are payable quarterly in arrears on the 15th day of January, April, July and October of each year to holders of record as of the close of business on the first business day of the month in which the distribution will be made.

Securities Authorized for Issuance Under Equity Compensation Plans

The information relating to our equity compensation plans required by Item 5 is incorporated by reference to such information as set forth in Item 12. “Security Ownership of Certain Beneficial Owners and Management and Related Unitholder Matters” contained herein.

Item 6. Selected Financial Data

The following table shows our selected financial data for the periods and as of the dates indicated, which is derived from our consolidated financial statements. The information contained herein should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements and the accompanying notes included elsewhere in this Form 10-K.

Our operating results incorporate a number of significant estimates and uncertainties. Such matters could cause the data included herein to not be indicative of our future financial condition or results of operations. The table should also be read together with Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The following table shows our selected financial and operating data for the periods and as of the dates indicated, which is derived from our consolidated financial statements.

	Year Ended December 31,				
	2019	2018	2017	2016	2015
	(millions, except per unit amounts)				
Statements of Operations Data:					
Sales of natural gas, NGLs and condensate	\$ 7,199	\$ 9,374	\$ 7,850	\$ 6,269	\$ 6,779
Transportation, processing and other	439	489	652	647	532
Trading and marketing (losses) gains, net	(13)	(41)	(40)	(23)	119
Total operating revenues	<u>7,625</u>	<u>9,822</u>	<u>8,462</u>	<u>6,893</u>	<u>7,430</u>
Operating costs and expenses:					
Purchases and related costs	6,022	8,019	6,885	5,461	5,981
Operating and maintenance expense	728	760	661	670	732
Depreciation and amortization expense	404	388	379	378	377
General and administrative expense	275	276	290	292	281
Asset impairments	247	145	48	—	912
Other expense (income), net	8	11	11	(65)	10
Loss (gain) on sale of assets, net	80	—	(34)	(35)	(42)
Restructuring costs	11	—	—	13	11
Total operating costs and expenses	<u>7,775</u>	<u>9,599</u>	<u>8,240</u>	<u>6,714</u>	<u>8,262</u>
Operating (loss) income	(150)	223	222	179	(832)
Loss on financing activities	—	(19)	—	—	—
Interest expense	(304)	(269)	(289)	(321)	(320)
Earnings from unconsolidated affiliates (a)	474	370	303	282	184
Income (loss) before income taxes	20	305	236	140	(968)
Income tax benefit (expense)	1	(3)	(2)	(46)	102
Net income (loss)	21	302	234	94	(866)
Net income attributable to noncontrolling interests	(4)	(4)	(5)	(6)	(5)
Net income (loss) attributable to partners	17	298	229	88	(871)
Net loss attributable to predecessor operations (b)	—	—	—	224	1,099
Series A preferred limited partners' interest in net income	(37)	(37)	(4)	—	—
Series B preferred limited partners' interest in net income	(13)	(8)	—	—	—
Series C preferred limited partners' interest in net income	(9)	(2)	—	—	—
General partner interest in net income	(118)	(164)	(164)	(124)	(124)
Net (loss) income allocable to limited partners	<u>\$ (160)</u>	<u>\$ 87</u>	<u>\$ 61</u>	<u>\$ 188</u>	<u>\$ 104</u>
Net (loss) income per limited partner unit - basic and diluted	<u>\$ (1.05)</u>	<u>\$ 0.61</u>	<u>\$ 0.43</u>	<u>\$ 1.64</u>	<u>\$ 0.91</u>

	Year Ended December 31,				
	2019	2018	2017	2016	2015
	(millions, except per unit amounts)				
Balance Sheet Data (at period end):					
Property, plant and equipment, net	\$ 8,811	\$ 9,135	\$ 8,983	\$ 9,069	\$ 9,428
Total assets	\$ 14,127	\$ 14,266	\$ 13,878	\$ 13,611	\$ 13,885
Accounts payable	\$ 773	\$ 926	\$ 1,076	\$ 735	\$ 545
Long-term debt	\$ 5,321	\$ 4,782	\$ 4,707	\$ 4,907	\$ 5,669
Partners' equity	\$ 6,605	\$ 7,268	\$ 7,408	\$ 2,601	\$ 2,772
Predecessor equity	\$ —	\$ —	\$ —	\$ 4,220	\$ 4,287
Noncontrolling interests	\$ 28	\$ 29	\$ 30	\$ 32	\$ 33
Total equity	\$ 6,633	\$ 7,297	\$ 7,438	\$ 6,853	\$ 7,092
Other Information:					
Cash distributions declared per unit	\$ 3.1200	\$ 3.1200	\$ 3.1200	\$ 3.1200	\$ 3.1200
Cash distributions paid per unit	\$ 3.1200	\$ 3.1200	\$ 3.1200	\$ 3.1200	\$ 3.1200

- (a) Includes our proportionate share of the earnings of our unconsolidated affiliates. Earnings include the amortization of the net difference between the carrying amount of the investments and the underlying equity of the entities.
- (b) Includes net loss attributable to the DCP Midstream Business prior to the date of our acquisition from DCP Midstream, LLC.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion analyzes our financial condition and results of operations. You should read the following discussion of our financial condition and results of operations in conjunction with our consolidated financial statements and notes included elsewhere in this Annual Report on Form 10-K.

Overview

We are a Delaware limited partnership formed by DCP Midstream, LLC to own, operate, acquire and develop a diversified portfolio of complementary midstream energy assets. Our operations are organized into two reportable segments: (i) Logistics and Marketing and (ii) Gathering and Processing. Our Logistics and Marketing segment includes transporting, trading, marketing and storing natural gas and NGLs, and fractionating NGLs. Our Gathering and Processing segment consists of gathering, compressing, treating, and processing natural gas, producing and fractionating NGLs, and recovering condensate.

General Trends and Outlook

We anticipate our business will continue to be affected by the following key trends. Our expectations are based on assumptions made by us and information currently available to us. To the extent our underlying assumptions about or interpretations of available information prove to be incorrect, our actual results may vary materially from our expected results.

Our business is impacted by commodity prices and volumes. We mitigate a significant portion of commodity price risk on an overall Partnership basis by growing our fee based assets and by executing on our hedging program. Various factors impact both commodity prices and volumes, and as indicated in Item 7A. "Quantitative and Qualitative Disclosures about Market Risk," we have sensitivities to certain cash and non-cash changes in commodity prices.

In the long-term, our belief is that commodity prices will continue to be at levels which support crude, condensate, natural gas, and NGL production. We expect future commodity prices will be influenced by the severity of winter and summer weather, tariffs and other global economic conditions, the level of North American production and drilling activity by exploration and production companies and the balance of trade between imports and exports of liquid natural gas, NGLs and crude oil.

Our business is primarily driven by the level of production of natural gas by producers and of NGLs from processing plants connected to our pipelines and fractionators. These volumes can be affected by, among other things, reduced drilling activity, severe weather disruptions, operational outages and ethane rejection.

NGL prices are impacted by the balance of supply and demand from petrochemical and refining industries and export facilities. The petrochemical industry has been making significant investment in building, expanding and converting facilities to use lighter NGL-based feedstocks, including ethane in their chemical plants. As these facilities commence operations, ethane demand is expected to increase which could provide price support for increased recovery of ethane at gas processing plants. We believe these new facilities will cause increased demand over time, which should provide support for the increasing supply of ethane. In addition, export facilities are being expanded and built, which provide support for the increasing supply of NGLs. Although there can be, and has been, volatility in NGL prices, longer term we believe there will be sufficient demand in NGLs to support increasing supply.

We hedge commodity prices associated with a portion of our expected natural gas, NGL and condensate equity volumes in our Gathering and Processing segment. Drilling activity levels vary by geographic area; we will continue to target our strategy in geographic areas where we expect producer drilling activity.

We believe our contract structure with our producers provides us with significant protection from credit risk since we generally hold the product, sell it and withhold our fees prior to remittance of payments to the producer. Currently, our top 20 producers account for a majority of the total natural gas that we gather and process and of these top 20 producers, 8 have investment grade credit ratings.

In addition to the U.S. financial markets, many businesses and investors continue to monitor global economic conditions. Uncertainty abroad may contribute to volatility in domestic financial and commodity markets.

We believe we are positioned to withstand current and future commodity price volatility as a result of the following:

- Our growing fee-based business represents a significant portion of our margins.

- We have positive operating cash flow from our well-positioned and diversified assets.
- We have a well-defined and targeted multi-year hedging program.
- We manage our disciplined capital growth program with a significant focus on fee-based agreements and projects with long-term volume outlooks.
- We believe we have a solid capital structure and balance sheet.
- We believe we have access to sufficient capital to fund our growth including excess coverage and divestitures.

During 2020, our strategic objectives will continue to focus on maintaining stable Distributable Cash Flows (a non-GAAP measure defined in “Reconciliation of Non-GAAP Measures - Distributable Cash Flows”) from our existing assets and executing on opportunities to sustain and ultimately grow our long-term Distributable Cash Flows. We believe the key elements to stable Distributable Cash Flows are the diversity of our asset portfolio, our fee-based business which represents a significant portion of our estimated margins, plus our hedged commodity position, the objective of which is to protect against downside risk in our Distributable Cash Flows. We will continue to pursue incremental revenue, cost efficiencies and operating improvements of our assets through process and technology improvements.

We have engaged in a disciplined growth strategy in recent years focusing on our key areas of operations. Our targeted strategy may take numerous forms such as organic build opportunities within our footprint, joint venture opportunities, and acquisitions. Growth opportunities will be evaluated in cooperation with producers and customers based on the expected level of drilling activity in these geographic regions and the impacts of higher costs of capital.

Some of our growth projects include the following:

- Within our Logistics and Marketing segment, we added NGL takeaway to the DJ Basin with our Southern Hills pipeline extension, via the White Cliffs pipeline conversion. The initial capacity is approximately 90 MBbls/d, expandable to 120 MBbls/d and was placed into service during the fourth quarter of 2019.
- FERC approval for the Cheyenne Connector pipeline was received in September of 2019 and we exercised an increased 50% ownership option in October of 2019. The pipeline is expected to be in service in the first half of 2020, alleviating current pipeline constraints in the DJ Basin.
- Our expansion of the Southern Hills pipeline has been moved to backlog.
- We hold an option to acquire a 30% ownership interest in two 150 MBbls/d fractionators to be constructed within Phillips 66's Sweeny Hub, exercisable at the in-service date, which is expected to be in late 2020.
- We are participating in the expansions of the Front Range and Texas Express pipelines which will add incremental NGL takeaway from the DJ Basin. Front Range's expansion to a capacity of 255 MBbls/d and Texas Express' expansion to a capacity of over 350 MBbls will be in-service in the first half of 2020.
- Within our Gathering and Processing Segment, the 200 MMcf/d O'Connor 2 plant was placed into service in the third quarter of 2019. The plant and the associated bypass of up to 100 MMcf/d increases total available DJ Basin capacity to 1.4 Bcf/d. The bypass was placed into service in the fourth quarter of 2019.
- We are adding up to 225 MMcf/d of incremental DJ Basin processing capacity by mid-2020 via a capital efficient offload agreement.

We incur capital expenditures for our consolidated entities and our unconsolidated affiliates. Our 2020 plan includes sustaining capital expenditures of between \$90 million and \$110 million, and expansion capital expenditures of between \$550 million and \$650 million. Expansion capital expenditures include the construction of the two fractionators within the Sweeny Hub and the Cheyenne Connector pipeline.

Recent Events

IDR Elimination Transaction

On November 6, 2019, we signed and closed a transaction with our general partner, DCP Midstream GP, LP, to eliminate all of our general partner economic interests and incentive distribution rights in exchange for the issuance of 65 million common units to our general partner. Following the close of the transaction, our general partner holds a non-economic general

partner interest in us and, together with DCP Midstream, LLC, owns approximately 118 million of our common units, representing approximately 57% of our outstanding common units.

Credit Agreement Amendment

On December 9, 2019 we entered into an amendment to extend our Credit Facility to December 9, 2024 and reduce the cost.

Securitization Facility Amendment

On December 23, 2019 we entered into an amendment to our Securitization Facility which increased the borrowing capacity to \$350 million from \$200 million.

Asset Dispositions

During the fourth quarter of 2019, we divested several non-core assets in the Midcontinent and Permian regions. We received proceeds of \$54 million and recognized a loss on sale of assets of \$66 million.

Common and Preferred Distributions

On January 22, 2020, we announced that the board of directors of the General Partner declared a quarterly distribution on our common units of \$0.78 per common unit. The distribution will be paid on February 14, 2020 to unitholders of record on February 3, 2020.

On the same date, the board of directors of the General Partner declared a quarterly distribution on our Series B and Series C Preferred Units of \$0.4922 and 0.4969 per unit, respectively. The Series B distributions will be paid on March 16, 2020 to unitholders of record on March 2, 2020. The Series C distribution will be paid on April 15, 2020 to unitholders of record on April 1, 2020.

Factors That May Significantly Affect Our Results

Logistics and Marketing Segment

Our Logistics and Marketing segment operating results are impacted by, among other things, the throughput volumes of the NGLs we transport on our NGL pipelines and the volumes of NGLs we fractionate and store. We transport, fractionate and store NGLs primarily on a fee basis. Throughput may be negatively impacted as a result of our customers operating their processing plants in ethane rejection mode, often as a result of low ethane prices relative to natural gas prices. Factors that impact the supply and demand of NGLs, as described below in our Gathering and Processing segment, may also impact the throughput and volume for our Logistics and Marketing segment.

These contractual arrangements may require our customers to commit a minimum level of volumes to our pipelines and facilities, thereby mitigating our exposure to volume risk. However, the results of operations for this business segment are generally dependent upon the volume of product transported, fractionated or stored and the level of fees charged to customers. We do not take title to the products transported on our NGL pipelines, fractionated in our fractionation facilities or stored in our storage facility; rather, the customer retains title and the associated commodity price risk. The volumes of NGLs transported on our pipelines are dependent on the level of production of NGLs from processing plants connected to our NGL pipelines. When natural gas prices are high relative to NGL prices, it is less profitable to process natural gas because of the higher value of natural gas compared to the value of NGLs and because of the increased cost of separating the NGLs from the natural gas. As a result, we have experienced periods in the past, in which higher natural gas or lower NGL prices reduce the volume of NGLs extracted at plants connected to our NGL pipelines and, in turn, lower the NGL throughput on our assets.

Our results of operations for our Logistics and Marketing segment are also impacted by increases and decreases in the volume, price and basis differentials of natural gas associated with our natural gas storage and pipeline assets, as well as our underlying derivatives associated with these assets. 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.

Gathering and Processing Segment

Our results of operations for our Gathering and Processing segment are impacted by (1) the prices of and relationship between commodities such as NGLs, crude oil and natural gas, (2) increases and decreases in the wellhead volume and quality of natural gas that we gather, (3) the associated Btu content of our system throughput and our related processing volumes, (4) the operating efficiency and reliability of our processing facilities, (5) potential limitations on throughput volumes arising from downstream and infrastructure capacity constraints, and (6) the terms of our processing contract arrangements with producers. This is not a complete list of factors that may impact our results of operations but, rather, are those we believe are most likely to impact those results.

Volume and operating efficiency generally are driven by wellhead production, plant recoveries, operating availability of our facilities, physical integrity and our competitive position on a regional basis, and more broadly by demand for natural gas, NGLs and condensate. Historical and current trends in the price changes of commodities may not be indicative of future trends. Volume and prices are also driven by demand and take-away capacity for residue natural gas and NGLs.

Our processing contract arrangements can have a significant impact on our profitability and cash flow. Our actual contract terms are based upon a variety of factors, including the commodity pricing environment at the time the contract is executed, natural gas quality, geographic location, customer requirements and competition from other midstream service providers. Our gathering and processing contract mix and, accordingly, our exposure to natural gas, NGL and condensate prices, may change as a result of producer preferences, impacting our expansion in regions where certain types of contracts are more common as well as other market factors. We generate our revenues and our gross margin for our Gathering and Processing segment principally from contracts that contain a combination of fee based arrangements and percent-of-proceeds/liquids arrangements.

Our Gathering and Processing segment operating results are impacted by market conditions causing variability in natural gas, crude oil and NGL prices. The midstream natural gas industry is cyclical, with the operating results of companies in the industry significantly affected by drilling activity, which may be impacted by prevailing commodity prices. The number of active oil and gas drilling rigs in the United States has decreased, from 993 on December 31, 2018 to 866 on December 31, 2019. Although the prevailing price of residue natural gas has less short-term significance to our operating results than the price of NGLs, in the long-term, the growth and sustainability of our business depends on commodity prices being at levels sufficient to provide incentives and capital for producers to explore for and produce natural gas.

The prices of NGLs, crude oil and natural gas can be extremely volatile for periods of time, and may not always have a close relationship. Due to our hedging program, changes in the relationship of the price of NGLs and crude oil may cause our commodity price exposure to vary, which we have attempted to capture in our commodity price sensitivities in Item 7A in this 2019 Form 10-K, "Quantitative and Qualitative Disclosures about Market Risk." Our results may also be impacted as a result of non-cash lower of cost or net realizable value inventory or imbalance adjustments, which occur when the market value of commodities decline below our carrying value.

We face strong competition in acquiring raw natural gas supplies. Our competitors in obtaining additional gas supplies and in gathering and processing raw natural gas includes major integrated oil and gas companies, interstate and intrastate pipelines, and companies that gather, compress, treat, process, transport, store and/or market natural gas. Competition is often the greatest in geographic areas experiencing robust drilling by producers and during periods of high commodity prices for crude oil, natural gas and/or NGLs. Competition is also increased in those geographic areas where our commercial contracts with our customers are shorter term and therefore must be renegotiated on a more frequent basis.

Weather

The economic impact of severe weather may negatively affect the nation's short-term energy supply and demand, and may result in commodity price volatility. Additionally, severe weather may restrict or prevent us from fully utilizing our assets, by damaging our assets, interrupting utilities, and through possible NGL and natural gas curtailments downstream of our facilities, which restricts our production. These impacts may linger past the time of the actual weather event. Although we carry insurance on the vast majority of our assets, insurance may be inadequate to cover our loss in some instances, and in certain circumstances we have been unable to obtain insurance on commercially reasonable terms, if at all.

Capital Markets

Volatility in the capital markets may impact our business in multiple ways, including limiting our producers' ability to finance their drilling programs and operations and limiting our ability to support or fund our operations and growth. These events may impact our counterparties' ability to perform under their credit or commercial obligations. Where possible, we have obtained additional collateral agreements, letters of credit from highly rated banks, or have managed credit lines to mitigate a portion of these risks.

Impact of Inflation

Inflation has been relatively low in the United States in recent years. However, the inflation rates impacting our business fluctuate throughout the broad economic and energy business cycles. Consequently, our costs for chemicals, utilities, materials and supplies, labor and major equipment purchases may increase during periods of general business inflation or periods of relatively high energy commodity prices.

Other

The above factors, including sustained deterioration in commodity prices and volumes, other market declines or a decline in our common unit price, may negatively impact our results of operations, and may increase the likelihood of a non-cash impairment charge or non-cash lower of cost or net realizable value inventory adjustments.

How We Evaluate Our Operations

Our management uses a variety of financial and operational measurements to analyze our performance. These measurements include the following: (1) volumes; (2) gross margin and segment gross margin; (3) operating and maintenance expense, and general and administrative expense; (4) adjusted EBITDA; (5) adjusted segment EBITDA; and (6) Distributable Cash Flow. Gross margin, segment gross margin, adjusted EBITDA, adjusted segment EBITDA, and Distributable Cash Flow are not measures under accounting principles generally accepted in the United States of America. To the extent permitted, we present certain non-GAAP measures and reconciliations of those measures to their most directly comparable financial measures as calculated and presented in accordance with GAAP. These non-GAAP measures may not be comparable to a similarly titled measure of another company because other entities may not calculate these non-GAAP measures in the same manner.

Volumes - We view wellhead, throughput and storage volumes as important factors affecting our profitability. We gather and transport some of the natural gas and NGLs under fee-based transportation contracts. Revenue from these contracts is derived by applying the rates stipulated to the volumes transported. Pipeline throughput volumes from existing wells connected to our pipelines will naturally decline over time as wells deplete. Accordingly, to maintain or to increase throughput levels on these pipelines and the utilization rate of our natural gas processing plants, we must continually obtain new supplies of natural gas and NGLs. Our ability to maintain existing supplies of natural gas and NGLs and obtain new supplies are impacted by: (1) the level of workovers or recompletions of existing connected wells and successful drilling activity in areas currently dedicated to our pipelines; and (2) our ability to compete for volumes from successful new wells in other areas. The throughput volumes of NGLs and gas on our pipelines are substantially dependent upon the quantities of NGLs and gas produced at our processing plants, as well as NGLs and gas produced at other processing plants that have pipeline connections with our NGL and gas pipelines. We regularly monitor producer activity in the areas we serve and in which our pipelines are located, and pursue opportunities to connect new supply to these pipelines. We also monitor our inventory in our NGL and gas storage facilities, as well as overall demand for storage based on seasonal patterns and other market factors such as weather.

Results of Operations

Consolidated Overview

The following table and discussion is a summary of our consolidated results of operations for the years ended December 31, 2019, 2018 and 2017. The results of operations by segment are discussed in further detail following this consolidated overview discussion. Discussions for the year ended December 31, 2018 vs. year ended December 31, 2017 can be found in our annual report Form 10-K for the year ended December 31, 2018 and should be read in conjunction with the discussions below.

	Year Ended December 31,			Variance 2019 vs. 2018		Variance 2018 vs. 2017	
	2019	2018	2017	Increase (Decrease)	Percent	Increase (Decrease)	Percent
(millions, except operating data)							
Operating revenues (a):							
Logistics and Marketing	\$ 6,856	\$ 9,014	\$ 7,757	\$ (2,158)	(24) %	\$ 1,257	16 %
Gathering and Processing	4,319	5,843	5,467	(1,524)	(26) %	376	7 %
Inter-segment eliminations	(3,550)	(5,035)	(4,762)	(1,485)	(29) %	273	6 %
Total operating revenues	7,625	9,822	8,462	(2,197)	(22) %	1,360	16 %
Purchases and related costs							
Logistics and Marketing	(6,602)	(8,789)	(7,557)	(2,187)	(25) %	1,232	16 %
Gathering and Processing	(2,970)	(4,265)	(4,090)	(1,295)	(30) %	175	4 %
Inter-segment eliminations	3,550	5,035	4,762	(1,485)	(29) %	273	6 %
Total purchases	(6,022)	(8,019)	(6,885)	(1,997)	(25) %	1,134	16 %
Operating and maintenance expense	(728)	(760)	(661)	(32)	(4) %	99	15 %
Depreciation and amortization expense	(404)	(388)	(379)	16	4 %	9	2 %
General and administrative expense	(275)	(276)	(290)	(1)	— %	(14)	(5) %
Asset impairments	(247)	(145)	(48)	102	70 %	97	*
Other expense, net	(8)	(11)	(11)	(3)	(27) %	—	— %
(Loss) gain on sale of assets, net	(80)	—	34	80	*	(34)	*
Restructuring costs	(11)	—	—	11	*	—	*
Loss from financing activities	—	(19)	—	(19)	*	19	*
Earnings from unconsolidated affiliates (b)	474	370	303	104	28 %	67	22 %
Interest expense	(304)	(269)	(289)	35	13 %	(20)	(7) %
Income tax benefit (expense)	1	(3)	(2)	(4)	*	1	50 %
Net income attributable to noncontrolling interests	(4)	(4)	(5)	—	— %	(1)	(20) %
Net income attributable to partners	\$ 17	\$ 298	\$ 229	\$ (281)	(94) %	\$ 69	30 %
Other data:							
Gross margin (c):							
Logistics and Marketing	\$ 254	\$ 225	\$ 200	\$ 29	13 %	\$ 25	13 %
Gathering and Processing	1,349	1,578	1,377	(229)	(15) %	201	15 %
Total gross margin	\$ 1,603	\$ 1,803	\$ 1,577	\$ (200)	(11) %	\$ 226	14 %
Non-cash commodity derivative mark-to-market	\$ (78)	\$ 108	\$ (28)	\$ (186)	*	\$ 136	*
NGL pipelines throughput (MBbls/d) (d)	626	582	460	44	8 %	122	27 %
Gas pipelines throughput (TBtu/d) (d) (e)	0.4	0.2	0.2	0.2	100 %	—	— %
Natural gas wellhead (MMcf/d) (d)	4,941	4,769	4,531	172	4 %	238	5 %
NGL gross production (MBbls/d) (d)	417	413	375	4	1 %	38	10 %

* Percentage change is not meaningful.

- (a) Operating revenues include the impact of trading and marketing gains (losses), net.
- (b) Earnings for Sand Hills pipeline, Southern Hills pipeline, Front Range pipeline, Gulf Coast Express pipeline, Texas Express pipeline and Mont Belvieu 1 include the amortization of the net difference between the carrying amount of the investments and the underlying equity of the entities.
- (c) Gross margin consists of total operating revenues less purchases and related costs. Segment gross margin for each segment consists of total operating revenues for that segment less purchases and related costs for that segment. Please read "Reconciliation of Non-GAAP Measures".
- (d) For entities not wholly-owned by us, includes our share, based on our ownership percentage, of the wellhead and throughput volumes and NGL production.
- (e) Represents average throughput for full year 2019. Gulf Coast Express pipeline was placed in service September 2019 and had an average throughput of .5 TBtu/d for the fourth quarter of 2019.

Year Ended December 31, 2019 vs. Year Ended December 31, 2018

Total Operating Revenues — Total operating revenues decreased \$2,197 million in 2019 compared to 2018 primarily as a result of the following:

- \$2,158 million decrease for our Logistics and Marketing segment primarily due to lower commodity prices, partially offset by higher gas and NGL sales volumes and favorable commodity derivative activity; and
- \$1,524 million decrease for our Gathering and Processing segment primarily due to lower commodity prices and decreased volumes in the Midcontinent region, partially offset by increased volume from growth projects in the DJ Basin, and increased volumes in the South and Permian regions.

These decreases were partially offset by:

- \$1,485 million change in inter-segment eliminations, which relate to sales of gas and NGL volumes from our Gathering and Processing segment to our Logistics and Marketing segment, primarily due to lower commodity prices partially offset by higher gas and NGL sales volumes.

Total Purchases — Total purchases decreased \$1,997 million in 2019 compared to 2018 primarily as a result of the following:

- \$2,187 million decrease for our Logistics and Marketing segment for the commodity price and volume changes discussed above; and
- \$1,295 million decrease for our Gathering and Processing segment for the commodity price and volume changes discussed above.

These decreases were partially offset by:

- \$1,485 million change in inter-segment eliminations, for the reasons discussed above.

Asset Impairments — Asset impairments in 2019 relate to property, plant and equipment in our Midcontinent and Permian regions and goodwill in our Marysville reporting unit. Asset impairments in 2018 relate to property, plant and equipment in our Midcontinent and South regions.

Loss on Sale of Assets, net — The net loss on sale of assets in 2019 represents the sale of non-core assets in the Midcontinent and Permian regions and our wholesale propane business.

Restructuring costs — Restructuring costs represent costs associated with the voluntary separation program offered during the second quarter of 2019.

Loss from Financing Activities — Loss from financing activities in 2018 represents a loss on redemption of senior notes.

Earnings from Unconsolidated Affiliates — Earnings from unconsolidated affiliates increased in 2019 compared to 2018 primarily as a result of higher throughput volumes on the Sand Hills pipeline due to increased capacity, higher throughput on the Front Range and Southern Hills pipelines and the Gulf Coast Express pipeline coming online.

Interest Expense — Interest expense increased in 2019 compared to 2018 primarily as a result of higher average outstanding debt balances, higher average debt cost, and lower capitalized interest due to projects placed in service.

Net Income Attributable to Partners — Net income attributable to partners decreased in 2019 compared to 2018 for the reasons discussed above.

Gross Margin — Gross margin decreased \$200 million in 2019 compared to 2018 primarily as a result of the following:

- \$229 million decrease for our Gathering and Processing segment primarily related to lower commodity prices and lower volumes in the Midcontinent region and lower margins in certain regions, partially offset by increased volume from growth projects in the DJ Basin and increased volumes in the Permian and South regions, partially offset by

- \$29 million increase for our Logistics and Marketing segment primarily related to higher gas marketing margins due to favorable commodity spreads primarily associated with Guadalupe and favorable commodity derivative activity, partially offset by lower gas storage margins, 2019 inventory valuation adjustments, the sale of our wholesale propane business, and decreased throughput volumes on other NGL pipelines.

Supplemental Information on Unconsolidated Affiliates

The following table presents financial information related to unconsolidated affiliates:

Earnings from investments in unconsolidated affiliates were as follows:

	Year Ended December 31,		
	2019	2018	2017
	(millions)		
DCP Sand Hills Pipeline, LLC	\$ 287	\$ 223	\$ 148
DCP Southern Hills Pipeline, LLC	77	68	47
Front Range Pipeline LLC	32	24	17
Gulf Coast Express LLC	27	—	—
Texas Express Pipeline LLC	16	19	9
Mont Belvieu Enterprise Fractionator	14	10	13
Mont Belvieu 1 Fractionator	13	16	6
Discovery Producer Services LLC	6	8	61
Other	2	2	2
Total earnings from unconsolidated affiliates	\$ 474	\$ 370	\$ 303

Distributions received from unconsolidated affiliates were as follows:

	Year Ended December 31,		
	2019	2018	2017
	(millions)		
DCP Sand Hills Pipeline, LLC	\$ 322	\$ 252	\$ 169
DCP Southern Hills Pipeline, LLC	89	83	62
Front Range Pipeline LLC	31	29	17
Gulf Coast Express LLC	25	—	—
Texas Express Pipeline LLC	16	20	12
Mont Belvieu Enterprise Fractionator	11	9	13
Mont Belvieu 1 Fractionator	14	15	6
Discovery Producer Services LLC	28	30	85
Other	4	3	3
Total distributions from unconsolidated affiliates	\$ 540	\$ 441	\$ 367

Results of Operations — Logistics and Marketing Segment

The results of operations for our Logistics and Marketing segment are as follows:

	Year Ended December 31,			Variance 2019 vs. 2018		Variance 2018 vs. 2017	
	2019	2018	2017	Increase (Decrease)	Percent	Increase (Decrease)	Percent
(millions, except operating data)							
Operating revenues:							
Sales of natural gas, NGLs and condensate	\$ 6,842	\$ 9,017	\$ 7,667	\$ (2,175)	(24) %	\$ 1,350	18 %
Transportation, processing and other	46	57	64	(11)	(19) %	(7)	(11) %
Trading and marketing (losses) gains, net	(32)	(60)	26	28	47 %	(86)	*
Total operating revenues	6,856	9,014	7,757	(2,158)	(24) %	1,257	16 %
Purchases and related costs	(6,602)	(8,789)	(7,557)	(2,187)	(25) %	1,232	16 %
Operating and maintenance expense	(42)	(47)	(41)	(5)	(11) %	6	15 %
Depreciation and amortization expense	(19)	(15)	(14)	4	27 %	1	7 %
General and administrative expense	(8)	(12)	(11)	(4)	(33) %	1	9 %
Asset impairments	(35)	—	—	35	*	—	*
Other expense, net	(3)	(4)	(11)	(1)	(25) %	(7)	(64) %
Earnings from unconsolidated affiliates (a)	468	362	243	106	29 %	119	49 %
Loss on sale of assets, net	(10)	—	—	10	—	—	*
Segment net income attributable to partners	\$ 605	\$ 509	\$ 366	\$ 96	19 %	\$ 143	39 %
Other data:							
Segment gross margin (b)	\$ 254	\$ 225	\$ 200	\$ 29	13 %	\$ 25	13 %
Non-cash commodity derivative mark-to-market	\$ (29)	\$ (4)	\$ (4)	\$ (25)	*	\$ —	— %
NGL pipelines throughput (MBbls/d) (c)	626	582	460	44	8 %	122	27 %
Gas pipelines throughput (Tbtu/d) (c) (d)	0.4	0.2	0.2	0.2	100 %	—	— %

* Percentage change is not meaningful.

- (a) Earnings for Sand Hills pipeline, Southern Hills pipeline, Front Range pipeline, Gulf Coast Express pipeline, Texas Express pipeline and Mont Belvieu 1 include the amortization of the net difference between the carrying amount of the investments and the underlying equity of the entities.
- (b) Segment gross margin consists of total operating revenues less purchases and related costs. Please read “Reconciliation of Non-GAAP Measures”.
- (c) For entities not wholly-owned by us, includes our share, based on our ownership percentage, of the throughput volume.
- (d) Represents average throughput for full year 2019. Gulf Coast Express pipeline was placed in service September 2019 and had an average throughput of .5 Tbtu/d for the fourth quarter of 2019.

Year Ended December 31, 2019 vs. Year Ended December 31, 2018

Total Operating Revenues — Total operating revenues decreased \$2,158 million in 2019 compared to 2018, primarily as a result of the following:

- \$3,132 million decrease as a result of lower commodity prices before the impact of derivative activity; and
- \$11 million decrease in transportation, processing and other.

These decreases were partially offset by:

- \$957 million increase attributable to higher gas and NGL sales volumes; and
- \$28 million increase as a result of commodity derivative activity attributable to a decrease in realized cash settlement losses of \$53 million partially offset by an increase in unrealized commodity derivative losses of \$25 million due to movements in forward prices of commodities in 2019.

Purchases and Related Costs — Purchases and related costs decreased \$2,187 million in 2019 compared to 2018 as a result of the commodity price and volume changes discussed above.

Operating and Maintenance Expense — Operating and maintenance expense decreased in 2019 compared to 2018 primarily due to the sale of our wholesale propane business.

Asset Impairments — Asset impairments in 2019 relate to the impairment of goodwill allocated to the Marysville reporting unit.

Earnings from Unconsolidated Affiliates — Earnings from unconsolidated affiliates increased in 2019 compared to 2018 primarily as a result of higher throughput volumes on the Sand Hills pipeline due to increased capacity, higher throughput on the Front Range and Southern Hills pipelines and the Gulf Coast Express pipeline coming online.

Loss on Sale of Assets, net — The loss on sale of assets in 2019 represents the sale of our wholesale propane business and other non-core assets.

Segment Gross Margin — Segment gross margin increased \$29 million in 2019 compared to 2018, primarily as a result of the following:

- \$48 million increase in gas marketing margins due to favorable commodity spreads primarily associated with Guadalupe; and
- \$28 million increase as a result of commodity derivative activity as discussed above.

These increases were partially offset by:

- \$30 million decrease as a result of lower gas storage margins and 2019 inventory valuation adjustments;
- \$12 million decrease due to the sale of our wholesale propane business; and
- \$5 million decrease primarily as a result of decreased throughput volumes on other NGL pipelines.

NGL Pipelines Throughput — NGL pipelines throughput increased in 2019 compared to 2018 primarily as a result of higher throughput volumes on the Sand Hills and Southern Hills pipelines due to capacity expansions, partially offset by decreased throughput volumes on other NGL pipelines.

Gas Pipelines Throughput — Gas throughput increased in 2019 compared to 2018 primarily as a result of Gulf Coast Express pipeline coming online in the third quarter.

Results of Operations — Gathering and Processing Segment

The results of operations for our Gathering and Processing segment are as follows:

	Year Ended December 31,			Variance 2019 vs. 2018		Variance 2018 vs. 2017	
	2019	2018	2017	Increase (Decrease)	Percent	Increase (Decrease)	Percent
	(millions, except operating data)						
Operating revenues:							
Sales of natural gas, NGLs and condensate	\$ 3,905	\$ 5,392	\$ 4,943	\$ (1,487)	(28) %	\$ 449	9 %
Transportation, processing and other	395	432	590	(37)	(9) %	(158)	(27) %
Trading and marketing gains (losses), net	19	19	(66)	—	— %	85	*
Total operating revenues	4,319	5,843	5,467	(1,524)	(26) %	376	7 %
Purchases and related costs							
Purchases and related costs	(2,970)	(4,265)	(4,090)	(1,295)	(30) %	175	4 %
Operating and maintenance expense	(664)	(692)	(602)	(28)	(4) %	90	15 %
Depreciation and amortization expense	(355)	(346)	(343)	9	3 %	3	1 %
General and administrative expense	(23)	(19)	(19)	4	21 %	—	— %
Asset impairments	(212)	(145)	(48)	67	46 %	97	*
Other expense, net	(5)	(6)	—	(1)	(17) %	(6)	*
(Loss) gain on sale of assets, net	(70)	—	34	70	*	(34)	*
Earnings from unconsolidated affiliates (a)	6	8	60	(2)	(25) %	(52)	(87) %
Segment net income	26	378	459	(352)	(93) %	(81)	(18) %
Segment net income attributable to noncontrolling interests	(4)	(4)	(5)	—	— %	(1)	(20) %
Segment net income attributable to partners	\$ 22	\$ 374	\$ 454	\$ (352)	(94) %	\$ (80)	(18) %
Other data:							
Segment gross margin (b)	\$ 1,349	\$ 1,578	\$ 1,377	\$ (229)	(15) %	\$ 201	15 %
Non-cash commodity derivative mark-to-market	\$ (49)	\$ 112	\$ (24)	\$ (161)	*	\$ 136	*
Natural gas wellhead (MMcf/d) (c)	4,941	4,769	4,531	172	4 %	238	5 %
NGL gross production (MBbls/d) (c)	417	413	375	4	1 %	38	10 %

* Percentage change is not meaningful.

- (a) Earnings from unconsolidated affiliates includes our 40% ownership of Discovery. Earnings for Discovery include the amortization of the net difference between the carrying amount of our investment and the underlying equity of the entity.
- (b) Segment gross margin consists of total operating revenues, less purchases and related costs. Please read "Reconciliation of Non-GAAP Measures".
- (c) For entities not wholly-owned by us, includes our share, based on our ownership percentage, of the wellhead volume and NGL production.

Year Ended December 31, 2019 vs. Year Ended December 31, 2018

Total Operating Revenues— Total operating revenues decreased \$1,524 million in 2019 compared to 2018, primarily as a result of the following:

- \$1,807 million decrease attributable to lower commodity prices, before the impact of derivative activity;
- \$286 million decrease primarily as a result of decreased volumes in the Midcontinent region; and
- \$37 million decrease in transportation, processing and other.

These decreases were partially offset by:

- \$606 million increase primarily as a result of increased volume from growth projects in the DJ Basin and increased volumes in the South and Permian regions.

Purchases and Related Costs — Purchases and related costs decreased \$1,295 million in 2019 compared to 2018 as a result of the commodity price and volume changes discussed above.

Operating and Maintenance Expense — Operating and maintenance expense decreased in 2019 compared to 2018 primarily as a result of decreased base operating costs in the Midcontinent and South regions, partially offset by growth in the North region.

Depreciation and Amortization Expense — Depreciation and amortization expense increased in 2019 compared to 2018 due to growth projects related to our DJ Basin system and accelerated depreciation on certain property, plant and equipment in the Midcontinent region.

General and Administrative Expense — General and administrative expense increased in 2019 compared to 2018 primarily as a result of an insurance credit in 2018.

Asset Impairments — Asset impairments in 2019 relate to property, plant and equipment in the Midcontinent and Permian regions. Asset impairments in 2018 relate to property, plant and equipment in the Midcontinent and South regions.

Loss on Sale of Assets, net — The net loss on sale of assets in 2019 represents the sale of non-core assets in the Midcontinent and Permian regions.

Segment Gross Margin — Segment gross margin decreased \$229 million in 2019 compared to 2018, primarily as a result of the following:

- \$261 million decrease as a result of lower commodity prices.

This decrease was partially offset by:

- \$32 million increase primarily as a result of increased volume from growth projects in the DJ Basin and increased volumes in the Permian and South regions, partially offset by lower volumes in the Midcontinent region and lower margins across certain regions.

Total Wellhead — Natural gas wellhead increased in 2019 compared to 2018 reflecting higher volumes in the North, South and Permian regions, partially offset by lower volumes in the Midcontinent region.

NGL Gross Production — NGL gross production increased in 2019 compared to 2018 primarily as a result of growth projects in the DJ Basin and higher volumes in the Permian region, partially offset by ethane rejection across several regions.

Liquidity and Capital Resources

We expect our sources of liquidity to include:

- cash generated from operations;
- cash distributions from our unconsolidated affiliates;
- borrowings under our Credit Agreement;
- proceeds from asset rationalization;
- debt offerings;
- borrowings under term loans, securitization agreements or other credit facilities;
- issuances of additional common units, preferred units or other securities; and
- letters of credit.

We anticipate our more significant uses of resources to include:

- quarterly distributions to our common unitholders and distributions to our preferred unitholders;
- payments to service our debt;
- growth capital expenditures;
- contributions to our unconsolidated affiliates to finance our share of their capital expenditures;
- business and asset acquisitions; and
- collateral with counterparties to our swap contracts to secure potential exposure under these contracts, which may, at times, be significant depending on commodity price movements.

We believe that cash generated from these sources will be sufficient to meet our short-term working capital requirements, long-term capital expenditure and acquisition requirements and quarterly cash distributions for the next twelve months.

We routinely evaluate opportunities for strategic investments or acquisitions. Future material investments or acquisitions may require that we obtain additional capital, assume third party debt or incur other long-term obligations. We have the option to utilize both equity and debt instruments as vehicles for the long-term financing of our investment activities and acquisitions.

Based on current and anticipated levels of operations, we believe we have adequate committed financial resources to conduct our ongoing business, although deterioration in our operating environment could limit our borrowing capacity, impact our credit ratings, raise our financing costs, as well as impact our compliance with the financial covenants contained in the Credit Agreement and the indentures governing our notes.

Senior Notes — On May 10, 2019, we issued \$600 million of aggregate principal amount of 5.125% Senior Notes due May 2029, unless redeemed prior to maturity. We received proceeds of \$592 million, net of underwriters' fees, related expenses, and unamortized discounts, which we used for general partnership purposes, including the repayment of indebtedness under the Credit Agreement and the funding of capital expenditures. Interest on the notes is payable semi-annually in arrears on May 15 and November 15 of each year.

On January 18, 2019, we issued an additional \$325 million of aggregate principal amount of our existing \$500 million 5.375% Senior Notes due July 2025. We received proceeds of \$324 million, net of underwriters' fees, related expenses and issuance premiums, which we used for general partnership purposes including the funding of capital expenditures and repayment of outstanding indebtedness under the Credit Agreement. The full \$825 million of our 5.375% Senior Notes due July 2025 is treated as a single series of debt. The 2025 notes will mature on July 15, 2025 unless redeemed prior to maturity. Interest on the 2025 notes is payable semi-annually in arrears on January 15 and July 15 of each year.

On April 1, 2019, we repaid at maturity all \$325 million aggregate principal amount outstanding of our 2.70% Senior Notes due 2019, which we repaid in the entirety using borrowings under our Credit Agreement.

Credit Agreement— On December 9, 2019, we entered into an amendment to our Credit Agreement. The amendment extended the term of the Credit Agreement from December 2022 to December 2024, updated language for new leasing standards and LIBOR transition, and included an increased carve out for the Accounts Receivable Securitization Facility. As of December 31, 2019, we had unused borrowing capacity of \$1,185 million, net of \$15 million of letters of credit and \$200 million borrowings under the Credit Agreement. Our cost of borrowing under the Credit Agreement is determined by a ratings-based pricing grid. As of February 14, 2020, we had approximately \$1,050 million of unused borrowing capacity under the Credit Agreement, net of \$15 million of letters of credit and \$335 million of borrowings under the Credit Agreement.

Accounts Receivable Securitization Facility— On August 12, 2019, we entered into an amendment to our Securitization Facility to extend the termination date to August 2022. On December 23, 2019, we entered into a second amendment to increase the borrowing capacity of the Securitization Facility from \$200 million to \$350 million. As of December 31, 2019, we had \$350 million of outstanding borrowings under our Securitization Facility at LIBOR market index rates plus a margin.

Issuance of Securities— On November 6, 2019, we issued 65 million unregistered common units to our general partner in exchange for the elimination of its economic general partner interest and incentive distribution rights.

In November 2017, we filed a shelf registration statement with the SEC that became effective upon filing and allows us to issue an indeterminate amount of common units, preferred units, and debt securities. The Senior Notes described above were issued under this registration statement.

In August 2017, we filed a shelf registration statement with the SEC which allows us to issue up to \$750 million in common units pursuant to our at-the-market program. During the year ended December 31, 2019, we did not issue any common units pursuant to this registration statement, and \$750 million remained available for future sales.

Commodity Swaps and Collateral— Changes in natural gas, NGL and condensate prices and the terms of our processing arrangements have a direct impact on our generation and use of cash from operations due to their impact on net income, along with the resulting changes in working capital. For additional information regarding our derivative activities, please read Item 7A. “Quantitative and Qualitative Disclosures about Market Risk” contained herein.

When we enter into commodity swap contracts we may be required to provide collateral to the counterparties in the event that our potential payment exposure exceeds a predetermined collateral threshold. Collateral thresholds are set by us and each counterparty, as applicable, in the master contract that governs our financial transactions based on our and the counterparty’s assessment of creditworthiness. The assessment of our position with respect to the collateral thresholds are determined on a counterparty by counterparty basis, and are impacted by the representative forward price curves and notional quantities under our swap contracts. Due to the interrelation between the representative crude oil and natural gas forward price curves, it is not practical to determine a pricing point at which our swap contracts will meet the collateral thresholds as we may transact multiple commodities with the same counterparty. Depending on daily commodity prices, the amount of collateral posted can go up or down on a daily basis.

Working Capital— Working capital is the amount by which current assets exceed current liabilities. Current assets are reduced by our quarterly distributions, which are required under the terms of our Partnership Agreement based on Available Cash, as defined in the Partnership Agreement. In general, our working capital is impacted by changes in the prices of commodities that we buy and sell, inventory levels, and other business factors that affect our net income and cash flows. Our working capital is also impacted by the timing of operating cash receipts and disbursements, cash collateral we may be required to post with counterparties to our commodity derivative instruments, borrowings of and payments on debt and the Securitization Facility, capital expenditures, and increases or decreases in other long-term assets. We expect that our future working capital requirements will be impacted by these same recurring factors.

We had working capital deficits of \$713 million and \$633 million as of December 31, 2019 and December 31, 2018, respectively, driven by current maturities of long term debt of \$603 million and \$525 million, respectively. We had a net derivative working capital deficit of \$26 million as of December 31, 2019 and surplus of \$17 million as of December 31, 2018.

As of December 31, 2019, we had \$1 million in cash and cash equivalents, all of which was held by consolidated subsidiaries we do not wholly own.

Cash Flow— Operating, investing and financing activities for the years ended December 31, 2019, 2018 and 2017 are presented below. Discussions for the year ended December 31, 2018 vs. December 31, 2017 can be found in our Annual Report on Form 10-K for the year ended December 31, 2018 and should be read in conjunction with the following:

	Year Ended December 31,		
	2019	2018	2017
	(millions)		
Net cash provided by operating activities	\$ 859	\$ 662	\$ 896
Net cash used in investing activities	\$ (760)	\$ (945)	\$ (391)
Net cash (used in) provided by financing activities	\$ (99)	\$ 128	\$ (350)

Year Ended December 31, 2019 vs. Year Ended December 31, 2018

Operating Activities - Net cash provided by operating activities increased \$197 million in 2019 compared to the same period in 2018. The changes in net cash provided by operating activities are attributable to our net income adjusted for non-cash charges and changes in working capital as presented in the consolidated statements of cash flows. For additional information regarding fluctuations in our earnings and distributions from unconsolidated affiliates, please read “Results of Operations”.

Investing Activities - Net cash used in investing activities decreased \$185 million in 2019 compared to the same period in 2018 primarily as a result of proceeds from the sale of our wholesale propane business and other non-core assets in 2019 and lower capital expenditures as the Sand Hills pipeline expansion and construction of the O'Connor 2 facility and associated gathering infrastructure has been completed, partially offset by higher investments in unconsolidated affiliates for the investment in the Gulf Coast Express pipeline, Front Range and Texas Express pipelines, and extension of the Southern Hills pipeline.

Financing Activities - Net cash used in financing activities decreased \$227 million in 2019 compared to the same period in 2018 primarily as a result of proceeds from the issuance of preferred limited partner units in 2018 and higher distributions paid to preferred unitholders in 2019, partially offset by lower distributions paid to limited partners and the general partner due to \$40 million of IDR givebacks paid in 2018 previously withheld in 2017.

Capital Requirements — The midstream energy business can be capital intensive, requiring significant investment to maintain and upgrade existing operations. Our capital requirements have consisted primarily of, and we anticipate will continue to consist of the following:

- Sustaining capital expenditures, which are cash expenditures to maintain our cash flows, operating or earnings capacity. These expenditures add on to or improve capital assets owned, including certain system integrity, compliance and safety improvements. Sustaining capital expenditures also include certain well connects, and may include the acquisition or construction of new capital assets; and
- Expansion capital expenditures, which are cash expenditures to increase our cash flows, operating or earnings capacity. Expansion capital expenditures include acquisitions or capital improvements (where we add on to or improve the capital assets owned, or acquire or construct new gathering lines and well connects, treating facilities, processing plants, fractionation facilities, pipelines, terminals, docks, truck racks, tankage and other storage, distribution or transportation facilities and related or similar midstream assets).

We incur capital expenditures for our consolidated entities and our unconsolidated affiliates. Our 2020 plan includes sustaining capital expenditures of between \$90 million and \$110 million, and expansion capital expenditures of between \$550 million and \$650 million. Expansion capital expenditures include the construction of the two fractionators within the Sweeny Hub and the Cheyenne Connector pipeline.

We intend to make cash distributions to our unitholders. Due to our cash distribution policy, we expect that we will distribute to our unitholders most of the cash generated by our operations. As a result, we expect that we will rely upon external financing sources, to fund future acquisitions and capital expenditures.

We expect to fund future capital expenditures with funds generated from our operations, borrowings under our Credit Agreement, Securitization Facility and the issuance of additional debt and equity securities.

Cash Distributions to Unitholders — Our Partnership Agreement requires that, within 45 days after the end of each quarter, we distribute all Available Cash, as defined in the Partnership Agreement. We made cash distributions to our common

unitholders and general partner of \$618 million and \$658 million during the years ended December 31, 2019 and 2018, respectively.

On January 22, 2020, we announced that the board of directors of the General Partner declared a quarterly distribution on our common units of \$0.78 per common unit. The distribution will be paid on February 14, 2020 to unitholders of record on February 3, 2020.

On the same date, the board of directors of the General Partner declared a quarterly distribution on our Series B and Series C Preferred Units of \$0.4922 and 0.4969 per unit, respectively. The Series B distributions will be paid on March 16, 2020 to unitholders of record on March 2, 2020. The Series C distribution will be paid on April 15, 2020 to unitholders of record on April 1, 2020.

We expect to continue to use cash provided by operating activities for the payment of distributions to our unitholders. See Note 16. "Partnership Equity and Distributions" in the Notes to the Consolidated Financial Statements in Item 8. "Financial Statements."

Total Contractual Cash Obligations

A summary of our total contractual cash obligations as of December 31, 2019, was as follows:

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	Thereafter
	(millions)				
Debt (a)	\$ 8,546	\$ 880	\$ 1,346	\$ 916	\$ 5,404
Finance lease obligations	28	4	8	7	9
Operating lease obligations	129	27	47	26	29
Purchase obligations (b)	7,195	1,328	2,302	1,756	1,809
Other long-term liabilities (c)	157	—	28	5	124
Total	\$ 16,055	\$ 2,239	\$ 3,731	\$ 2,710	\$ 7,375

- (a) Includes interest payments on debt securities that have been issued. These interest payments are \$280 million, \$496 million, \$416 million, and \$1,979 million for less than one year, one to three years, three to five years, and thereafter, respectively.
- (b) Our purchase obligations are contractual obligations and include purchase orders and non-cancelable construction agreements for capital expenditures, various non-cancelable commitments to purchase physical quantities of commodities in future periods and other items, including long-term fractionation and transportation agreements. For contracts where the price paid is based on an index or other market-based rates, the amount is based on the forward market prices or current market rates as of December 31, 2019. Purchase obligations exclude accounts payable, accrued taxes and other current liabilities recognized in the consolidated balance sheets. Purchase obligations also exclude current and long-term unrealized losses on derivative instruments included in the consolidated balance sheets, which represent the current fair value of various derivative contracts and do not represent future cash purchase obligations. These contracts may be settled financially at the difference between the future market price and the contractual price and may result in cash payments or cash receipts in the future, but generally do not require delivery of physical quantities of the underlying commodity. In addition, many of our gas purchase contracts include short and long-term commitments to purchase produced gas at market prices. These contracts, which have no minimum quantities, are excluded from the table.
- (c) Other long-term liabilities include asset retirement obligations, long-term environmental remediation liabilities, gas purchase liabilities and other miscellaneous liabilities recognized in the December 31, 2019 consolidated balance sheet. The table above excludes non-cash obligations as well as \$38 million of Executive Deferred Compensation Plan contributions and \$10 million of long-term incentive plans as the amount and timing of any payments are not subject to reasonable estimation.

Off-Balance Sheet Obligations

As of December 31, 2019, we had no items that were classified as off-balance sheet obligations.

Reconciliation of Non-GAAP Measures

Gross Margin and Segment Gross Margin— In addition to net income, we view our gross margin as an important performance measure of the core profitability of our operations. We review our gross margin monthly for consistency and trend analysis.

We define gross margin as total operating revenues, less purchases and related costs, and we define segment gross margin for each segment as total operating revenues for that segment less commodity purchases for that segment. Our gross margin equals the sum of our segment gross margins. Gross margin and segment gross margin are primary performance measures used by management, as these measures represent the results of product sales and purchases, a key component of our operations. As an indicator of our operating performance, gross margin and segment gross margin should not be considered an alternative to, or more meaningful than, operating revenues, net income or loss, net income or loss attributable to partners, operating income, net cash provided by operating activities or any other measure of financial performance presented in accordance with GAAP.

Adjusted EBITDA— We define adjusted EBITDA as net income or loss attributable to partners adjusted for (i) distributions from unconsolidated affiliates, net of earnings, (ii) depreciation and amortization expense, (iii) net interest expense, (iv) noncontrolling interest in depreciation and income tax expense, (v) unrealized gains and losses from commodity derivatives, (vi) income tax expense or benefit, (vii) impairment expense and (viii) certain other non-cash items. Adjusted EBITDA further excludes items of income or loss that we characterize as unrepresentative of our ongoing operations. Management believes these measures provide investors meaningful insight into results from ongoing operations.

Adjusted EBITDA should not be considered an alternative to, or more meaningful than, net income or loss, net income or loss attributable to partners, operating income, net cash provided by operating activities or any other measure of financial performance presented in accordance with GAAP as measures of operating performance, liquidity or ability to service debt obligations.

Adjusted EBITDA is used as a supplemental liquidity and performance measure and adjusted segment EBITDA is used as a supplemental performance measure by our management and by external users of our financial statements, such as investors, commercial banks, research analysts and others to assess:

- financial performance of our assets without regard to financing methods, capital structure or historical cost basis;
- our operating performance and return on capital as compared to those of other companies in the midstream energy industry, without regard to financing methods or capital structure;
- viability and performance of acquisitions and capital expenditure projects and the overall rates of return on investment opportunities; and
- in the case of Adjusted EBITDA, the ability of our assets to generate cash sufficient to pay interest costs, support our indebtedness, make cash distributions to our unitholders and finance sustaining capital expenditures.

Adjusted Segment EBITDA— We define adjusted segment EBITDA for each segment as segment net income or loss attributable to partners adjusted for (i) distributions from unconsolidated affiliates, net of earnings, (ii) depreciation and amortization expense, (iii) net interest expense, (iv) noncontrolling interest in depreciation and income tax expense, (v) unrealized gains and losses from commodity derivatives, (vi) income tax expense or benefit, (vii) impairment expense and (viii) certain other non-cash items. Adjusted segment EBITDA further excludes items of income or loss that we characterize as unrepresentative of our ongoing operations for that segment. Our adjusted segment EBITDA may not be comparable to similarly titled measures of other companies because they may not calculate adjusted segment EBITDA in the same manner.

Adjusted segment EBITDA should not be considered in isolation or as an alternative to our financial measures presented in accordance with GAAP, including operating revenues, net income or loss attributable to partners, or any other measure of performance presented in accordance with GAAP.

Our gross margin, segment gross margin, adjusted EBITDA and adjusted segment EBITDA may not be comparable to a similarly titled measure of another company because other entities may not calculate these measures in the same manner. The accompanying schedules provide reconciliations of gross margin, segment gross margin and adjusted segment EBITDA to their most directly comparable GAAP financial measures.

Distributable Cash Flow— We define Distributable Cash Flow as adjusted EBITDA, as defined above, less sustaining capital expenditures, net of reimbursable projects, less interest expense, less income attributable to preferred units, and certain other items. Sustaining capital expenditures are cash expenditures made to maintain our cash flows, operating or earnings capacity. These expenditures add on to or improve capital assets owned, including certain system integrity, compliance and

safety improvements. Sustaining capital expenditures also include certain well connects, and may include the acquisition or construction of new capital assets. Income attributable to preferred units represent cash distributions earned by the preferred units. Cash distributions to be paid to the holders of the preferred units assuming a distribution is declared by our board of directors, are not available to common unit holders. Non-cash mark-to-market of derivative instruments is considered to be non-cash for the purpose of computing Distributable Cash Flow because settlement will not occur until future periods, and will be impacted by future changes in commodity prices and interest rates. We compare the Distributable Cash Flow we generate to the cash distributions we expect to pay our partners. Using this metric, we compute our distribution coverage ratio. Distributable Cash Flow is used as a supplemental liquidity and performance measure by our management and by external users of our financial statements, such as investors, commercial banks, research analysts and others, to assess our ability to make cash distributions to our unitholders and our general partner.

Our Distributable Cash Flow may not be comparable to a similarly titled measure of another company because other entities may not calculate Distributable Cash Flow in the same manner.

The following table sets forth our reconciliation of certain non-GAAP measures:

	Year Ended December 31,		
	2019	2018	2017
Reconciliation of Non-GAAP Measures			
Reconciliation of net income attributable to partners to gross margin:			
Net income attributable to partners	\$ 17	\$ 298	\$ 229
Interest expense	304	269	289
Income tax (benefit) expense	(1)	3	2
Operating and maintenance expense	728	760	661
Depreciation and amortization expense	404	388	379
General and administrative expense	275	276	290
Asset impairments	247	145	48
Restructuring costs	11	—	—
Loss from financing activities	—	19	—
Other expense, net	8	11	11
Earnings from unconsolidated affiliates	(474)	(370)	(303)
Loss (gain) on sale of assets, net	80	—	(34)
Net income attributable to noncontrolling interests	4	4	5
Gross margin	<u>\$ 1,603</u>	<u>\$ 1,803</u>	<u>\$ 1,577</u>
Non-cash commodity derivative mark-to-market (a)	<u>\$ (78)</u>	<u>\$ 108</u>	<u>\$ (28)</u>
Reconciliation of segment net income attributable to partners to segment gross margin:			
<i>Logistics and Marketing segment:</i>			
Segment net income attributable to partners	\$ 605	\$ 509	\$ 366
Operating and maintenance expense	42	47	41
Depreciation and amortization expense	19	15	14
General and administrative expense	8	12	11
Asset impairments	35	—	—
Other expense, net	3	4	11
Earnings from unconsolidated affiliates	(468)	(362)	(243)
Loss on sale of assets, net	10	—	—
Segment gross margin	<u>\$ 254</u>	<u>\$ 225</u>	<u>\$ 200</u>
Non-cash commodity derivative mark-to-market (a)	<u>\$ (29)</u>	<u>\$ (4)</u>	<u>\$ (4)</u>
<i>Gathering and Processing segment:</i>			
Segment net income attributable to partners	\$ 22	\$ 374	\$ 454
Operating and maintenance expense	664	692	602
Depreciation and amortization expense	355	346	343
General and administrative expense	23	19	19
Asset impairments	212	145	48
Other expense, net	5	6	—
Earnings from unconsolidated affiliates	(6)	(8)	(60)
Loss (gain) on sale of assets, net	70	—	(34)
Net income attributable to noncontrolling interests	4	4	5
Segment gross margin	<u>\$ 1,349</u>	<u>\$ 1,578</u>	<u>\$ 1,377</u>
Non-cash commodity derivative mark-to-market (a)	<u>\$ (49)</u>	<u>\$ 112</u>	<u>\$ (24)</u>

- (a) Non-cash commodity derivative mark-to-market is included in gross margin and segment gross margin, along with cash settlements for our commodity derivative contracts.

	Year Ended December 31,		
	2019	2018	2017
	(millions)		
Reconciliation of net income attributable to partners to adjusted segment EBITDA:			
<i>Logistics and Marketing segment:</i>			
Segment net income attributable to partners (a)	\$ 605	\$ 509	\$ 366
Non-cash commodity derivative mark-to-market	29	4	4
Depreciation and amortization expense, net of noncontrolling interest	19	15	14
Distributions from unconsolidated affiliates, net of earnings	44	49	40
Loss on sale of assets, net	10	—	—
Asset impairments	35	—	—
Other expense	—	—	9
Adjusted segment EBITDA	<u>\$ 742</u>	<u>\$ 577</u>	<u>\$ 433</u>
<i>Gathering and Processing segment:</i>			
Segment net income attributable to partners	\$ 22	\$ 374	\$ 454
Non-cash commodity derivative mark-to-market	49	(112)	24
Depreciation and amortization expense, net of noncontrolling interest	354	345	342
Asset impairments	212	145	48
Loss (gain) on sale of assets, net	70	—	(34)
Distributions from unconsolidated affiliates, net of earnings	22	22	24
Other expense	6	7	4
Adjusted segment EBITDA	<u>\$ 735</u>	<u>\$ 781</u>	<u>\$ 862</u>

- (a) We recognized lower of cost or net realizable value adjustments of \$10 million during the year ended December 31, 2019. No lower of cost or net realizable value adjustments were recognized for the year ended December 31, 2018 and lower of cost or net realizable value adjustments of \$2 million for the year ended December 31, 2017.

Operating and Maintenance and General and Administrative Expense

Pursuant to the Contribution Agreement, on January 1, 2017, the Partnership entered into the Services Agreement, which replaced the services agreement between the Partnership and DCP Midstream, LLC, dated February 14, 2013, as amended. Under the Services Agreement, we are required to reimburse DCP Midstream, LLC for salaries of personnel and employee benefits, as well as capital expenditures, maintenance and repair costs, taxes and other direct costs incurred by DCP Midstream, LLC on our behalf. There is no limit on the reimbursements we make to DCP Midstream, LLC under the Services Agreement for other expenses and expenditures incurred or payments made on our behalf.

Operating and maintenance expenses are costs associated with the operation of a specific asset and are primarily comprised of direct labor, ad valorem taxes, repairs and maintenance, lease expenses, utilities and contract services. These expenses fluctuate depending on the activities performed during a specific period.

General and administrative expense represents costs incurred to manage the business. This expense includes cost of centralized corporate functions performed by DCP Midstream, LLC, including legal, accounting, cash management, insurance administration and claims processing, risk management, health, safety and environmental, information technology, human resources, credit, payroll and engineering and all other expenses necessary or appropriate to the conduct of the business.

We also incurred third party general and administrative expenses, which were primarily related to compensation and benefit expenses of the personnel who provide direct support to our operations. Also included are expenses associated with annual and

quarterly reports to unitholders, tax return and Schedule K-1 preparation and distribution, independent auditor fees, due diligence and acquisition costs, costs associated with the Sarbanes-Oxley Act of 2002, investor relations activities, registrar and transfer agent fees, incremental director and officer liability insurance costs, and director compensation.

Critical Accounting Policies and Estimates

Our financial statements reflect the selection and application of accounting policies that require management to make estimates and assumptions. We believe that the following are the more critical judgment areas in the application of our accounting policies that currently affect our financial condition and results of operations. These accounting policies are described further in Note 2 of the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data."

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
Impairment of Goodwill <i>We evaluate goodwill for impairment annually in the third quarter, and whenever events or changes in circumstances indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount.</i>	We determine fair value using widely accepted valuation techniques, namely discounted cash flow and market multiple analyses. These techniques are also used when assigning the purchase price to acquired assets and liabilities. These types of analyses require us to make assumptions and estimates regarding industry and economic factors and the profitability of future business strategies. It is our policy to conduct impairment testing based on our current business strategy in light of present industry and economic conditions, as well as future expectations.	We primarily use 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 (including forecasted commodity prices and volumes), as well as historical and other factors. If our assumptions are not appropriate, or future events indicate that our goodwill is impaired, our net income would be impacted by the amount by which the carrying value exceeds the fair value of the reporting unit, to the extent of the balance of goodwill. We recorded \$35 million of goodwill impairment during the year ended December 31, 2019.

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
<p>Impairment of Long-Lived Assets</p> <p><i>We periodically evaluate whether the carrying value of long-lived assets has been impaired when circumstances indicate the carrying value of those assets may not be recoverable. For purposes of this evaluation, long-lived assets with recovery periods in excess of the weighted average remaining useful life of our fixed assets are further analyzed to determine if a triggering event occurred. If it is determined that a triggering event has occurred, we prepare a quantitative evaluation based on undiscounted cash flow projections expected to be realized over the remaining useful life of the primary asset. The carrying amount is not recoverable if it exceeds the sum of undiscounted cash flows expected to result from the use and eventual disposition of the asset. If the carrying value is not recoverable, the impairment loss is measured as the excess of the asset's carrying value over its fair value.</i></p>	<p>Our impairment analyses require management to apply judgment in estimating future cash flows including forecasting useful lives of the assets, future commodity prices, volumes, and operating costs, assessing the probability of different outcomes, and with respect to any required fair value estimate, selecting the discount rate that reflects the risk inherent in future cash flows. If the carrying value is not recoverable, we assess the fair value of long-lived assets using commonly accepted techniques, and may use more than one method, including, but not limited to, recent third party comparable sales and discounted cash flow models.</p>	<p>Using the impairment review methodology described herein, we recorded a \$212 million impairment charge on long-lived assets during the year ended December 31, 2019 when it was determined that the carrying value of certain asset groups were not recoverable or when we determine assets within an asset group will provide no further benefit. If actual results are not consistent with our assumptions and estimates or our assumptions and estimates change due to new information, we may be exposed to additional impairment charges. If our forecast indicates lower commodity prices in future periods at a level and duration that results in producers curtailing or redirecting drilling in areas where we operate this may adversely affect our estimate of future operating results, which could result in future impairment due to the potential impact on our operations and cash flows.</p>
<p>Impairment of Investments in Unconsolidated Affiliates</p> <p><i>We evaluate our investments in unconsolidated affiliates for impairment whenever events or changes in circumstances indicate, in management's judgment, that the carrying value of such investment may have experienced a decline in value. When evidence of loss in value has occurred, we compare the estimated fair value of the investment to the carrying value of the investment to determine whether an impairment has occurred. We would then evaluate if the impairment is other than temporary.</i></p>	<p>Our impairment analyses require management to apply judgment in estimating future cash flows and asset fair values, including forecasting useful lives of the assets, assessing the probability of differing estimated outcomes, and selecting the discount rate that reflects the risk inherent in future cash flows. When there is evidence of an other than temporary loss in value, we assess the fair value of our unconsolidated affiliates using commonly accepted techniques, and may use more than one method, including, but not limited to, recent third party comparable sales and discounted cash flow models.</p>	<p>Using the impairment review methodology described herein, we have not recorded any significant impairment charges on investments in unconsolidated affiliates during the year ended December 31, 2019. If the estimated fair value of our unconsolidated affiliates is less than the carrying value, we would recognize an impairment loss for the excess of the carrying value over the estimated fair value only if the loss is other than temporary. A period of lower commodity prices may adversely affect our estimate of future operating results, which could result in future impairment due to the potential impact on the investee's operations and cash flows.</p>

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
Accounting for Risk Management Activities and Financial Instruments		
<p><i>Each derivative not qualifying for the normal purchases and normal sales exception is recorded on a gross basis in the consolidated balance sheets at its fair value as unrealized gains or unrealized losses on derivative instruments. Derivative assets and liabilities remain classified in our consolidated balance sheets as unrealized gains or unrealized losses on derivative instruments at fair value until the end of the contractual settlement period. 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.</i></p>	<p>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 information and the expected relationship with quoted market prices.</p>	<p>If our estimates of fair value are inaccurate, we may be exposed to losses or gains that could be material. A 10% difference in our estimated fair value of derivatives at December 31, 2019 would have affected net income by approximately \$4 million based on our net derivative position for the year ended December 31, 2019.</p>

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of loss arising from adverse changes in market prices and rates. We are exposed to market risks, including changes in commodity prices and interest rates. We may use financial instruments such as forward contracts, swaps and futures to mitigate a portion of the effects of identified risks. In general, we attempt to mitigate a portion of the risks related to the variability of future earnings and cash flows resulting from changes in applicable commodity prices or interest rates so that we can maintain cash flows sufficient to meet debt service, required capital expenditures, distribution objectives and similar requirements.

Risk Management Policy

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 commodity price risk and counterparty credit risk, including monitoring exposure limits.

See Note 15, Risk Management and Hedging Activities, of the Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplementary Data” for further discussion of the accounting for derivative contracts.

Commodity Price Risk

We are exposed to the impact of market fluctuations in the prices of natural gas, NGLs and condensate as a result of our gathering, processing, sales and storage activities. For gathering services, we receive fees or commodities from producers to bring the natural gas from the wellhead to the processing plant. For processing and storage services, we either receive fees or commodities as payment for these services, depending on the types of contracts. We employ established policies and procedures to manage our risks associated with these market fluctuations using various commodity derivatives, including forward contracts, swaps and futures.

Commodity Cash Flow Protection Activities - We closely monitor the risks associated with commodity price changes on our future operations and, where appropriate, use various fixed price swap contracts to mitigate a portion of the effect pricing fluctuations may have on the value of our assets and operations. Depending on our risk management objectives, we may periodically settle a portion of these instruments prior to their maturity.

We enter into derivative financial instruments to mitigate a portion of the risk of weakening natural gas, NGL and condensate prices associated with our gathering, processing and sales activities, thereby stabilizing our cash flows. Our commodity derivative instruments used for our hedging program are a combination of direct NGL product, crude oil, and natural gas hedges.

Commodity prices experienced volatility during 2019, as illustrated in Item 1A. Risk Factors - “Our cash flow is affected by natural gas, NGL and condensate prices.” A decline in commodity prices could result in a decrease in exploration and development activities in certain fields served by our gas gathering and residue gas and NGL pipeline transportation systems, and our natural gas processing and treating plants, which could lead to further reduced utilization of these assets.

The derivative financial instruments we have entered into are typically referred to as “swap” contracts. The swap contracts entitle us to receive payment at settlement from the counterparty to the contract to the extent that the reference price is below the swap price stated in the contract, and we are required to make payment at settlement to the counterparty to the extent that the reference price is higher than the swap price stated in the contract.

We use the mark-to-market method of accounting for all commodity cash flow protection activities, which has significantly increased the volatility of our results of operations as we recognize, in current earnings, all non-cash gains and losses from the mark-to-market on derivative activity.

The following tables set forth additional information about our fixed price swaps used to mitigate a portion of our natural gas and NGL price risk associated with our percent-of-proceeds arrangements and our condensate price risk associated with our

gathering and processing operations. Our positions as of February 14, 2020 were as follows:

Commodity Swaps

Period	Commodity	Notional Volume - Short Positions	Reference Price	Price Range
January 2020 — March 2020	Natural Gas	(35,000) MMBtu/d	NYMEX Final Settlement Price (c)	\$2.58-\$2.73/MMBtu
April 2020 — December 2020	Natural Gas	(5,000) MMBtu/d	NYMEX Final Settlement Price (c)	\$2.58-\$2.59/MMBtu
January 2020 — December 2020	NGLs	(10,300) Bbls/d (d)	Mt.Belvieu (b)	\$0.18-\$0.62/Gal
January 2021 — December 2021	NGLs	(4,245) Bbls/d (d)	Mt.Belvieu (b)	\$0.53-\$0.60/Gal
January 2020 — December 2020	Crude Oil	(7,197) Bbls/d (d)	NYMEX crude oil futures (a)	\$53.69-\$64.76/Bbl
January 2021 — February 2022	Crude Oil	(2,534) Bbls/d (d)	NYMEX crude oil futures (a)	\$52.47-\$57.29/Bbl

(a) Monthly average of the daily close prices for the prompt month NYMEX light, sweet crude oil futures contract (CL).

(b) The average monthly OPIS price for Mt. Belvieu TET/Non-TET.

(c) NYMEX final settlement price for natural gas futures contracts.

(d) Average Bbls/d per time period.

Our sensitivities for 2020 as shown in the table below are estimated based on our average estimated commodity price exposure and commodity cash flow protection activities for the calendar year 2020, and exclude the impact of non-cash mark-to-market changes on our commodity derivatives. We utilize direct product crude oil, natural gas and NGL derivatives to mitigate a portion of our condensate, natural gas and NGL commodity price exposure. These sensitivities are associated with our condensate, natural gas and NGL volumes that are currently unhedged.

Commodity Sensitivities Net of Cash Flow Protection Activities

	Per Unit Decrease	Unit of Measurement	Estimated Decrease in Annual Net Income Attributable to Partners (millions)
NGL prices	\$ 0.01	Gallon	\$ 3
Natural gas prices	\$ 0.10	MMBtu	\$ 8
Crude oil prices	\$ 1.00	Barrel	\$ 3

In addition to the linear relationships in our commodity sensitivities above, additional factors may cause us to be less sensitive to commodity price declines. A portion of our net income is derived from fee-based contracts and a portion from percentage-of-proceeds and percentage-of-liquids processing arrangements that contain minimum fee clauses in which our processing margins convert to fee-based arrangements as commodity prices decline.

We estimate the following sensitivities related to the non-cash mark-to-market on our commodity derivatives associated with our open position on our commodity cash flow protection activities:

Non-Cash Mark-To-Market Commodity Sensitivities

	Per Unit Increase	Unit of Measurement	Estimated Mark-to- Market Impact (Decrease in Net Income Attributable to Partners) (millions)
NGL prices	\$ 0.01	Gallon	\$ 2
Natural gas prices	\$ 0.10	MMBtu	\$ 1
Crude oil prices	\$ 1.00	Barrel	\$ 2

While the above commodity price sensitivities are indicative of the impact that changes in commodity prices may have on our annualized net income, changes during certain periods of extreme price volatility and market conditions or changes in the relationship of the price of NGLs and crude oil may cause our commodity price sensitivities to vary significantly from these estimates.

The midstream natural gas industry is cyclical, with the operating results of companies in the industry significantly affected by the prevailing price of NGLs, which in turn has been generally related to the price of crude oil. Although the prevailing price of residue natural gas has less short-term significance to our operating results than the price of NGLs, in the long-term the growth and sustainability of our business depends on natural gas prices being at levels sufficient to provide incentives and capital for producers to increase natural gas exploration and production. To minimize potential future commodity-based pricing and cash flow volatility, we have entered into a series of derivative financial instruments.

Based on historical trends, we generally expect NGL prices to directionally follow changes in crude oil prices over the long-term. However, the pricing relationship between NGLs and crude oil may vary, as we believe crude oil prices will in large part be determined by the level of production from major crude oil exporting countries and the demand generated by growth in the world economy, whereas NGL prices are more correlated to supply and U.S. petrochemical demand. Additionally, the level of NGL export demand may also have an impact on prices. We believe that future natural gas prices will be influenced by the severity of winter and summer weather, the level of North American production and drilling activity of exploration and production companies and the balance of trade between imports and exports of liquid natural gas and NGLs. Drilling activity can be adversely affected as natural gas prices decrease. Energy market uncertainty could also reduce North American drilling activity. Limited access to capital could also decrease drilling. Lower drilling levels over a sustained period would reduce natural gas volumes gathered and processed, but could increase commodity prices, if supply were to fall relative to demand levels.

Natural Gas Storage and Pipeline Asset Based Commodity Derivative Program— 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 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 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.

The following tables set forth additional information about our derivative instruments, used to mitigate a portion of our natural gas price risk associated with our inventory within our natural gas storage operations as of December 31, 2019:

Inventory

Period ended	Commodity	Notional Volume - Long Positions		Fair Value (millions)	Weighted Average Price
December 31, 2019	Natural Gas	9,210,648	MMBtu	\$ 19	\$2.06/MMBtu

Commodity Swaps

Period	Commodity	Notional Volume - (Short)/Long Positions		Fair Value (millions)	Price Range
January 2020 — March 2020	Natural Gas	(18,127,500)	MMBtu	\$ 6	\$2.14-\$3.11/MMBtu
January 2020	Natural Gas	8,510,000	MMBtu	\$ —	\$2.16-\$2.22/MMBtu

We manage our commodity derivative activities in accordance with our Risk Management Policy which limits exposure to market risk and requires regular reporting to management of potential financial exposure.

Valuation - 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 relationships 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 commodity non-trading derivatives is expected to be realized in future periods, as detailed in the following table. The amount of cash ultimately realized for these contracts will differ from the amounts shown in the following table due to factors such as market volatility, counterparty default and other unforeseen events that could impact the amount and/or realization of these values.

Fair Value of Contracts as of December 31, 2019

Sources of Fair Value	Total		Maturity in 2020
	(millions)		
Prices supported by quoted market prices and other external sources	\$	(44)	\$ (29)
Prices based on models or other valuation techniques		—	3
Total	\$	(44)	\$ (26)

The “prices supported by quoted market prices and other external sources” category includes our commodity positions in natural gas, NGLs and crude oil. 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 techniques” category includes the value of transactions for which inputs to the fair value of the instrument are unobservable in the marketplace and are considered significant to the overall fair value of the instrument. The fair value of these instruments may be based upon an internally developed price curve, which was constructed as a result of the long dated nature of the transaction or the illiquidity of the market point.

Credit Risk

Our customers include large multi-national petrochemical and refining companies, natural gas marketers, as well as commodity producers. Substantially all of our natural gas, propane and NGL sales are made at market-based prices. This concentration of credit risk may affect our overall credit risk, as 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. Our corporate credit policy, as well as the standard terms and conditions of our agreements, prescribe the use of financial responsibility and reasonable grounds for adequate assurances. These provisions allow our credit department to request that a counterparty remedy credit limit violations by posting cash or letters of credit for exposure in excess of an established credit line. The credit line represents an open credit limit, determined in accordance with our credit policy. Our standard agreements also provide that the inability of a counterparty to post collateral is sufficient cause to terminate a contract and liquidate all positions. The adequate assurance provisions also allow us to suspend deliveries, cancel agreements or continue deliveries to the buyer after the buyer provides security for payment to us in a satisfactory form.

Interest Rate Risk

Interest rates on Credit Agreement and Securitization Facility borrowings, and future debt offerings could be higher than current levels, causing our financing costs to increase accordingly. Although this could limit our ability to raise funds in the debt capital markets, we expect to remain competitive with respect to acquisitions and capital projects, as our competitors would face similar circumstances. We may mitigate a portion of our future interest rate risk with interest rate swaps that reduce our exposure to market rate fluctuations by converting variable interest rates on our debt to fixed interest rates and locking in rates on our anticipated future fixed-rate debt, respectively. Additionally, see the risk factor “It is unclear how changes in the regulation of LIBOR or the discontinuation of LIBOR all together may affect our financing costs in the future.” in Item 1A. Risk Factors.

At December 31, 2019, the effective weighted-average interest rate on our outstanding debt was 5.26%.

Item 8. Financial Statements

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of DCP Midstream GP, LLC and the Unitholders of DCP Midstream, LP

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of DCP Midstream, LP and subsidiaries (the "Partnership") as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Partnership's internal control over financial reporting as of December 31, 2019, based on the criteria established in the *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 21, 2020, expressed an unqualified opinion on the Partnership's internal control over financial reporting.

Change in Accounting Principle

As discussed in Notes 2, 3 and 13 to the financial statements, the Partnership has changed its method of accounting for leases in the year ended December 31, 2019 due to adoption of Accounting Standards Codification Topic 842 – *Leases*.

As discussed in Notes 2 and 5 to the financial statements, the Partnership has changed its method of accounting for revenue from contracts with customers in the year ended December 31, 2018 due to adoption of Accounting Standards Codification Topic 606 – *Revenue from Contracts with Customers*.

Basis for Opinion

These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on the Partnership's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Impairment of Long-Lived Assets - Refer to Notes 2 and 12 to the financial statements

Critical Audit Matter Description

The Partnership periodically evaluates whether the carrying value of long-lived assets has been impaired when circumstances indicate the carrying value of those assets may not be recoverable. When management determines a recoverability analysis is required this evaluation is based on undiscounted cash flow projections. The development of the Partnership's undiscounted future cash flow projections requires management to apply judgment in estimating future cash flows, including the impact of future volumes of raw natural gas, or other applicable throughput, that are expected to be produced or delivered by third parties

and subsequently gathered, treated, processed, transported and/or stored. If the carrying value is not recoverable, an impairment loss is measured as the excess of the asset group's carrying value over its fair value.

These analyses resulted in management recording a \$212 million impairment charge on long-lived assets during the year-ended December 31, 2019 related to specific asset groups within the Midcontinent and Permian regions. Management estimated the fair value of the respective asset groups using discounted cash flow models by selecting a discount rate reflective of the risk inherent in future cash flows, and applying that discount rate to the cash flow projections. Changes in the assumptions used to estimate the discount rate could have a significant effect on both the fair value of the respective asset group and the related impairment expense.

Given the Partnership's use of future volumes of raw natural gas, or other applicable throughput, attributable to the respective asset group, which requires management to apply judgment for which there is limited historical data or other objectively verifiable evidence, auditing management's judgments regarding future volumes of raw natural gas, or other applicable throughput, attributable to the asset group, and the selection of a discount rate, involved especially subjective auditor judgment and an increased extent of effort was required, including the need to utilize our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to future volumes of raw natural gas, or other applicable throughput, attributable to the asset group, and the selection of the discount rate applied to estimated future cash flows, included the following, among others:

- We tested the effectiveness of controls over estimates of future volumes of raw natural gas, or other applicable throughput, attributable to the asset groups, and the selection of the discount rate.
- We evaluated management's estimates of future volumes by:
 - Comparing recent actual results to management's historical forecasts
 - Comparing historical growth rates to future growth rates
 - Searching for information provided by, or relating to, the Partnership's customers
 - Researching industry trends specifically in the Permian and Midcontinent regions
 - Considering recent historical results, and the impact of unique events or circumstances
 - Evaluating forecasted information included in Partnership's public disclosures for consistency
- With the assistance of our fair value specialists, we evaluated the reasonableness of the discount rate by:
 - Evaluating the appropriateness of the mathematical model used to develop the discount rate
 - Recomputing the mathematical accuracy of the calculation of the discount rate
 - Evaluating the guideline public companies selected by management and used in the selection discount rate considering the comparability of operations to the Partnership
 - Comparing the selected discount rate to discount rate estimates for the industry/location/asset type published by a third-party financial institution
 - Developing a range of independent estimates of the discount rate by independently obtaining information to estimate components of the discount rate, including the cost of debt capital, the cost of equity capital, and debt-to-equity ratio
 - Comparing the discount rate selected by management with the range of independent estimates

Goodwill - North Reporting Unit — Refer to Notes 2 and 10 to the financial statements

Critical Audit Matter Description

The Partnership evaluates goodwill for impairment annually in the third quarter, and whenever events or changes in circumstances indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The Partnership primarily uses a discounted cash flow analysis to perform the assessment of whether the fair value of a reporting unit is less than its carrying value. The discounted cash flow analysis requires management to make key assumptions such as the use of an appropriate discount rate and forecasted volumes. Changes in these assumptions may affect the Partnership's estimate of future operating results due to the potential impact on operations and cash flows. As of December 31, 2019 the goodwill balance of \$159 million was attributable entirely to the North Reporting Unit ("North"), within the Partnership's Gathering and Processing segment which was determined to be fully recoverable and, therefore, no impairment was recognized.

Performing audit procedures to evaluate the reasonableness of management's estimates and assumptions, with respect to the use of an appropriate discount rate and forecasts of volumes, involved a high degree of auditor judgment and an increased extent of effort was required, including the need to utilize our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the discount rate and forecasted volumes attributable to North, used by management to estimate its fair value, included the following, among others:

- We tested the effectiveness of controls over management’s goodwill impairment evaluation, including those over the management’s selection of an appropriate discount rate and forecasted volumes.
- We evaluated the reasonableness of management’s forecasted volumes for North by comparing the forecasts to:
 - Historical volumetric measurements.
 - Internal communications to management and the Board of Directors.
 - Forecasted information included in public disclosures of the Partnership as well as in analyst and industry reports for the Partnership and certain of its peer companies.
 - Changes in customer contracting and other related customer specific developments.
 - Relationships with forecasts of future prices and how those may drive producer behavior.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the discount rate by:
 - Evaluating the appropriateness of the mathematical model used to develop the discount rate
 - Recomputing the mathematical accuracy of the calculation of the discount rate
 - Evaluating the guideline public companies selected by management and used in the selection of the discount rate considering the comparability of operations to North
 - Comparing the selected discount rate to discount rate estimates for the industry/location/asset type published by a third-party financial institution
 - Developing a range of independent estimates of the discount rate by independently obtaining information to estimate components of the discount rate, including the cost of debt capital, the cost of equity capital, and debt-to-equity ratio
 - Comparing the discount rate selected by management with the range of independent estimates

/s/ Deloitte & Touche LLP

Denver, Colorado
February 21, 2020

We have served as the Partnership’s auditor since 2004.

DCP MIDSTREAM, LP
CONSOLIDATED BALANCE SHEETS

ASSETS	December 31, 2019	December 31, 2018
	(millions)	
Current assets:		
Cash and cash equivalents	\$ 1	\$ 1
Accounts receivable:		
Trade, net of allowance for doubtful accounts of \$3 and \$3 million, respectively	726	860
Affiliates	138	166
Other	14	7
Inventories	46	79
Unrealized gains on derivative instruments	32	108
Collateral cash deposits	111	34
Other	12	16
Total current assets	1,080	1,271
Property, plant and equipment, net	8,811	9,135
Goodwill	159	231
Intangible assets, net	61	97
Investments in unconsolidated affiliates	3,724	3,340
Unrealized gains on derivative instruments	2	8
Operating lease assets	107	—
Other long-term assets	183	184
Total assets	\$ 14,127	\$ 14,266
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable:		
Trade	\$ 638	\$ 807
Affiliates	100	96
Other	35	23
Current debt	603	525
Unrealized losses on derivative instruments	58	91
Accrued interest	80	71
Accrued taxes	65	64
Accrued wages and benefits	58	64
Capital spending accrual	28	63
Other	128	100
Total current liabilities	1,793	1,904
Long-term debt	5,321	4,782
Unrealized losses on derivative instruments	20	8
Deferred income taxes	30	32
Operating lease liabilities	88	—
Other long-term liabilities	242	243
Total liabilities	7,494	6,969
Commitments and contingent liabilities (see note 21)		
Equity:		
Series A preferred limited partners (500,000 preferred units authorized, issued and outstanding, respectively)	489	489
Series B preferred limited partners (6,450,000 preferred units authorized, issued and outstanding, respectively)	156	156
Series C preferred limited partners (4,400,000 preferred units authorized, issued and outstanding, respectively)	106	106
General partner	—	107
Limited partners (208,329,928 and 143,317,328 common units authorized, issued and outstanding, respectively)	5,861	6,418
Accumulated other comprehensive loss	(7)	(8)
Total partners' equity	6,605	7,268
Noncontrolling interests	28	29
Total equity	6,633	7,297
Total liabilities and equity	\$ 14,127	\$ 14,266

See accompanying notes to consolidated financial statements.

DCP MIDSTREAM, LP
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2019	2018	2017
	(millions, except per unit amounts)		
Operating revenues:			
Sales of natural gas, NGLs and condensate	\$ 6,023	\$ 7,764	\$ 6,576
Sales of natural gas, NGLs and condensate to affiliates	1,176	1,610	1,274
Transportation, processing and other	439	489	652
Trading and marketing losses, net	(13)	(41)	(40)
Total operating revenues	<u>7,625</u>	<u>9,822</u>	<u>8,462</u>
Operating costs and expenses:			
Purchases and related costs	4,933	7,123	6,308
Purchases and related costs from affiliates	1,089	896	577
Operating and maintenance expense	728	760	661
Depreciation and amortization expense	404	388	379
General and administrative expense	275	276	290
Asset impairments	247	145	48
Other expense, net	8	11	11
Loss (gain) on sale of assets, net	80	—	(34)
Restructuring costs	11	—	—
Total operating costs and expenses	<u>7,775</u>	<u>9,599</u>	<u>8,240</u>
Operating (loss) income	(150)	223	222
Loss from financing activities	—	(19)	—
Earnings from unconsolidated affiliates	474	370	303
Interest expense, net	(304)	(269)	(289)
Income before income taxes	20	305	236
Income tax benefit (expense)	1	(3)	(2)
Net income	21	302	234
Net income attributable to noncontrolling interests	(4)	(4)	(5)
Net income attributable to partners	17	298	229
Series A preferred limited partners' interest in net income	(37)	(37)	(4)
Series B preferred limited partners' interest in net income	(13)	(8)	—
Series C preferred limited partners' interest in net income	(9)	(2)	—
General partner's interest in net income	(118)	(164)	(164)
Net (loss) income allocable to limited partners	<u>\$ (160)</u>	<u>\$ 87</u>	<u>\$ 61</u>
Net (loss) income per limited partner unit — basic and diluted	<u>\$ (1.05)</u>	<u>\$ 0.61</u>	<u>\$ 0.43</u>
Weighted-average limited partner units outstanding — basic and diluted	153.1	143.3	143.3

See accompanying notes to consolidated financial statements.

DCP MIDSTREAM, LP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2019	2018	2017
	(millions)		
Net income	\$ 21	\$ 302	\$ 234
Other comprehensive income:			
Reclassification of cash flow hedge losses into earnings	1	1	1
Total other comprehensive income	1	1	1
Total comprehensive income	22	303	235
Total comprehensive income attributable to noncontrolling interests	(4)	(4)	(5)
Total comprehensive income attributable to partners	\$ 18	\$ 299	\$ 230

See accompanying notes to consolidated financial statements.

DCP MIDSTREAM, LP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Partners' Equity					Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity
	Series A Preferred Limited Partners	Series B Preferred Limited Partners	Series C Preferred Limited Partners	Limited Partners	General Partner			
	(millions)							
Balance, January 1, 2019	\$ 489	\$ 156	\$ 106	\$ 6,418	\$ 107	\$ (8)	\$ 29	\$ 7,297
Net income (loss)	37	13	9	(160)	118	—	4	21
Other comprehensive income	—	—	—	—	—	1	—	1
Distributions to unitholders	(37)	(13)	(9)	(447)	(171)	—	—	(677)
Distributions to noncontrolling interests	—	—	—	—	—	—	(5)	(5)
Conversion of GP economic interest and IDRs	—	—	—	50	(54)	—	—	(4)
Balance, December 31, 2019	<u>\$ 489</u>	<u>\$ 156</u>	<u>\$ 106</u>	<u>\$ 5,861</u>	<u>\$ —</u>	<u>\$ (7)</u>	<u>\$ 28</u>	<u>\$ 6,633</u>

See accompanying notes to consolidated financial statements.

DCP MIDSTREAM, LP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Partners' Equity					Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity
	Series A Preferred Limited Partners	Series B Preferred Limited Partners	Series C Preferred Limited Partners	Limited Partners	General Partner			
	(millions)							
Balance, January 1, 2018	\$ 491	\$ —	\$ —	\$ 6,772	\$ 154	\$ (9)	\$ 30	\$ 7,438
Cumulative-effect adjustment	—	—	—	6	—	—	—	6
Net income	37	8	2	87	164	—	4	302
Other comprehensive income	—	—	—	—	—	1	—	1
Issuance of 6,450,000 Series B Preferred Units	—	155	—	—	—	—	—	155
Issuance of 4,400,000 Series C Preferred Units	—	—	106	—	—	—	—	106
Distributions to unitholders	(39)	(7)	(2)	(447)	(211)	—	—	(706)
Distributions to noncontrolling interests	—	—	—	—	—	—	(5)	(5)
Balance, December 31, 2018	\$ 489	\$ 156	\$ 106	\$ 6,418	\$ 107	\$ (8)	\$ 29	\$ 7,297

See accompanying notes to consolidated financial statements.

DCP MIDSTREAM, LP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Partners' Equity						Total Equity
	Predecessor Equity	Series A Preferred Limited Partners	Limited Partners	General Partner	Accumulated Other Comprehensive Loss	Noncontrolling Interests	
	(millions)						
Balance, January 1, 2017	\$ 4,220	\$ —	\$ 2,591	\$ 18	\$ (8)	\$ 32	\$ 6,853
Net income	—	4	61	164	—	5	234
Other comprehensive income	—	—	—	—	1	—	1
Net change in parent advances	—	—	418	—	—	—	418
Acquisition of the DCP Midstream Business	(4,220)	—	—	—	—	—	(4,220)
Issuance of 500,000 Series A Preferred Units	—	487	—	—	—	—	487
Deficit purchase price	—	—	3,094	—	(2)	—	3,092
Issuance of 28,552,480 common units and 2,550,644 general partner units to DCP Midstream, LLC and affiliate	—	—	1,033	92	—	—	1,125
Distributions to limited partners and general partner	—	—	(425)	(120)	—	—	(545)
Distributions to noncontrolling interests	—	—	—	—	—	(7)	(7)
Balance, December 31, 2017	<u>\$ —</u>	<u>\$ 491</u>	<u>\$ 6,772</u>	<u>\$ 154</u>	<u>\$ (9)</u>	<u>\$ 30</u>	<u>\$ 7,438</u>

See accompanying notes to consolidated financial statements.

DCP MIDSTREAM, LP
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2019	2018	2017
	(millions)		
OPERATING ACTIVITIES:			
Net income	21	302	234
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	404	388	379
Earnings from unconsolidated affiliates	(474)	(370)	(303)
Distributions from unconsolidated affiliates	540	441	367
Net unrealized losses (gains) on derivative instruments	78	(108)	28
Loss (gain) on sale of assets, net	80	—	(34)
Asset impairments	247	145	48
Loss from financing activities	—	19	—
Other, net	21	15	32
Change in operating assets and liabilities, which provided (used) cash:			
Accounts receivable	170	(55)	(194)
Inventories	9	(11)	4
Accounts payable	(133)	(168)	328
Other assets and liabilities	(104)	64	7
Net cash provided by operating activities	859	662	896
INVESTING ACTIVITIES:			
Capital expenditures	(519)	(595)	(375)
Investments in unconsolidated affiliates	(450)	(354)	(148)
Proceeds from sale of assets	209	4	132
Net cash used in investing activities	(760)	(945)	(391)
FINANCING ACTIVITIES:			
Proceeds from debt	5,971	5,161	116
Payments of debt	(5,372)	(4,560)	(811)
Costs incurred to redeem senior notes	—	(18)	—
Costs incurred related to conversion of GP economic interest and IDRs	(3)	—	—
Proceeds from issuance of preferred limited partner units, net of offering costs	—	261	487
Distributions to preferred limited partners	(59)	(46)	—
Net change in advances to predecessor from DCP Midstream, LLC	—	—	418
Distributions to limited partners and general partner	(618)	(658)	(545)
Distributions to noncontrolling interests	(5)	(5)	(7)
Debt issuance costs	(13)	(7)	(8)
Net cash (used in) provided by financing activities	(99)	128	(350)
Net change in cash and cash equivalents	—	(155)	155
Cash and cash equivalents, beginning of period	1	156	1
Cash and cash equivalents, end of period	\$ 1	\$ 1	\$ 156

See accompanying notes to consolidated financial statements.

DCP MIDSTREAM, LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2019, 2018 and 2017

1. Description of Business and Basis of Presentation

DCP Midstream, LP, with its consolidated subsidiaries, or “us,” “we,” “our” or the “Partnership” is a Delaware limited partnership formed in 2005 by DCP Midstream, LLC to own, operate, acquire and develop a diversified portfolio of complementary midstream energy assets.

Our Partnership includes our Logistics and Marketing and Gathering and Processing segments. For additional information regarding these segments, see Note 23 - Business Segments.

Our operations and activities are managed by our general partner, DCP Midstream GP, LP, which in turn is managed by its general partner, DCP Midstream GP, LLC, which we refer to as the General Partner, and which is 100% owned by DCP Midstream, LLC. DCP Midstream, LLC and its subsidiaries and affiliates, collectively referred to as DCP Midstream, LLC, is owned 50% by Phillips 66 and 50% by Enbridge Inc. and its affiliates, or Enbridge. DCP Midstream, LLC directs our business operations through its ownership and control of the General Partner. As of December 31, 2019, DCP Midstream, LLC, together with our general partner, owned approximately 57% of us through limited partner interests.

The consolidated financial statements include the accounts of the Partnership and all majority-owned subsidiaries where we have the ability to exercise control. 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.

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. All intercompany balances and transactions have been eliminated in consolidation.

2. Summary of Significant Accounting Policies

Use of Estimates - Conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the 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.

Cash and Cash Equivalents - We consider investments in highly liquid financial instruments purchased with an original stated maturity of 90 days or less and temporary investments of cash in short-term money market securities to be cash equivalents.

Allowance for Doubtful Accounts - Management estimates the amount of required allowances for the potential non-collectability of accounts receivable generally based upon the number of days past due, past collection experience and consideration of other relevant factors. However, past experience may not be indicative of future collections and therefore additional charges could be incurred in the future to reflect differences between estimated and actual collections.

Inventories - Inventories, which consist primarily of NGLs and natural gas, are recorded at the lower of weighted-average cost or net realizable value. Transportation costs are included in inventory.

Accounting for Risk Management Activities and Financial Instruments - Non-trading energy commodity derivatives are designated as a hedge of a forecasted transaction or future cash flow (cash flow hedge), a hedge of a recognized asset, liability or firm commitment (fair value hedge), or normal purchases or normal sales. The remaining non-trading derivatives, which are related to asset-based activities for which the normal purchase or normal sale exception is not elected, are recorded at fair value in the consolidated balance sheets as unrealized gains or unrealized losses in derivative instruments, with changes in the fair value recognized in the consolidated statements of operations. For each derivative, the accounting method and presentation of gains and losses or revenue and expense in the consolidated statements of operations are as follows:

Classification of Contract	Accounting Method	Presentation of Gains & Losses or Revenue & Expense
Trading Derivatives	Mark-to-market method (a)	Net basis in trading and marketing gains and losses
Non-Trading Derivatives:		
Cash Flow Hedge	Hedge method (b)	Gross basis in the same consolidated statements of operations category as the related hedged item
Fair Value Hedge	Hedge method (b)	Gross basis in the same consolidated statements of operations category as the related hedged item
Normal Purchases or Normal Sales	Accrual method (c)	Gross basis upon settlement in the corresponding consolidated statements of operations category based on purchase or sale
Other Non-Trading Derivative Activity	Mark-to-market method (a)	Net basis in trading and marketing gains and losses, net

- (a) Mark-to-market method - An accounting method whereby the change in the fair value of the asset or liability is recognized in the consolidated statements of operations in trading and marketing gains and losses, net during the current period.
- (b) Hedge method - An accounting method whereby the change in the fair value of the asset or liability is recorded in the consolidated balance sheets as unrealized gains or unrealized losses on derivative instruments. For cash flow hedges, there is no recognition in the consolidated statements of operations for the effective portion until the service is provided or the associated delivery impacts earnings. For fair value hedges, the change in the fair value of the asset or liability, as well as the offsetting changes in value of the hedged item, are recognized in the consolidated statements of operations in the same category as the related hedged item.
- (c) Accrual method - An accounting method whereby there is no recognition in the consolidated balance sheets or consolidated statements of operations for changes in fair value of a contract until the service is provided or the associated delivery impacts earnings.

Cash Flow and Fair Value Hedges - For derivatives designated as a cash flow hedge or a fair value hedge, we maintain formal documentation of the hedge. In addition, we formally assess both at the inception of the hedging relationship and on an ongoing basis, whether the hedge contract is highly effective in offsetting changes in cash flows or fair values of hedged items. All components of each derivative gain or loss are included in the assessment of hedge effectiveness, unless otherwise noted.

The fair value of a derivative designated as a cash flow hedge is recorded in the consolidated balance sheets as unrealized gains or unrealized losses on derivative instruments. The change in fair value of the effective portion of a derivative designated as a cash flow hedge is recorded in partners' equity in accumulated other comprehensive income, or AOCI, and the ineffective portion is recorded in the consolidated statements of operations. During the period in which the hedged transaction impacts earnings, amounts in AOCI associated with the hedged transaction are reclassified to the consolidated statements of operations in the same line item as the item being hedged. Hedge accounting is discontinued prospectively when it is determined that the derivative no longer qualifies as an effective hedge, or when it is probable that the hedged transaction will not occur. When hedge accounting is discontinued because the derivative no longer qualifies as an effective hedge, the derivative is subject to the mark-to-market accounting method prospectively. The derivative continues to be carried on the consolidated balance sheets at its fair value; however, subsequent changes in its fair value are recognized in current period earnings. Gains and losses related to discontinued hedges that were previously accumulated in AOCI will remain in AOCI until the hedged transaction impacts earnings, unless it is probable that the hedged transaction will not occur, in which case, the gains and losses that were previously deferred in AOCI will be immediately recognized in current period earnings.

The fair value of a derivative designated as a fair value hedge is recorded for balance sheet purposes as unrealized gains or unrealized losses on derivative instruments. We recognize the gain or loss on the derivative instrument, as well as the offsetting loss or gain on the hedged item in earnings in the current period. All derivatives designated and accounted for as fair value hedges are classified in the same category as the item being hedged in the results of operations.

Valuation - 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 relationships with quoted market prices and the 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.

Property, Plant and Equipment - Property, plant and equipment are recorded at historical cost. The cost of maintenance and repairs, which are not significant improvements, are expensed when incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Capitalized Interest - We capitalize interest during construction of major projects. Interest is calculated on the monthly outstanding capital balance and ceases in the month that the asset is placed into service. We also capitalize interest on our equity method investments which are devoting substantially all efforts to establishing a new business and have not yet begun planned principal operations. Capitalization ceases when the investee commences planned principal operations. The rates used to calculate capitalized interest are the weighted-average cost of debt, including the impact of interest rate swaps.

Asset Retirement Obligations - Our asset retirement obligations relate primarily to the retirement of various gathering pipelines and processing facilities and obligations related to right-of-way and land easement agreements. We adjust our asset retirement obligation each quarter for any liabilities incurred or settled during the period, accretion expense and any revisions made to the estimated cash flows.

Asset retirement obligations associated with tangible long-lived assets are recorded at fair value in the period in which they are incurred, if a reasonable estimate of fair value can be made, and added to the carrying amount of the associated asset. This additional carrying amount is then depreciated over the life of the asset. The liability is determined using a credit-adjusted risk free interest rate, and accretes due to the passage of time based on the time value of money until the obligation is settled.

Goodwill and Intangible Assets - Goodwill is the cost of an acquisition less the fair value of the net assets of the acquired business. We perform an annual impairment test of goodwill at the reporting unit level during the third quarter, and update the test during interim periods when we believe events or changes in circumstances indicate that we may not be able to recover the carrying value of a reporting unit. We primarily use 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. A period of lower commodity prices may adversely affect our estimate of future operating results, which could result in future goodwill and intangible assets impairment due to the potential impact on our operations and cash flows.

Intangible assets consist of customer contracts, including commodity purchase, transportation and processing contracts, and related relationships. These intangible assets are amortized on a straight-line basis over the period of expected future benefit. Intangible assets are removed from the gross carrying amount and the total of accumulated amortization in the period in which they become fully amortized.

Investments in Unconsolidated Affiliates - We use the equity method to account for investments in greater than 20% owned affiliates.

We evaluate our investments in unconsolidated affiliates for impairment whenever events or changes in circumstances indicate that the carrying value of such investments may have experienced a decline in value. When there is evidence of loss in value that is other than temporary, we compare the estimated fair value of the investment to the carrying value of the investment to determine whether impairment has occurred. We assess the fair value of our investments in unconsolidated affiliates using commonly accepted techniques, and may use more than one method, including, but not limited to, recent third party comparable sales and discounted cash flow models. If the estimated fair value is less than the carrying value, the excess of the carrying value over the estimated fair value is recognized as an impairment loss.

Long-Lived Assets - We periodically evaluate whether the carrying value of long-lived assets, including intangible assets, has been impaired when circumstances indicate the carrying value of those assets may not be recoverable. This evaluation is based on undiscounted cash flow projections. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. We consider various factors when determining if these assets should be evaluated for impairment, including but not limited to:

- significant adverse change in legal factors or business climate;
- a current-period operating or cash flow loss combined with a history of operating or cash flow losses, or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset;
- an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset;
- significant adverse changes in the extent or manner in which an asset is used, or in its physical condition;
- a significant adverse change in the market value of an asset; or
- a current expectation that, more likely than not, an asset will be sold or otherwise disposed of before the end of its estimated useful life.

If the carrying value is not recoverable, the impairment loss is measured as the excess of the asset's carrying value over its fair value. We assess the fair value of long-lived assets using commonly accepted techniques, and may use more than one method, including, but not limited to, recent third party comparable sales and discounted cash flow models. Significant changes in market conditions resulting from events such as the condition of an asset or a change in management's intent to utilize the asset would generally require management to reassess the cash flows related to the long-lived assets. A period of lower commodity prices may adversely affect our estimate of future operating results, which could result in future impairment due to the potential impact on our operations and cash flows.

Leases - Our leasing activity primarily consists of transportation agreements, office space, vehicles, and field equipment. We determine if an arrangement is an operating or finance lease at inception. Right of use assets represent our right to use an underlying asset for the lease term when we control the use of the asset by obtaining substantially all of the economic benefits of the asset and direct the use of the asset. Lease liabilities represent our obligation to make lease payments arising from the lease. Right of use assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The interest rate used to calculate the present value of lease payments is the rate implicit in the lease when determinable or our incremental borrowing rate. Our incremental borrowing rate is primarily based on our collateralized borrowing rate when such borrowings exist or an estimated collateralized borrowing rate based on independent third party quotes when such borrowings do not exist. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Operating lease expense is recognized on a straight-line basis over the lease term. Finance lease expense is recognized based on the effective-interest method and amortization of the right of use asset is recognized based on the straight-line method.

Unamortized Debt Discount and Expense- Discounts and expenses incurred with the issuance of long-term debt are amortized over the term of the debt using the effective interest method. The discounts and unamortized expenses are recorded on the consolidated balance sheets within the carrying amount of long-term debt.

Noncontrolling Interest - Noncontrolling interest represents any third party or affiliate interest in non-wholly owned entities that we consolidate. For financial reporting purposes, the assets and liabilities of these entities are consolidated with those of our own, with any third party or affiliate interest in our consolidated balance sheet amounts shown as noncontrolling interest in equity. Distributions to and contributions from noncontrolling interests represent cash payments to and cash contributions from, respectively, such third party and affiliate investors.

Revenue Recognition - Our operating revenues are primarily derived from the following activities:

- sales of natural gas, NGLs and condensate;
- services related to gathering, compressing, treating, and processing natural gas; and
- services related to transportation and storage of natural gas and NGLs.

Sales of natural gas, NGLs and condensate- We sell our commodities to a variety of customers ranging from large, multi-national petrochemical and refining companies to regional retail propane distributors. We recognize revenue from commodity sales at the point in time when control is obtained by the customer. Generally, the transaction price is determined at the time of each delivery as the variability of commodity pricing is resolved. Customers usually pay monthly based on the products purchased the previous month.

Sales of natural gas, NGLs and condensate include physical sales contracts which qualify as financial derivative instruments, and buy-sell and exchange transactions which involve purchases and sales of inventory with the same counterparty that are legally contingent or in contemplation of one another as a single transaction on a combined net basis. Neither of these types of arrangements are contracts with customers within the scope of Financial Accounting Standards Board, or "FASB", Accounting Standards Update, or "ASU", 2014-09 Revenue from Contracts with Customers, or "Topic 606".

Gathering, compressing, treating and processing natural gas - For natural gas gathering and processing activities, we receive either fees and/or a percentage of proceeds from commodity sales as payment for these services, depending on the type of contract. For gathering and processing agreements within the scope of Topic 606, we recognize the revenue associated with our services when the gas is gathered, treated or processed at our facilities. Under fee-based contracts, we receive a fee for our services based on throughput volumes. Under percent-of-proceeds contracts, we receive either an agreed upon percentage of the actual proceeds received from our sale of the residue natural gas and NGLs or an agreed upon percentage based on index related prices for the natural gas and NGLs. Our percent-of-proceeds contracts may also include a fee-based component.

Transportation and storage - Revenue from transportation and storage agreements is recognized based on contracted volumes transported and stored in the period the services are provided.

Our service contracts generally have terms that extend beyond one year, and are recognized over time. The performance obligation for most of our service contracts encompasses a series of distinct services performed on discrete daily quantities of natural gas or NGLs for purposes of allocating variable consideration and recognizing revenue while the customer simultaneously receives and consumes the benefits of the services provided. Revenue is recognized over time consistent with the transfer of goods or services over time to the customer based on daily volumes delivered or stored. Consideration is generally variable, and the transaction price cannot be determined at the inception of the contract, because the volume of natural gas or NGLs for which the service is provided is only specified on a daily or monthly basis. The transaction price is determined at the time the service is provided and the uncertainty is resolved. Customers usually pay monthly based on the services performed the previous month.

Purchase arrangements - Under purchase arrangements, we purchase natural gas at either the wellhead or the tailgate of a plant. These purchase arrangements represent an arrangement with a supplier and are recorded in "Purchases and related costs". Often, we earn fees for services performed prior to taking control of the product in these arrangements and service revenue is recorded for these fees. Revenue generated from the sale of product obtained in these purchase arrangements are reported as "Sales of natural gas, NGLs and condensate" on the consolidated statements of operations and are recognized on a gross basis as we purchase and take control of the product prior to sale and are the principal in the transaction.

Practical expedients - We apply certain practical expedients in Topic 606 and do not disclose information about transaction prices allocated to remaining performance obligations that have original expected durations of one year or less, nor do we disclose information about transaction prices allocated to remaining performance obligations if the variable consideration is allocated entirely to a wholly unsatisfied performance obligation

Contract liabilities - We have contracts with customers whereby the customer reimburses us for costs to construct certain connections to our operating assets. These agreements are typically entered into in contemplation with gathering and processing agreements and transportation agreements with customers, and are part of the consideration of the contract. We previously accounted for these arrangements as a reduction to the cost basis of our long-lived assets which were amortized as a reduction to depreciation expense over the estimated useful life of the related assets. Under Topic 606, we record these payments as deferred revenue which are amortized into revenue over the expected contract term.

Purchases and related costs - Purchases and related costs primarily includes (i) the cost of purchased commodities, including NGLs, natural gas and condensate, and (ii) fees incurred for transportation and fractionation of commodities.

Significant Customers - There were no third party customers that accounted for more than 10% of total operating revenues for the years ended December 31, 2019, 2018 and 2017. We had significant transactions with affiliates for the years ended December 31, 2019, 2018 and 2017.

Environmental Expenditures - Environmental expenditures are expensed or capitalized as appropriate, depending upon the future economic benefit. Expenditures that relate to an existing condition caused by past operations and that do not generate current or future revenue are expensed. Liabilities for these expenditures are recorded on an undiscounted basis when environmental assessments and/or clean-ups are probable and the costs can be reasonably estimated.

Equity-Based Compensation - Liability classified equity-based compensation cost is remeasured at each reporting date at fair value, based on the closing security price, and is recognized as expense over the requisite service period. Compensation expense for awards with graded vesting provisions is recognized on a straight-line basis over the requisite service period of each separately vesting portion of the award.

Income Taxes - We are structured as a master limited partnership which is a pass-through entity for federal income tax purposes. Our income tax expense includes certain jurisdictions, including state, local, franchise and margin taxes of the master limited partnership and subsidiaries. We follow the asset and liability method of accounting for income taxes. Under this method, deferred income taxes are recognized for the tax consequences of temporary differences between the financial statement carrying amounts and the tax basis of the assets and liabilities. Our taxable income or loss, which may vary substantially from the net income or loss reported in the consolidated statements of operations, is proportionately included in the federal income tax returns of each partner.

Net Income or Loss per Limited Partner Unit - Basic and diluted net income or loss per limited partner unit, or LPU, is calculated by dividing net income or loss allocable to limited partners, by the weighted-average number of outstanding LPUs during the period using the two-class method. Diluted net income or loss per limited partner unit is computed based on the weighted average number of limited partner units, plus the effect of dilutive potential units, if any, outstanding during the period.

3. Recent Accounting Pronouncements

FASB ASU, 2018-15 "Intangibles - Goodwill and Other - Internal-use Software (Subtopic 350-40): Customers Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract" or ASU 2018-15 - In August 2018, the FASB issued ASU 2018-15, which aligns the accounting for costs incurred to implement a cloud computing arrangement that is a service contract with the guidance on capitalizing costs associated with developing or obtaining internal-use software. This ASU is effective for interim and annual reporting periods beginning after December 15, 2019, with the option to early adopt for financial statements that have not been issued. We adopted this ASU on January 1, 2020 and it did not have a material impact on our consolidated financial statements.

FASB ASU, 2017-04 "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" or ASU 2017-04 - In January 2017, the FASB issued ASU 2017-04, which eliminates Step 2 from the goodwill impairment test. Step 2 required entities to compare the implied fair value of reporting unit goodwill to the carrying value of goodwill. After adoption, entities will perform the goodwill impairment test by comparing the fair value of the reporting unit to the carrying value and recognize an impairment charge for the amount by which the carrying value exceeds the fair value, not to exceed the total amount of allocated goodwill. This ASU is effective for interim and annual reporting periods beginning after December 15, 2019, with the option to early adopt for goodwill impairment tests with measurement dates after January 1, 2017. We elected to early adopt this standard in the third quarter of 2019 and it did not have a material impact to our consolidated financial statements.

FASB ASU, 2016-13 "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" or ASU 2016-13 - In June 2016, the FASB issued ASU 2016-13, which amends current measurement techniques used to estimate credit losses for financial assets. This ASU is effective for interim and annual reporting periods beginning after December 15, 2019, with the option to early adopt for financial statements that have not been issued. We adopted this ASU on January 1, 2020 and it did not have a material impact on our consolidated financial statements.

FASB ASU, 2016-02 "Leases (Topic 842)" or ASU 2016-02 - In February 2016, the FASB issued ASU 2016-02, which requires lessees to recognize a lease liability on a discounted basis and the right of use of a specified asset at the commencement date for all leases. We adopted this ASU on January 1, 2019 using the modified retrospective approach without application to prior periods. We implemented the following practical expedients and policy elections permitted under the new standard: (a) the package of practical expedients allowing us to not reassess whether expired or existing contracts contain a lease, the lease classification for any expired or existing leases and the treatment of initial direct costs for any expired or existing leases, (b) the land easement practical expedient, allowing us to carry forward our current accounting treatment for land easements in existing agreements, (c) not recognizing lease assets or liabilities when lease terms are less than twelve months and (d) for agreements

that contain both lease and non-lease components, the company combines these components together and accounts for them as a single lease for all asset types.

The effect of the changes made to our consolidated January 1, 2019 balance sheet as a result of the adoption of Topic 842 was as follows:

	Balance at December 31, 2018	Adjustments due to Topic 842	Balance at January 1, 2019
	(millions)		
Balance Sheet			
Operating lease assets	\$ —	\$ 84	\$ 84
Current liabilities:			
Other	\$ 100	\$ 25	\$ 125
Operating lease liabilities	\$ —	\$ 66	\$ 66
Other long-term liabilities	\$ 243	\$ (7)	\$ 236

This change did not have any impact on our consolidated statement of operations or consolidated statement of cash flows.

4. Dispositions

On January 30, 2019, we entered into a purchase and sale agreement with NGL Energy Partners LP to sell Gas Supply Resources, our wholesale propane business primarily consisting of seven natural gas liquids terminals in the Eastern United States within our Logistics and Marketing segment for a purchase price of \$90 million. Net proceeds received were approximately \$103 million due to customary purchase price adjustments and a loss of \$9 million was recognized. The transaction closed effective March 1, 2019.

In addition to the sale of Gas Supply Resources, we divested several non-core assets in our Midcontinent and Permian regions. We received proceeds of \$106 million and recognized a net loss on sale of assets and businesses of \$71 million during 2019.

5. Revenue Recognition

We disaggregate our revenue from contracts with customers by type of contract for each of our reportable segments, as we believe it best depicts the nature, timing and uncertainty of our revenue and cash flows. The following tables set forth our revenue by those categories:

	Year Ended December 31, 2019			
	Logistics and Marketing	Gathering and Processing	Eliminations	Total
	(millions)			
Sales of natural gas	\$ 2,098	\$ 1,734	\$ (1,525)	\$ 2,307
Sales of NGLs and condensate (a)	4,744	2,171	(2,023)	4,892
Transportation, processing and other	46	395	(2)	439
Trading and marketing (losses) gains, net (b)	(32)	19	—	(13)
Total operating revenues	\$ 6,856	\$ 4,319	\$ (3,550)	\$ 7,625

Year Ended December 31, 2018

	Logistics and Marketing	Gathering and Processing	Eliminations	Total
	(millions)			
Sales of natural gas	\$ 2,325	\$ 1,955	\$ (1,752)	\$ 2,528
Sales of NGLs and condensate (a)	6,692	3,437	(3,283)	6,846
Transportation, processing and other	57	432	—	489
Trading and marketing (losses) gains, net (b)	(60)	19	—	(41)
Total operating revenues	\$ 9,014	\$ 5,843	\$ (5,035)	\$ 9,822

- (a) Includes \$3,236 million and \$4,347 million for the years ended December 31, 2019 and 2018, respectively, of revenues from physical sales contracts and buy-sell exchange transactions in our Logistics and Marketing segment, which are not within the scope of Topic 606.
- (b) Not within the scope of Topic 606.

The revenue expected to be recognized in the future related to performance obligations that are not satisfied is approximately \$96 million as of December 31, 2019. Our remaining performance obligations primarily consist of minimum volume commitment fee arrangements and are expected to be recognized through 2028 with a weighted average remaining life of four years as of December 31, 2019. As a practical expedient permitted by Topic 606, this amount excludes variable consideration as well as remaining performance obligations that have original expected durations of one year or less, as applicable. Our remaining performance obligations also exclude estimates of variable rate escalation clauses in our contracts with customers.

6. Contract Liabilities

Our contract liabilities consist of deferred revenue received from reimbursable projects. The noncurrent portion of deferred revenue is included in other long-term liabilities on our consolidated balance sheet.

The following table summarizes changes in contract liabilities included in our consolidated balance sheet:

	December 31,	
	2019	2018
	(millions)	
Balance, beginning of period	\$ 34	\$ —
Cumulative effect of implementation of Topic 606	—	36
Additions	1	—
Revenue recognized (a)	(2)	(2)
Balance, end of period	\$ 33	\$ 34

- (a) Deferred revenue recognized is included in transportation, processing and other on the consolidated statement of operations.

The contract liabilities disclosed in the table above will be recognized as revenue as the obligations are satisfied over their average remaining contract life, which is 35 years as of December 31, 2019.

7. Agreements and Transactions with Affiliates

DCP Midstream, LLC

Services Agreement and Other General and Administrative Charges

Under the Services and Employee Secondment Agreement (the "Services Agreement"), we are required to reimburse DCP Midstream, LLC for costs, expenses, and expenditures incurred or payments made on our behalf for general and administrative functions including, but not limited to, legal, accounting, compliance, treasury, insurance administration and claims processing, risk management, health, safety and environmental, information technology, human resources, benefit plan maintenance and administration, credit, payroll, internal audit, taxes and engineering, as well as salaries and benefits of seconded employees, insurance coverage and claims, capital expenditures, maintenance and repair costs and taxes. There is no limit on the reimbursements we make to DCP Midstream, LLC under the Services Agreement for costs, expenses and expenditures incurred

or payments made on our behalf. The following table summarizes employee related costs that were charged by DCP Midstream, LLC to the Partnership that are included in the consolidated statements of operations:

	Year Ended December 31,		
	2019	2018	2017
	(millions)		
Employee related costs charged by DCP Midstream, LLC			
Operating and maintenance expense	\$ 197	\$ 209	\$ 197
General and administrative expense	\$ 189	\$ 187	\$ 182
Restructuring costs	\$ 11	\$ —	\$ —

Phillips 66 and its Affiliates

We sell a portion of our residue gas and NGLs to and purchase NGLs from Phillips 66 and its respective affiliates. We anticipate continuing to sell commodities to and purchase commodities from Phillips 66 and its affiliates in the ordinary course of business.

Enbridge and its Affiliates

We purchase NGLs from Enbridge and its affiliates. We anticipate continuing to purchase commodities from Enbridge and its affiliates in the ordinary course of business.

Unconsolidated Affiliates

We have entered into 10 to 15-year transportation agreements, with Sand Hills Pipeline, LLC, or Sand Hills, Southern Hills Pipeline, LLC, or Southern Hills, Front Range Pipeline LLC, or Front Range, Texas Express Pipeline LLC, or Texas Express, Gulf Coast Express Pipeline, LLC, or Gulf Coast, and Cheyenne Connector. Under the terms of these agreements, which expire between 2028 and 2030, we have committed to transport minimum throughput volumes at rates defined in each of the pipelines' respective tariffs.

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

Under the terms of the Sand Hills LLC Agreement and the Southern Hills LLC Agreement, or the Sand Hills and Southern Hills LLC Agreements, Sand Hills and Southern Hills are required to reimburse us for any direct costs or expenses (other than general and administration services) which we incur on behalf of Sand Hills and Southern Hills. Additionally, Sand Hills and Southern Hills each pay us an annual service fee of \$5 million, for centralized corporate functions provided by us as operator of Sand Hills and Southern Hills, including legal, accounting, cash management, insurance administration and claims processing, risk management, health, safety and environmental, information technology, human resources, credit, payroll, taxes and engineering. Except with respect to the annual service fee, there is no limit on the reimbursements Sand Hills and Southern Hills make to us under the Sand Hills and Southern Hills LLC Agreements for other expenses and expenditures which we incur on behalf of Sand Hills or Southern Hills.

Summary of Transactions with Affiliates

The following table summarizes our transactions with affiliates:

	Year Ended December 31,		
	2019	2018	2017
	(millions)		
Phillips 66 (including its affiliates):			
Sales of natural gas, NGLs and condensate to affiliates	\$ 1,140	\$ 1,534	\$ 1,172
Purchases and related costs from affiliates	\$ 209	\$ 138	\$ 30
Operating and maintenance and general administrative expenses	\$ 13	\$ 13	\$ 2
Enbridge (including its affiliates):			
Sales of natural gas, NGLs and condensate to affiliates	\$ (2)	\$ 11	\$ 48
Purchases and related costs from affiliates	\$ 27	\$ 35	\$ 43
Operating and maintenance and general administrative expenses	\$ 2	\$ —	\$ 2
Unconsolidated affiliates:			
Sales of natural gas, NGLs and condensate to affiliates	\$ 38	\$ 65	\$ 54
Transportation, processing, and other to affiliates	\$ 4	\$ 6	\$ 5
Purchases and related costs from affiliates	\$ 853	\$ 723	\$ 504

We had balances with affiliates as follows:

	December 31, 2019	December 31, 2018
	(millions)	
Phillips 66 (including its affiliates):		
Accounts receivable	\$ 117	\$ 145
Accounts payable	\$ 20	\$ 22
Enbridge (including its affiliates):		
Accounts payable	\$ 2	\$ 2
Unconsolidated affiliates:		
Accounts receivable	\$ 21	\$ 21
Accounts payable	\$ 78	\$ 72

8. Inventories

Inventories were as follows:

	December 31, 2019	December 31, 2018
	(millions)	
Natural gas	\$ 19	\$ 34
NGLs	27	45
Total inventories	\$ 46	\$ 79

We recognize lower of cost or net realizable value adjustments when the carrying value of our inventories exceeds their estimated market value. These non-cash charges are a component of purchases and related costs in the consolidated statements of operations. We recognized \$10 million of lower of cost or net realizable value adjustments during the year ended December 31, 2019. No lower of cost or net realizable value adjustments were recognized for the year ended December 31, 2018 and lower of cost or net realizable value adjustments of \$2 million were recognized for the year ended December 31, 2017.

9. Property, Plant and Equipment

A summary of property, plant and equipment by classification is as follows:

	Depreciable Life	December 31, 2019		December 31, 2018	
		(millions)			
Gathering and transmission systems	20 — 50 Years	\$	8,406	\$	8,492
Processing, storage and terminal facilities	35 — 60 Years		5,305		5,194
Other	3 — 30 Years		585		568
Finance lease assets	4 - 7 Years		25		—
Construction work in progress			183		470
Property, plant and equipment			14,504		14,724
Accumulated depreciation			(5,693)		(5,589)
Property, plant and equipment, net		\$	8,811	\$	9,135

Interest capitalized on construction projects was \$13 million, \$19 million and \$7 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Depreciation expense was \$396 million, \$378 million and \$367 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Asset Retirement Obligations

We identified various assets as having an indeterminate life, for which there is no requirement to establish a fair value for future retirement obligations associated with such assets. These assets include certain pipelines, gathering systems and processing facilities. A liability for these asset retirement obligations will be recorded only if and when a future retirement obligation with a determinable life is identified. These assets have an indeterminate life because they are owned and will operate for an indeterminate future period when properly maintained. Additionally, if the portion of an owned plant containing asbestos were to be modified or dismantled, we would be legally required to remove the asbestos. We currently have no plans to take actions that would require the removal of the asbestos in these assets. Accordingly, the fair value of the asset retirement obligation related to this asbestos cannot be estimated and no obligation has been recorded.

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

	December 31,	
	2019 (a)	2018 (a)
	(millions)	
Balance, beginning of period	140	126
Accretion expense	9	8
Change in ARO estimate	1	6
Dispositions	(9)	—
Balance, end of period	141	140

(a) Asset retirement obligations are included in other long-term liabilities in the consolidated balance sheets. Accretion expense is recorded within operating and maintenance expense in our consolidated statement of operations. Accretion expense for the year ended December 31, 2017 was \$8 million.

10. Goodwill and Intangible Assets

We performed our annual goodwill assessment during the third quarter of 2019 at the reporting unit level, which is conducted by assessing whether (i) the components of our operating segments constitute businesses for which discrete financial information is available, (ii) segment management regularly reviews the operating results of those components and (iii) the economic and regulatory characteristics are similar. As a result of our assessment, we concluded that the carrying value of

goodwill in the Marysville reporting unit within our Logistics and Marketing segment exceeded its fair value, resulting in an impairment charge of \$5 million. The goodwill balance in the North reporting unit within our Gathering and Processing segment was determined to be fully recoverable.

Marysville, our NGL storage business, is experiencing a change in the business as more NGLs are exported through new facilities in the U.S. and Canada or moved on long-haul pipes rather than being stored. As a result, we have lower forecasted storage volumes. The lower forecasted volumes coupled with lower forecasted commodity prices have decreased forecasted cash flows such that, while in excess of asset book value on an undiscounted basis, they were not sufficient to recover the value of allocated goodwill in the Marysville reporting unit.

We primarily used a discounted cash flow analysis, supplemented by a market approach analysis, to perform our goodwill 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 (including forecasted volumes and commodity prices), as well as historical and other factors. 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.

The carrying amount of goodwill in each of our reportable segments was as follows:

	Year Ended December 31,					
	2019			2018		
	Gathering and Processing	Logistics and Marketing	Total	Gathering and Processing	Logistics and Marketing	Total
	(millions)					
Balance, beginning of period	\$ 159	\$ 72	\$ 231	\$ 159	\$ 72	\$ 231
Impairment	—	(35)	(35)	—	—	—
Dispositions	—	(37)	(37)	—	—	—
Balance, end of period	\$ 159	\$ —	\$ 159	\$ 159	\$ 72	\$ 231

Intangible assets consist of customer contracts, including commodity purchase, transportation and processing contracts and related relationships. The gross carrying amount and accumulated amortization of these intangible assets are included in the accompanying consolidated balance sheets as intangible assets, net, and are as follows:

	December 31, 2019	December 31, 2018
	(millions)	
Gross carrying amount	\$ 145	\$ 410
Accumulated amortization	(84)	(170)
Accumulated impairment	—	(143)
Intangible assets, net	\$ 61	\$ 97

We recorded amortization expense of \$8 million, \$9 million and \$10 million for the years ended December 31, 2019, 2018, and 2017, respectively. As of December 31, 2019, the remaining amortization periods ranged from approximately 2 years to 15 years, with a weighted-average remaining period of approximately 10 years.

Estimated future amortization for these intangible assets is as follows:

	Estimated Future Amortization	
	(millions)	
2020	\$	7
2021		7
2022		7
2023		6
2024		6
Thereafter		28
Total	\$	61

11. Investments in Unconsolidated Affiliates

The following table summarizes our investments in unconsolidated affiliates:

	Percentage Ownership	Carrying Value as of	
		December 31,	
		2019	December 31, 2018
(millions)			
DCP Sand Hills Pipeline, LLC	66.67%	\$ 1,764	\$ 1,791
DCP Southern Hills Pipeline, LLC	66.67%	738	728
Front Range Pipeline LLC	33.33%	206	175
Gulf Coast Express Pipeline LLC	25.00%	449	146
Texas Express Pipeline LLC	10.00%	101	95
Cheyenne Connector	50.00%	83	—
Mont Belvieu Enterprise Fractionator	12.50%	27	24
Mont Belvieu 1 Fractionator	20.00%	9	10
Discovery Producer Services LLC	40.00%	322	344
Panola Pipeline Company, LLC	15.00%	22	23
Other	Various	3	4
Total investments in unconsolidated affiliates		<u>\$ 3,724</u>	<u>\$ 3,340</u>

The following table represents the excess (deficit) of the carrying amount of the investment over (under) the underlying equity of our investments in unconsolidated affiliates as of December 31, 2019 and 2018:

	Excess (Deficit) of Carrying Value over (under) Underlying Equity in Unconsolidated Affiliates	
	December 31,	
	2019	2018
(millions)		
DCP Sand Hills Pipeline, LLC	\$ 619	\$ 634
DCP Southern Hills Pipeline, LLC	139	142
Front Range Pipeline LLC	4	4
Gulf Coast Express Pipeline LLC	1	—
Texas Express Pipeline LLC	3	3
Discovery Producer Services LLC	(13)	(15)

Carrying amounts in excess or deficit of the underlying equity of our unconsolidated affiliates are amortized over the life of the underlying long-lived assets of the affiliate.

Earnings from investments in unconsolidated affiliates were as follows

	Year Ended December 31,		
	2019	2018	2017
	(millions)		
DCP Sand Hills Pipeline, LLC	\$ 287	\$ 223	\$ 148
DCP Southern Hills Pipeline, LLC	77	68	47
Front Range Pipeline LLC	32	24	17
Gulf Coast Express LLC	27	—	—
Texas Express Pipeline LLC	16	19	9
Mont Belvieu Enterprise Fractionator	14	10	13
Mont Belvieu 1 Fractionator	13	16	6
Discovery Producer Services LLC	6	8	61
Other	2	2	2
Total earnings from unconsolidated affiliates	\$ 474	\$ 370	\$ 303

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

	Year Ended December 31,		
	2019	2018	2017
	(millions)		
Statements of operations:			
Operating revenue	\$ 1,798	\$ 1,560	\$ 1,397
Operating expenses	\$ 695	\$ 613	\$ 647
Net income	\$ 1,103	\$ 945	\$ 747

	December 31,	December 31,
	2019	2018
	(millions)	
Balance sheets:		
Current assets	\$ 463	\$ 411
Long-term assets	7,546	6,359
Current liabilities	(231)	(424)
Long-term liabilities	(252)	(221)
Net assets	\$ 7,526	\$ 6,125

12. 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, 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 and 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 15 - Risk Management and Hedging Activities.

Valuation Hierarchy

Our fair value measurements are grouped into a three-level valuation hierarchy and are categorized in their entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows.

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

A financial instrument's categorization within the hierarchy is based upon the 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, crude oil or NGL swaps). The exchange traded instruments are generally executed with a highly rated broker dealer serving as the clearinghouse for individual transactions.

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

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

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

Nonfinancial Assets and Liabilities

We utilize fair value to perform impairment tests as required on our property, plant and equipment, goodwill, equity investments in unconsolidated affiliates, and intangible assets. 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 consolidated financial statements. Additionally, we use fair value to determine the inception value of our asset retirement obligations. The inputs used to determine such fair value are primarily based upon costs incurred historically for similar work, as well as estimates from independent third parties for costs that would be incurred to restore leased property to the contractually stipulated condition, and would generally be classified within Level 3.

During the year ended December 31, 2019, we recognized impairments of property, plant and equipment and goodwill of \$47 million in our consolidated statement of operations as summarized in the table below. Specific asset groups within the Midcontinent and Permian regions had forecasted cash flows that would not be sufficient to recover the carrying value of each such asset group. It was determined that triggering events had occurred due to specific factors that affected the assets including the impact of commodity prices on recently prepared budget forecasts coupled with the impact of reduced capital investments. Management is considering alternative long-term strategies for these assets.

The net book value of the asset groups discussed above exceeded the undiscounted future cash flows from such assets, therefore a fair value calculation was required. Our impairment determinations involved significant assumptions and judgments. We estimated the respective fair values by forecasting the future cash flows over the useful lives of the assets, considering future commodity prices, volumes, operating costs and selecting the discount rate that reflected the risk inherent in future cash flows. Differing assumptions regarding any of these inputs could have a significant effect on the various valuations. As such, the fair value measurements utilized within these models are classified as non-recurring Level 3 measurements in the fair value hierarchy because they are not observable.

The following table presents the carrying value of assets measured at fair value on a non-recurring basis, by consolidated balance sheet caption as of and for the years ended December 31, 2019 and 2018.

	December 31, 2019		December 31, 2018	
	Net Carrying Value	Asset Impairments	Net Carrying Value	Asset Impairments
	(millions)			
Property, plant and equipment	\$ 53	\$ 212	\$ 15	\$ 145
Goodwill	—	35	—	—
Total impairments	\$ 53	\$ 247	\$ 15	\$ 145

The following table presents the financial instruments carried at fair value on a recurring basis as of December 31, 2019 and December 31, 2018, by consolidated balance sheet caption and by valuation hierarchy, as described above:

	December 31, 2019				December 31, 2018			
	Level 1	Level 2	Level 3	Total Carrying Value	Level 1	Level 2	Level 3	Total Carrying Value
	(millions)							
Current assets:								
Commodity derivatives	\$ 13	\$ 15	\$ 4	\$ 32	\$ 62	\$ 32	\$ 14	\$ 108
Long-term assets:								
Commodity derivatives	\$ 1	\$ 1	\$ —	\$ 2	\$ 4	\$ 2	\$ 2	\$ 8
Current liabilities:								
Commodity derivatives	\$ (15)	\$ (42)	\$ (1)	\$ (58)	\$ (39)	\$ (52)	\$ —	\$ (91)
Long-term liabilities:								
Commodity derivatives	\$ (2)	\$ (15)	\$ (3)	\$ (20)	\$ (1)	\$ (5)	\$ (2)	\$ (8)

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. In the event that there is a movement between the classification of an instrument as Level 1 or 2, the transfer would be reflected in a table as "Transfers into or out of Level 1 and Level 2". During the years ended December 31, 2019 and 2018, 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 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 would reflect such items in the table below within the “Transfers into/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 rollforward below, the gains or losses in the table 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)			
Year ended December 31, 2019 (a):				
Beginning balance	\$ 14	\$ 2	\$ —	\$ (2)
Net unrealized gains (losses) included in earnings (b)	9	(2)	(1)	(2)
Transfers out of Level 3 (c)	(1)	—	—	1
Settlements	(18)	—	—	—
Ending balance	\$ 4	\$ —	\$ (1)	\$ (3)
Net unrealized gains (losses) on derivatives still held included in earnings (b)	\$ 3	\$ —	\$ (1)	\$ (2)
Year ended December 31, 2018 (a):				
Beginning balance	\$ 3	\$ 1	\$ (13)	\$ (1)
Net unrealized gains (losses) included in earnings (b)	14	1	(6)	(1)
Settlements	(3)	—	19	—
Ending balance	\$ 14	\$ 2	\$ —	\$ (2)
Net unrealized gains (losses) on derivatives still held included in earnings (b)	\$ 14	\$ 1	\$ —	\$ (1)

(a) There were no purchases, issuances or sales of derivatives or transfers into Level 3 for the years ended December 31, 2019 and 2018.

(b) Represents the amount of unrealized gains or losses for the period, included in trading and marketing gains (losses), net.

(c) Amounts transferred out of Level 3 are reflected at fair value at 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 to fair value 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 contracts.

Product Group	December 31, 2019	
	Fair Value (millions)	Forward Curve Range
Assets		
NGLs	\$ 4	\$0.17-\$1.20 Per gallon
Liabilities		
NGLs	\$ (1)	\$0.12-\$1.18 Per gallon
Natural gas	\$ (3)	\$1.66-\$2.49 Per MMBtu

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 relationships with quoted market prices.

The fair value of our interest rate swaps, if any, and commodity non-trading derivatives is based on prices supported by quoted market prices and other external sources and prices based on models and other valuation methods. The "prices supported by quoted market prices and other external sources" category includes our interest rate swaps, if any, 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 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 and accounts payable 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 fixed-rate senior notes and junior subordinated notes based on quotes obtained from bond dealers. The fair value of borrowings under the Credit Agreement and the Securitization Facility are based on carrying value, which approximates fair value as their interest rates are based on prevailing market interest rates. We classify the fair values of our outstanding debt balances within Level 2 of the valuation hierarchy. As of December 31, 2019 and December 31, 2018, the carrying value and fair value of our total debt, including current maturities, were as follows:

	December 31, 2019		December 31, 2018	
	Carrying Value (a)	Fair Value	Carrying Value (a)	Fair Value
	(millions)			
Total debt	\$ 5,936	\$ 6,130	\$ 5,337	\$ 5,170

(a) Excludes unamortized issuance costs and finance lease liabilities.

13. Leases

We have operating leases for transportation agreements, office space, vehicles, and field equipment. We have finance leases for field equipment and vehicles. Our leases have remaining lease terms ranging from less than one year to 21 years, some of which may include options to extend leases up to 20 years, and some of which may include options to terminate the leases in less than one year. Extension options on certain compressors and field equipment were included in the lease terms used to calculate our operating lease assets and liabilities as it is reasonably certain that we exercise those options. Operating and finance leases are included on our consolidated balance sheet as of December 31, 2019 as follows:

	<u>Location in Consolidated Balance Sheet</u>	<u>As of December 31, 2019</u>
		(millions)
Assets		
Operating lease assets	Operating lease assets	\$ 107
Finance lease assets	Property, plant and equipment	25
Total right of use assets		132
Liabilities		
Current liabilities		
Operating lease liabilities	Other current liabilities	\$ 24
Finance lease liabilities	Current debt	3
Noncurrent liabilities		
Operating lease liabilities	Operating lease liabilities	\$ 88
Finance lease liabilities	Long-term debt	22
Total lease liabilities		\$ 137

Variable lease costs primarily consist of common area maintenance on our office spaces and variable transportation costs. Interest on finance lease liabilities is immaterial for the year ended December 31, 2019. The components of lease expense are as follows:

	<u>Location in Consolidated Statement of Operations</u>	<u>Year Ended December 31, 2019</u>
		(millions)
Operating lease cost	Operating and maintenance expense	\$ 24
Finance lease cost		
Amortization of right of use assets	Depreciation and amortization expense	1
Variable lease cost	Operating and maintenance expense	7
Short term lease cost	Operating and maintenance expense	5
Total lease cost		\$ 37

Maturities of operating and finance lease liabilities under non-cancelable leases as of December 31, 2019 are as follows:

	<u>Future Minimum Lease Payments as of December 31, 2019</u>	
	<u>Operating Leases</u>	<u>Finance Leases</u>
	(millions)	
2020	\$ 27	\$ 4
2021	25	4
2022	22	4
2023	17	4
2024	9	3
Thereafter	29	9
Total lease payments	\$ 129	\$ 28
Less imputed interest	(17)	(3)
Total lease liabilities	\$ 112	\$ 25

Minimum rental payments under our various operating leases in the year indicated were as follows as of December 31, 2018:

	Future Minimum Rental Payments as of December 31, 2018
	(millions)
2019	\$ 22
2020	18
2021	14
2022	9
2023	5
Thereafter	7
Total minimum rental payments	\$ 75

Rental expense totaled \$30 million for the year ended December 31, 2018.

Supplemental cash flow information related to leases is as follows:

	Year Ended December 31, 2019
	(millions)
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 25
Operating cash flows from finance leases	1
Right-of-use assets obtained in exchange for operating lease obligations:	\$ 57
Right-of-use assets obtained in exchange for finance lease obligations:	\$ 25

Other information related to operating leases as follows:

Weighted average remaining lease term	7 years
Weighted average discount rate	4.00 %

Other information related to finance leases as follows:

Weighted average remaining lease term	6 years
Weighted average discount rate	3.00 %

14. Debt

	December 31, 2019	December 31, 2018
	(millions)	
Senior notes:		
Issued March 2014, interest at 2.700% payable semi-annually, due April 2019	\$ —	\$ 325
Issued March 2010, interest at 5.350% payable semi-annually, due March 2020 (a)	600	600
Issued September 2011, interest at 4.750% payable semi-annually, due September 2021	500	500
Issued March 2012, interest at 4.950% payable semi-annually, due April 2022	350	350
Issued March 2013, interest at 3.875% payable semi-annually, due March 2023	500	500
Issued July 2018 and January 2019, interest at 5.375% payable semi-annually, due July 2025	825	500
Issued May 2019, interest at 5.125% payable semi-annually, due May 2029	600	—
Issued August 2000, interest at 8.125% payable semi-annually, due August 2030 (a)	300	300
Issued October 2006, interest at 6.450% payable semi-annually, due November 2036	300	300
Issued September 2007, interest at 6.750% payable semi-annually, due September 2037	450	450
Issued March 2014, interest at 5.600% payable semi-annually, due April 2044	400	400
Junior subordinated notes:		
Issued May 2013, interest at 5.850% payable semi-annually, due May 2043	550	550
Credit agreement:		
Revolving credit facility, weighted-average variable interest rate of 3.08%, as of December 31, 2019, due December 2024	200	351
Accounts receivable securitization facility:		
Accounts receivable securitization facility, weighted-average variable interest rate of 2.66% as of December 31, 2019, due August 2022	350	200
Fair value adjustments related to interest rate swap fair value hedges (a)	19	21
Unamortized issuance costs	(37)	(30)
Unamortized discount, net	(8)	(10)
Finance lease liabilities	25	—
Total debt	5,924	5,307
Current finance lease liabilities	3	—
Current debt	600	525
Total long-term debt	\$ 5,321	\$ 4,782

(a) The swaps associated with this debt were previously terminated. The remaining long-term fair value related to the swaps is being amortized as a reduction to interest expense through 2020 and 2030, the original maturity dates of the debt.

Senior Notes and Junior Subordinated Notes

Our senior notes and junior subordinated notes, collectively referred to as our debt securities, mature and become payable on their respective due dates, and are not subject to any sinking fund or mandatory redemption provisions. The senior notes are senior unsecured obligations that are guaranteed by the Partnership and rank equally in a right of payment with our other senior unsecured indebtedness, including indebtedness under our Credit Agreement, and the junior subordinated notes are unsecured and rank subordinate in right of payment to all of our existing and future senior indebtedness. The debt securities include an optional redemption whereby we may elect to redeem the notes, in whole or in part from time-to-time for a premium. Additionally, we may defer the payment of all or part of the interest on the junior subordinated notes for one or more periods up to 5 consecutive years. The underwriters' fees and related expenses are recorded in our consolidated balance sheets within the carrying amount of long-term debt and will be amortized over the term of the notes.

Senior Notes Issuance

On May 10, 2019, we issued \$600 million of aggregate principal amount of 5.125% Senior Notes due May 2029, unless redeemed prior to maturity. We received proceeds of \$592 million, net of underwriters' fees, related expenses, and unamortized discounts, which we used for general partnership purposes, including the repayment of indebtedness under the Credit Agreement and the funding of capital expenditures. Interest on the notes will be paid semi-annually in arrears on May 15 and November 15 of each year, commencing November 15, 2019.

On January 18, 2019, we issued an additional \$25 million of aggregate principal amount of our existing \$500 million 5.375% Senior Notes due July 2025. We received proceeds of \$324 million, net of underwriters' fees, related expenses and issuance premiums, which we used for general partnership purposes including the funding of capital expenditures and repayment of outstanding indebtedness under the Credit Agreement. The full \$825 million of our 5.375% Senior Notes due July 2025 is treated as a single series of debt. The 2025 notes will mature on July 15, 2025 unless redeemed prior to maturity. Interest on the 2025 notes is payable semi-annually in arrears on January 15 and July 15 of each year.

Senior Notes Redemption

On April 1, 2019, we repaid at maturity all \$25 million aggregate principal amount outstanding of our 2.70% Senior Notes due 2019 using borrowings under our Credit Agreement.

Credit Agreement

We are a party to a \$1.4 billion unsecured revolving Credit Agreement, which was amended on December 9, 2019. The amendment extended the term of our Credit Facility to December 9, 2024 and reduced the cost. The Credit Agreement also grants us the option to increase the revolving loan commitment by an aggregate principal amount of up to \$500 million, subject to requisite lender approval. The Credit Agreement may be extended for up to two additional one-year periods subject to requisite lender approval. Loans under the Credit Agreement may be used for working capital and other general partnership purposes including acquisitions.

The Credit Agreement allows for unrestricted cash and cash equivalents to be netted against consolidated indebtedness for purposes of calculating the Partnership's Consolidated Leverage Ratio (as defined in the Credit Agreement). Additionally, under the Credit Agreement, the Consolidated Leverage Ratio of the Partnership as of the end of any fiscal quarter shall not exceed 5.00 to 1.0 provided that, if there is a Qualified Acquisition (as defined in the Credit Agreement), the maximum Consolidated Leverage Ratio shall not exceed 5.50 to 1.0 at the end of the three consecutive fiscal quarters, including the fiscal quarter in which the Qualified Acquisition occurs.

Our cost of borrowing under the Credit Agreement is determined by a ratings-based pricing grid. Indebtedness under the Credit Agreement bears interest at either: (1) LIBOR, plus an applicable margin of 1.35% based on our current credit rating; or (2) (a) the base rate which shall be the higher of the prime rate, the Federal Funds rate plus 0.50% or the LIBOR Market Index rate plus 1.00%, plus (b) an applicable margin of 0.35% based on our current credit rating. The Credit Agreement incurs an annual facility fee of 0.275% based on our current credit rating. This fee is paid on drawn and undrawn portions of the \$1.4 billion revolving credit facility.

As of December 31, 2019, we had unused borrowing capacity of \$1,185 million, net of \$15 million of letters of credit, under the Credit Agreement. Our borrowing capacity may be limited by financial covenants set forth in the Credit Agreement. The financial covenants set forth in the Credit Agreement limit the Partnership's ability to incur incremental debt by the unused borrowing capacity of \$1,185 million as of December 31, 2019. Except in the case of a default, amounts borrowed under our Credit Agreement will not become due prior to the December 9, 2024 maturity date.

Accounts Receivable Securitization Facility

On August 12, 2019 and December 23, 2019, we entered into amendments to the Securitization Facility to extend the term of the facility and increase the borrowing capacity thereunder, respectively. The Securitization Facility provides up to \$350 million of borrowing capacity through August 2022 at LIBOR market index rates plus a margin. Under this Securitization Facility, certain of the Partnership's wholly owned subsidiaries sell or contribute receivables to another of the Partnership's consolidated subsidiaries, DCP Receivables LLC ("DCP Receivables"), a bankruptcy-remote special purpose entity created for the sole purpose of the Securitization Facility.

DCP Receivables' sole activity consists of purchasing receivables from the Partnership's wholly owned subsidiaries that participate in the Securitization Facility and providing these receivables as collateral for DCP Receivables' borrowings under the Securitization Facility. DCP Receivables is a separate legal entity and the accounts receivable of DCP Receivables, up to the amount of the outstanding debt under the Securitization Facility, are not available to satisfy the claims of creditors of the Partnership, its subsidiaries selling receivables under the Securitization Facility, or their affiliates. Any excess receivables are eligible to satisfy the claims of creditors of the Partnership, its subsidiaries selling receivables under the Securitization Facility, or their affiliates. The amount available for borrowing is based on the availability of eligible receivables and other customary factors and conditions. As of December 31, 2019, DCP Receivables had \$728 million of our accounts receivable securing borrowings of \$350 million under the Securitization Facility.

The maturities of our debt as of December 31, 2019 are as follows:

	Debt Maturities	
	(millions)	
2020	\$	600
2021		500
2022		700
2023		500
2024		200
Thereafter		3,425
Total debt	\$	5,925

15. Risk Management and Hedging Activities

Our 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 and a risk management committee (the "Risk Management Committee"), to monitor and manage market risks associated with commodity prices and counterparty credit. The 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.

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 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 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.

Commodity Cash Flow Hedges

In order for our natural gas storage facility to remain operational, a minimum level of base gas must be maintained in each storage cavern, which is capitalized on our consolidated balance sheets as a component of property, plant and equipment, net. During construction or expansion of our storage caverns, we may execute a series of derivative financial instruments to mitigate a portion of the risk associated with the forecasted purchase of natural gas when we bring the storage caverns into 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 (AOCI), until the cavern is emptied and the base gas is sold. The balance in AOCI of our previously settled base gas cash flow hedges was in a loss position of \$6 million as of December 31, 2019.

Commodity Cash Flow Protection Activities

We are exposed to the impact of market fluctuations in the prices of natural gas, NGLs and condensate as a result of our gathering, processing, sales and storage activities. For gathering, processing and storage services, we may receive cash or commodities as payment for these services, depending on the contract type. We may enter into derivative financial instruments to mitigate a portion of the risk of weakening natural gas, NGL and condensate prices associated with our gathering, processing and sales activities, thereby stabilizing our cash flows. As of December 31, 2019 our derivative financial instruments used to mitigate a portion of the risk of weakening natural gas, NGL and condensate prices extend through the first quarter of 2022. The commodity derivative instruments used for our hedging programs are a combination of direct NGL product, crude oil and natural gas hedges. Crude oil and NGL transactions are primarily accomplished through the use of forward contracts that effectively exchange floating price risk for a fixed price. The type of instrument used to mitigate a portion of the risk may vary depending on our risk management objectives. 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 consolidated statements of operations as trading and marketing gains and (losses), net.

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 consolidated statements of operations.

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

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. 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 acceptable security for payment.

Contingent Credit Features

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

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

- If we were to have an effective event of default under our Credit Agreement that occurs and is continuing, our ISDA counterparties may have the right to request early termination and net settlement of any outstanding derivative liability positions.
- Our ISDA counterparties generally have collateral thresholds of zero, requiring us to fully collateralize any commodity contracts in a net liability position, when our credit rating is below investment grade.
- Additionally, in some cases, our ISDA contracts contain cross-default provisions that could constitute a credit-risk related contingent feature. These provisions apply if we default in making timely payments under other credit arrangements and the amount of the default is above certain predefined thresholds, which are significantly high and are generally consistent with the terms of our Credit Agreement. As of December 31, 2019, we were not a party to any agreements that would trigger the cross-default provisions.

Our commodity derivative contracts that are not governed by ISDA contracts do not have any credit-risk related contingent features. Depending upon the movement of commodity prices and interest rates, each of our individual contracts with counterparties to our commodity derivative instruments or interest rate swap instruments are in either a net asset or net liability position. As of December 31, 2019, we did not have any individual commodity derivative contracts that contain credit-risk related contingent features that were in a net liability position. If we were required to net settle our position with an individual counterparty, due to a credit-risk related event, our ISDA contracts may permit us to net all outstanding contracts with that counterparty, whether in a net asset or net liability position, as well as any cash collateral already posted.

Collateral

As of December 31, 2019, we had cash deposits of \$111 million, included in collateral cash deposits in our consolidated balance sheets. Additionally, as of December 31, 2019, we held letters of credit of \$76 million from counterparties to secure their future performance under financial or physical contracts. Collateral amounts held or posted may be fixed or may vary, depending on the value of the underlying contracts, and could cover normal purchases and sales, services, trading and hedging contracts. In many cases, we and our counterparties have publicly disclosed credit ratings, which may impact the amounts of collateral requirements.

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

Offsetting

Certain of our derivative instruments are subject to a master netting or similar arrangement, whereby we may elect to settle multiple positions with an individual counterparty through a single net payment. Each of our individual derivative instruments are presented on a gross basis on the 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:

	December 31, 2019			December 31, 2018		
	Gross Amounts of Assets and (Liabilities) Presented in the Balance Sheet	Amounts Not Offset in the Balance Sheet - Financial Instruments	Net Amount	Gross Amounts of Assets and (Liabilities) Presented in the Balance Sheet	Amounts Not Offset in the Balance Sheet - Financial Instruments	Net Amount
	(millions)					
Assets:						
Commodity derivatives	\$ 34	\$ —	\$ 34	\$ 116	\$ —	\$ 116
Liabilities:						
Commodity derivatives	\$ (78)	\$ —	\$ (78)	\$ (99)	\$ —	\$ (99)

Summarized Derivative Information

The fair value of our derivative instruments that are marked-to-market each period, as well as the location of each within our consolidated balance sheets, by major category, is summarized below. We have no derivative instruments that are designated as hedging instruments for accounting purposes as of December 31, 2019 and December 31, 2018.

Balance Sheet Line Item	December 31, 2019	December 31, 2018	Balance Sheet Line Item	December 31, 2019	December 31, 2018
	(millions)			(millions)	
Derivative Assets Not Designated as Hedging Instruments:			Derivative Liabilities Not Designated as Hedging Instruments:		
Commodity derivatives:			Commodity derivatives:		
Unrealized gains on derivative instruments — current	\$ 32	\$ 108	Unrealized losses on derivative instruments — current	\$ (58)	\$ (91)
Unrealized gains on derivative instruments — long-term	2	8	Unrealized losses on derivative instruments — long-term	(20)	(8)
Total	\$ 34	\$ 116	Total	\$ (78)	\$ (99)

The following summarizes the balance and activity within AOCI relative to our interest rate, commodity and foreign currency cash flow hedges as of and for the year ended December 31, 2019:

	Interest Rate Cash Flow Hedges	Commodity Cash Flow Hedges	Foreign Currency Cash Flow Hedges (a)	Total
	(millions)			
Net deferred (losses) gains in AOCI (beginning balance)	\$ (3)	\$ (6)	\$ 1	\$ (8)
Losses reclassified from AOCI to earnings — effective portion	1	—	—	1
Net deferred (losses) gains in AOCI (ending balance)	\$ (2)	\$ (6)	\$ 1	\$ (7)
Deferred losses in AOCI expected to be reclassified into earnings over the next 12 months	\$ (1)	\$ —	\$ —	\$ (1)

(a) Relates to Discovery, an unconsolidated affiliate.

The following summarizes the balance and activity within AOCI relative to our interest rate, commodity and foreign currency cash flow hedges as of and for the year ended December 31, 2018:

	Interest Rate Cash Flow Hedges	Commodity Cash Flow Hedges	Foreign Currency Cash Flow Hedges (a)	Total
	(millions)			
Net deferred (losses) gains in AOCI (beginning balance)	\$ (4)	\$ (6)	\$ 1	\$ (9)
Losses reclassified from AOCI to earnings — effective portion	1	—	—	1
Net deferred (losses) gains in AOCI (ending balance)	<u>\$ (3)</u>	<u>\$ (6)</u>	<u>\$ 1</u>	<u>\$ (8)</u>

(a) Relates to Discovery, an unconsolidated affiliate.

For the years ended December 31, 2019 and 2018, no derivative losses attributable to the ineffective portion or to amounts excluded from effectiveness testing were recognized in trading and marketing gains or losses, net or interest expense in our consolidated statements of operations. For the years ended December 31, 2019 and 2018, no derivative losses were reclassified from AOCI to trading and marketing gains or losses, net or interest expense as a result of the discontinuance of cash flow hedges related to certain forecasted transactions that are not probable of occurring.

Changes in the 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 consolidated statements of operations. The following summarizes these amounts and the location within the consolidated statements of operations that such amounts are reflected:

Commodity Derivatives: Statements of Operations Line Item

	Year Ended December 31,		
	2019	2018	2017
	(millions)		
Realized gains (losses)	\$ 65	\$ (149)	\$ (12)
Unrealized (losses) gains	(78)	108	(28)
Trading and marketing losses, net	<u>\$ (13)</u>	<u>\$ (41)</u>	<u>\$ (40)</u>

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 positions 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 tables below.

Year of Expiration	December 31, 2019			
	Crude Oil	Natural Gas	Natural Gas Liquids	Natural Gas Basis Swaps
	Net Short Position (Bbls)	Net Short Position (MMBtu)	Net Short Position (Bbls)	Net Long Position (MMBtu)
2020	(2,321,000)	(33,183,400)	(31,383,684)	14,472,500
2021	(802,000)	—	(6,666,433)	3,650,000
2022	(64,000)	—	(9,842)	8,212,500
2023	—	—	—	7,300,000

Year of Expiration	December 31, 2018			
	Crude Oil	Natural Gas	Natural Gas Liquids	Natural Gas Basis Swaps
	Net Short Position (Bbls)	Net Short Position (MMBtu)	Net Short Position (Bbls)	Net (Short) Long Position (MMBtu)
2019	(1,619,000)	(40,291,250)	(36,312,499)	(2,165,000)
2020	(204,000)	—	(13,862,378)	3,660,000
2021	—	—	(5,755,322)	(3,650,000)

16. Partnership Equity and Distributions

Preferred Units — The Preferred Units rank senior to our common units with respect to distribution rights and rights upon liquidation. Holders of the Preferred Units have no voting rights except for certain limited protective voting rights set forth in our Partnership Agreement.

Distributions of the Preferred Units are payable out of available cash, are accretive and are cumulative from the date of original issuance of the Preferred Units.

- Distributions on the Series A Preferred Units are payable semiannually in arrears on June 15th and December 15th of each year.
- Distributions on the Series B Preferred Units are payable quarterly in arrears on the 15th day of March, June, September and December of each year to holders of record as of the close of business on the first business day of the month in which the distribution will be made.
- Distributions on the Series C Preferred Units are payable quarterly in arrears on the 15th day of January, April, July and October of each year to holders of record as of the close of business on the first business day of the month in which the distribution will be made.

Common Units — During the years ended December 31, 2019 and 2018, we issued no common units, pursuant to our at-the-market program. As of December 31, 2019, \$750 million of common units remained available for sale pursuant to our at-the-market program.

On November 6, 2019, we entered into an Equity Restructuring Agreement with our general partner. The agreement converted our general partner's interest to a non-economic general partner interest and eliminated incentive distribution rights in exchange for 65 million newly issued, unregistered common units. Prior to the equity restructuring, our general partner was entitled to a percentage of all quarterly distributions equal to its general partner interest of approximately 2% and limited partner interest of 36% as well as an increasing share of available cash as a result of the incentive distribution rights. Distributions allocated to the general partner interest have ceased for distributions paid after the fourth quarter of 2019.

Our general partner is entitled to a percentage of all quarterly distributions equal to its limited partner interest, together with DCP Midstream, LLC, of approximately 57% as of December 31, 2019.

Definition of Available Cash — Our Partnership Agreement requires that, within 45 days after the end of each quarter, we distribute all of our available cash, as defined in the Partnership Agreement, to unitholders of record on the applicable record date, as determined by our general partner. Available cash, for any quarter, consists of all cash and cash equivalents on hand at the end of that quarter:

- less the amount of cash reserves established by our general partner to:
 - provide for the proper conduct of our business, including reserves for future capital expenditures and anticipated credit needs;
 - comply with applicable law or any debt instrument or other agreement or obligation;
 - provide funds to make payments on the Preferred Units; or
 - provide funds for distributions to our common unitholders for any one or more of the next four quarters.
- plus, if our general partner so determines, all or a portion of cash and cash equivalents on hand on the date of determination of available cash for the quarter.

Distributions — The following table presents our cash distributions paid in 2019, 2018 and 2017:

Payment Date	Per Unit Distribution	Total Cash Distribution (millions)
Distributions to common unitholders		
November 14, 2019	\$ 0.78	\$ 155
August 14, 2019	\$ 0.78	\$ 154
May 15, 2019	\$ 0.78	\$ 155
February 14, 2019	\$ 0.78	\$ 154
November 14, 2018	\$ 0.78	\$ 155
August 14, 2018	\$ 0.78	\$ 154
May 15, 2018	\$ 0.78	\$ 155
February 14, 2018	\$ 0.78	\$ 194
November 14, 2017	\$ 0.78	\$ 155
August 14, 2017	\$ 0.78	\$ 134
May 15, 2017	\$ 0.78	\$ 135
February 14, 2017	\$ 0.78	\$ 121
Distributions to Series A Preferred unitholders		
December 16, 2019	\$ 36.8750	\$ 19
June 17, 2019	\$ 36.8750	\$ 18
December 17, 2018	\$ 36.8750	\$ 18
June 15, 2018	\$ 41.9965	\$ 21
Distributions to Series B Preferred unitholders		
December 16, 2019	\$ 0.4922	\$ 4
September 16, 2019	\$ 0.4922	\$ 3
June 17, 2019	\$ 0.4922	\$ 3
March 15, 2019	\$ 0.4922	\$ 3
December 17, 2018	\$ 0.4922	\$ 3
September 17, 2018	\$ 0.6781	\$ 4
Distributions to Series C Preferred unitholders		
October 15, 2019	\$ 0.4969	\$ 2
July 15, 2019	\$ 0.4969	\$ 3
April 15, 2019	\$ 0.4969	\$ 2
January 15, 2019	\$ 0.5576	\$ 2

17. Equity-Based Compensation

On April 28, 2016, the unitholders of the Partnership approved the 2016 Long-Term Incentive Plan (the "2016 LTIP" and, together with the 2012 LTIP, the "LTIP"). The 2016 plan authorizes up to 900,000 common units to be available for issuance under awards to employees, officers, and non-employee directors of the General Partner and its affiliates. Awards under the 2016 LTIP may include unit options, phantom units, restricted units, distribution equivalent rights ("DERs"), unit bonuses, common unit awards, and performance awards. The 2016 LTIP will expire on the earlier of the date it is terminated by the board of directors of the General Partner or the date that all common units available under the plan have been paid or issued.

On February 15, 2012, the board of directors of our General Partner adopted the 2012 LTIP (the "2012 LTIP") for employees, consultants and directors of our General Partner and its affiliates who perform services for us. The 2012 LTIP

provided for the grant of phantom units and DERs. The 2012 LTIP phantom units consist of a notional unit based on the value of common units or shares of Phillips 66 and Enbridge. The LTIPs are administered by the General Partner's board of directors. All awards under the LTIPs are subject to cliff vesting.

Since we have the intent and ability to settle certain awards within our control in units, we classify them as equity awards based on their fair value. The fair value of our equity awards is determined based on the closing price of our common units on the grant date. Compensation expense on equity awards is recognized ratably over each vesting period. We account for other awards which are subject to settlement in cash, including DERs, as liability awards. Compensation expense on these awards is recognized ratably over each vesting period, and will be re-measured each reporting period for all awards outstanding until the units are vested. The fair value of all liability awards is determined based on the closing price of our common units at each measurement date.

Under DCP Midstream, LLC's Long-Term Incentive Plan ("DCP Midstream LTIP"), awards may be granted to key employees. The DCP Midstream LTIP provides for the grant of Strategic Performance Units ("SPUs") and Phantom Units. The SPUs and Phantom Units consist of a notional unit based on the fair market value of a common unit of the Partnership. Prior to 2018, the SPUs and Phantom Units consisted of a notional unit based on the weighted average value of common shares of Phillips 66 and Enbridge as of the grant date.

Liability classified equity-based compensation expense was \$14 million, \$11 million and \$23 million for the years ended December 31, 2019, 2018 and 2017, respectively.

The following table presents the fair value of unvested unit-based awards related to the strategic performance units and phantom units:

	Vesting Period (years)	Unrecognized Compensation Expense at December 31, 2019 (millions)	Estimated Forfeiture Rate	Weighted-Average Remaining Vesting (years)
DCP Midstream LTIP:				
SPUs	3	\$ 4	0% - 11%	2
Phantom Units	1 - 3	\$ 4	0% - 11%	2

Strategic Performance Units - The number of SPUs that will ultimately vest range in value of up to 200% of the outstanding SPUs, depending on the achievement of specified performance targets over a three year period. The final performance payout is determined by the compensation committee of our General Partner. The DERs are paid in cash at the end of the performance period. The following table presents information related to SPUs:

	Units	Grant Date Weighted-Average Price Per Unit	Measurement Date Weighted-Average Price Per Unit
Outstanding at January 1, 2017	233,311	\$ 44.41	
Granted	98,628	\$ 76.38	
Forfeited	(18,577)	\$ 50.31	
Vested (a)	(98,627)	\$ 58.80	
Outstanding at December 31, 2017	214,735	\$ 51.98	
Granted	168,160	\$ 36.23	
Forfeited	(10,933)	\$ 47.79	
Vested (b)	(120,643)	\$ 48.41	
Outstanding at December 31, 2018	251,319	\$ 43.33	
Granted	222,440	\$ 30.60	
Forfeited	(40,348)	\$ 34.95	
Vested (c)	(83,054)	\$ 56.80	
Outstanding at December 31, 2019	350,357	\$ 33.02	\$ 24.49
Expected to vest	326,044	\$ 33.07	\$ 24.49

- (a) The 2015 grants vested at 180%.
(b) The 2016 grants vested at 165%.
(c) The 2017 grants vested at 120%.

The estimate of SPUs that are expected to vest is based on highly subjective assumptions that could change over time, including the expected forfeiture rate and achievement of performance targets.

The following table presents the fair value of units vested and the unit-based liabilities paid for unit-based awards related to the strategic performance units:

	Units	Fair Value of Units Vested	Unit-Based Liabilities Paid
		(millions)	
Vested or paid in cash in 2017	98,627	\$ 11	\$ 7
Vested or paid in cash in 2018	120,643	\$ 9	\$ 11
Vested or paid in cash in 2019	83,054	\$ 6	\$ 9

Phantom Units - The DERs are paid quarterly in arrears. The following table presents information related to Phantom Units:

	Units	Grant Date Weighted-Average Price Per Unit	Measurement Date Weighted-Average Price Per Unit
Outstanding at January 1, 2017	207,317	\$ 46.80	
Granted	180,337	\$ 59.43	
Forfeited	(16,677)	\$ 51.73	
Vested	(169,896)	\$ 53.35	
Outstanding at December 31, 2017	201,081	\$ 52.18	
Granted	242,780	\$ 36.87	
Forfeited	(17,696)	\$ 45.35	
Vested	(194,459)	\$ 45.16	
Outstanding at December 31, 2018	231,706	\$ 42.55	
Granted	281,930	\$ 30.52	
Forfeited	(43,170)	\$ 34.14	
Vested	(171,881)	\$ 40.92	
Outstanding at December 31, 2019	298,585	\$ 33.35	\$ 24.49
Expected to vest	282,419	\$ 33.42	\$ 24.49

The following table presents the fair value of units vested and the unit-based liabilities paid for unit based awards related to the phantom units:

	Units	Fair Value of Units Vested	Unit-Based Liabilities Paid
			(millions)
Vested or paid in cash in 2017	169,896	\$ 7	\$ 4
Vested or paid in cash in 2018	194,459	\$ 5	\$ 7
Vested or paid in cash in 2019	171,881	\$ 6	\$ 5

18. Benefits

We do not have our own employees. The employees supporting our operations are employees of DCP Services, LLC, for which we incur charges under the Services Agreement. All DCP Services, LLC employees who have reached the age of 18 and work at least 20 hours per week are eligible for participation in the 401(k) and retirement plan, to which a range of 4% to 7% of each eligible employee's qualified earnings is contributed to the retirement plan, based on years of service. All new employees are automatically enrolled in the 401(k) plan at a 6% contribution level. Employees can opt out of these contribution level or change it at any time. Additionally, DCP Services, LLC matches employees' contributions in the 401(k) plan up to 6% of qualified earnings. During the years ended December 31, 2019, 2018 and 2017, we expensed plan contributions of \$31 million, \$30 million and \$29 million, respectively.

DCP Services, LLC offers certain eligible executives the opportunity to participate in the EDC Plan. The EDC Plan allows participants to defer current compensation on a pre-tax basis and to receive tax deferred earnings on such contributions. The EDC Plan also has make-whole provisions for plan participants who may otherwise be limited in the amount that we can contribute to the 401(k) plan on the participant's behalf.

19. Net Income or Loss per Limited Partner Unit

Prior to the equity restructuring transaction, we used the two-class method when calculating the net income unit applicable to limited partners, because we had more than one participating security consisting of limited partner common units, general partner units and IDRs. Subsequent to the equity restructuring transaction that occurred on November 6, 2019, our general partner and its IDRs no longer participate in earnings or distributions.

20. Income Taxes

We are structured as a master limited partnership with sufficient qualifying income, which is a pass-through entity for federal income tax purposes.

Income tax expense consists of the following:

	Year Ended December 31,		
	2019	2018	2017
	(millions)		
Current:			
State income tax expense	(1)	—	(1)
Deferred:			
State income tax benefit (expense)	2	(3)	(1)
Total income tax benefit (expense)	<u>\$ 1</u>	<u>\$ (3)</u>	<u>\$ (2)</u>

As of December 31, 2019 and 2018, we had state deferred tax liabilities of \$30 million and \$32 million, respectively. The state deferred tax liabilities are primarily associated with Texas franchise taxes.

Our effective tax rate differs from statutory rates, primarily due to being structured as a master limited partnership, which is a pass-through entity for federal income tax purposes, while being treated as a taxable entity in certain states, primarily Texas. The State of Texas imposes a margin tax that is assessed at 0.75%, of taxable margin apportioned to Texas for each year ended December 31, 2019, 2018 and 2017.

21. Commitments and Contingent Liabilities

Litigation — We are not a party to any significant legal proceedings, but are a party to various administrative and regulatory proceedings and commercial disputes that have arisen in the ordinary course of our business. Management currently believes that the ultimate resolution of the foregoing matters, taken as a whole, and after consideration of amounts accrued, insurance coverage or other indemnification arrangements, will not have a material adverse effect on our results of operations, financial position, or cash flow.

Insurance — Our insurance coverage is carried with third-party insurers and with an affiliate of Phillips 66. Our insurance coverage includes: (i) general liability insurance covering third-party exposures; (ii) statutory workers' compensation insurance; (iii) automobile liability insurance for all owned, non-owned and hired vehicles; (iv) excess liability insurance above the established primary limits for general liability and automobile liability insurance; (v) property insurance, which covers the replacement value of real and personal property and includes business interruption; and (vi) 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, transporting, processing, treating, fractionating, or storing natural gas, 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, in some cases, local levels that relate to worker safety, pipeline safety, air and water quality, solid and hazardous 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, worker safety standards, and safety standards applicable to our various facilities. In addition, there is increasing focus from (i) regulatory bodies and communities, and through litigation, on hydraulic fracturing and the real or perceived environmental or public health impacts of this technique, which indirectly presents some risk to our available supply of natural gas and the resulting supply of NGLs, (ii) regulatory bodies regarding pipeline system safety which could impose additional regulatory burdens and increase the cost of our operations, (iii) state and federal regulatory officials regarding the emission of greenhouse gases and other air emissions, which could impose regulatory burdens and increase the cost of our operations, and (iv) regulatory bodies and communities that could prevent or delay the development of fossil fuel energy infrastructure such as pipelines, plants, and other facilities used in our business. 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 existing laws and regulations will not have a material adverse effect on our results of operations, financial position or cash flows.

We make expenditures in connection with environmental matters as part of our normal operations. As of December 31, 2019 and 2018, environmental liabilities included in our consolidated balance sheets as other current liabilities were \$3 million and \$3 million, respectively. As of December 31, 2019 and 2018, environmental liabilities included in our consolidated balance sheets as other long-term liabilities were \$6 million and \$8 million, respectively.

The following pending proceedings involve governmental authorities under federal, state, and local laws regulating the discharge of materials into the environment. It is not possible for us to predict the final outcome of these pending proceedings; however, we do not expect the outcome of one or more of these proceedings to have a material adverse effect to our results of operations, financial position, or cash flows:

- In 2018, the New Mexico Environment Department (“NMED”) issued two separate Notices of Violation (“NOV”) relating to upset and malfunction event emissions at two of our gas processing plants. Following information exchanges and discussions with NMED regarding the events and the propriety of the alleged violations, in February 2019 we entered into preliminary settlement agreements to resolve the alleged violations under each NOV for administrative penalties approximating \$150,000 and \$142,000, respectively. We intend to mitigate a portion of each administrative penalty through the implementation of environmentally beneficial projects.
- In 2018, the Colorado Department of Public Health and Environment (“CDPHE”) issued a Compliance Advisory in relation to an improperly permitted facility flare and related air emissions from flare operations at one of our gas processing plants that we self-disclosed to CDPHE in December 2017. Following information exchanges and discussions with CDPHE, a resolution was proposed pursuant to which the plant's air permit would be revised to include the flare and emissions limits for such flare in addition to us paying an administrative penalty as well as an

economic benefit payment generally covering the period when the flare was required to be included in the facility air permit, in a combined amount expected to be between approximately \$375,000 and \$460,000. We are still evaluating and holding discussions with CDPHE as to the foregoing amounts and proposed settlement terms.

- In January 2019, CDPHE issued a Compliance Advisory in relation to an improperly configured facility flare meter, which failed to accurately track air emissions from the flare at one of our gas processing plants resulting in the flare exceeding its permitted emissions limits. Following information exchanges and discussions with CDPHE, a resolution was agreed upon in December 2019 that includes DCP completing a project to reduce levels of vapors directed to the flare, amending the air permit, and paying an administrative penalty of approximately \$37,000 and making expenditures on an environmentally beneficial project of approximately \$148,000.

22. Restructuring Costs

In May 2019, we announced a voluntary separation program which resulted in \$1 million of nonrecurring expense for the year ended December 31, 2019. We do not expect to incur any additional expense in relation to the voluntary separation program.

23. Business Segments

Our operations are organized into two reportable segments: (i) Logistics and Marketing and (ii) Gathering and Processing. These segments are monitored separately by management for performance against our internal forecast and are consistent with internal financial reporting. These segments have been identified based on the differing products and services, regulatory environment and the expertise required for these operations. Our Gathering and Processing reportable segment includes operating segments that have been aggregated based on the nature of the products and services provided. Gross margin is a performance measure utilized by management to monitor the operations of each segment. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies included in Note 2.

Our Logistics and Marketing segment includes transporting, trading, marketing, storing natural gas and NGLs, and fractionating NGLs. The operations of our wholesale propane business were included in our Logistics and Marketing segment through March 1, 2019. Our Gathering and Processing segment consists of gathering, compressing, treating, processing natural gas, producing and fractionating NGLs, and recovering condensate. The remainder of our business operations is presented as "Other," and consists of unallocated corporate costs. Elimination of inter-segment transactions are reflected in the eliminations column.

The following tables set forth our segment information:

Year Ended December 31, 2019:

	Logistics and Marketing	Gathering and Processing	Other	Eliminations	Total
	(millions)				
Total operating revenue	\$ 6,856	\$ 4,319	\$ —	\$ (3,550)	\$ 7,625
Gross margin (a)	\$ 254	\$ 1,349	\$ —	\$ —	\$ 1,603
Operating and maintenance expense	(42)	(664)	(22)	—	(728)
Depreciation and amortization expense	(19)	(355)	(30)	—	(404)
General and administrative expense	(8)	(23)	(244)	—	(275)
Asset impairments	(35)	(212)	—	—	(247)
Other expense, net	(3)	(5)	—	—	(8)
Loss on sale of assets, net	(10)	(70)	—	—	(80)
Restructuring costs	—	—	(11)	—	(11)
Earnings from unconsolidated affiliates	468	6	—	—	474
Interest expense	—	—	(304)	—	(304)
Income tax benefit	—	—	1	—	1
Net income (loss)	\$ 605	\$ 26	\$ (610)	\$ —	\$ 21
Net income attributable to noncontrolling interests	—	(4)	—	—	(4)
Net income (loss) attributable to partners	\$ 605	\$ 22	\$ (610)	\$ —	\$ 17
Non-cash derivative mark-to-market (b)	\$ (29)	\$ (49)	\$ —	\$ —	\$ (78)
Non-cash lower of cost or net realizable value adjustments	\$ 10	\$ —	\$ —	\$ —	\$ 10
Capital expenditures	\$ 29	\$ 474	\$ 16	\$ —	\$ 519
Investments in unconsolidated affiliates, net	\$ 450	\$ —	\$ —	\$ —	\$ 450

Year Ended December 31, 2018:

	Logistics and Marketing	Gathering and Processing	Other	Eliminations	Total
	(millions)				
Total operating revenue	\$ 9,014	\$ 5,843	\$ —	\$ (5,035)	\$ 9,822
Gross margin (a)	\$ 225	\$ 1,578	\$ —	\$ —	\$ 1,803
Operating and maintenance expense	(47)	(692)	(21)	—	(760)
Depreciation and amortization expense	(15)	(346)	(27)	—	(388)
General and administrative expense	(12)	(19)	(245)	—	(276)
Asset impairments	—	(145)	—	—	(145)
Other expense, net	(4)	(6)	(1)	—	(11)
Loss from financing activities	—	—	(19)	—	(19)
Earnings from unconsolidated affiliates	362	8	—	—	370
Interest expense	—	—	(269)	—	(269)
Income tax expense	—	—	(3)	—	(3)
Net income (loss)	\$ 509	\$ 378	\$ (585)	\$ —	\$ 302
Net income attributable to noncontrolling interests	—	(4)	—	—	(4)
Net income (loss) attributable to partners	\$ 509	\$ 374	\$ (585)	\$ —	\$ 298
Non-cash derivative mark-to-market (b)	\$ (4)	\$ 112	\$ —	\$ —	\$ 108
Capital expenditures	\$ 8	\$ 570	\$ 17	\$ —	\$ 595
Investments in unconsolidated affiliates, net	\$ 350	\$ 4	\$ —	\$ —	\$ 354

Year Ended December 31, 2017:

	Logistics and Marketing	Gathering and Processing	Other	Eliminations	Total
	(millions)				
Total operating revenue	\$ 7,757	\$ 5,467	\$ —	\$ (4,762)	\$ 8,462
Gross margin (a)	\$ 200	\$ 1,377	\$ —	\$ —	\$ 1,577
Operating and maintenance expense	(41)	(602)	(18)	—	(661)
Depreciation and amortization expense	(14)	(343)	(22)	—	(379)
General and administrative expense	(11)	(19)	(260)	—	(290)
Asset impairments	—	(48)	—	—	(48)
Other expense, net	(11)	—	—	—	(11)
Gain on sale of assets, net	—	34	—	—	34
Earnings from unconsolidated affiliates	243	60	—	—	303
Interest expense	—	—	(289)	—	(289)
Income tax expense	—	—	(2)	—	(2)
Net income (loss)	\$ 366	\$ 459	\$ (591)	\$ —	\$ 234
Net income attributable to noncontrolling interests	—	(5)	—	—	(5)
Net income (loss) attributable to partners	\$ 366	\$ 454	\$ (591)	\$ —	\$ 229
Non-cash derivative mark-to-market (b)	\$ (4)	\$ (24)	\$ —	\$ —	\$ (28)
Non-cash lower of cost or net realizable value adjustments	\$ 2	\$ —	\$ —	\$ —	\$ 2
Capital expenditures	\$ 3	\$ 350	\$ 22	\$ —	\$ 375
Investments in unconsolidated affiliates, net	\$ 147	\$ 1	\$ —	\$ —	\$ 148

	December 31, 2019	December 31, 2018
	(millions)	
Segment long-term assets:		
Gathering and Processing	\$ 8,904	\$ 9,058
Logistics and Marketing	3,848	3,661
Other (c)	295	276
Total long-term assets	13,047	12,995
Current assets	1,080	1,271
Total assets	\$ 14,127	\$ 14,266

- (a) Gross margin consists of total operating revenues, including commodity derivative activity, less purchases and related costs. Gross margin is viewed as a non-GAAP financial measure under the rules of the SEC, but is included as a supplemental disclosure because it is a primary performance measure used by management as it represents the results of product sales versus product purchases. As an indicator of our operating performance, gross margin should not be considered an alternative to, or more meaningful than, net income or net cash provided by operating activities as determined in accordance with GAAP. Our gross margin may not be comparable to a similarly titled measure of another company because other entities may not calculate gross margin in the same manner.
- (b) Non-cash commodity derivative mark-to-market is included in gross margin, along with cash settlements for our commodity derivative contracts.
- (c) Other long-term assets not allocable to segments consist of corporate leasehold improvements and other long-term assets.

24. Supplemental Cash Flow Information

	Year Ended December 31,		
	2019	2018	2017
	(millions)		
Cash paid for interest:			
Cash paid for interest, net of amounts capitalized	\$ 258	\$ 259	\$ 290
Cash paid for income taxes, net of income tax refunds	\$ 3	\$ 3	\$ 2
Non-cash investing and financing activities:			
Property, plant and equipment acquired with accounts payable and accrued liabilities	\$ 45	\$ 99	\$ 58
Other non-cash changes in property, plant and equipment	\$ (2)	\$ 5	\$ 5
Other non-cash activities:			
Operating lease assets arising from the implementation of Topic 842	\$ 84	\$ —	\$ —
Right-of-use assets obtained in exchange for operating and finance lease liabilities	\$ 82	\$ —	\$ —

25. Quarterly Financial Data (Unaudited)

Our consolidated results of operations by quarter for the years ended December 31, 2019 and 2018 were as follows:

2019	First	Second	Third	Fourth	Year ended
					December 31, 2019
	(millions, except per unit amounts)				
Total operating revenues	\$ 2,199	\$ 1,798	\$ 1,699	\$ 1,929	\$ 7,625
Operating income (loss)	\$ 33	\$ 76	\$ (211)	\$ (48)	\$ (150)
Net income (loss)	\$ 76	\$ 120	\$ (177)	\$ 2	\$ 21
Net income attributable to noncontrolling interests	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (4)
Net income (loss) attributable to partners	\$ 75	\$ 119	\$ (178)	\$ 1	\$ 17
Net income (loss) allocable to limited partners	\$ 20	\$ 62	\$ (228)	\$ (14)	\$ (160)
Basic and diluted net income (loss) per limited partner unit	\$ 0.14	\$ 0.43	\$ (1.59)	\$ (0.08)	\$ (1.05)

2018	First	Second	Third	Fourth	Year Ended
					December 31, 2018
	(millions, except per unit amounts)				
Total operating revenues	\$ 2,139	\$ 2,317	\$ 2,759	\$ 2,607	\$ 9,822
Operating income	\$ 53	\$ 34	\$ 66	\$ 70	\$ 223
Net income	\$ 63	\$ 62	\$ 82	\$ 95	\$ 302
Net income attributable to noncontrolling interests	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (4)
Net income attributable to partners	\$ 62	\$ 61	\$ 81	\$ 94	\$ 298
Net income allocable to limited partners	\$ 12	\$ 10	\$ 26	\$ 39	\$ 87
Basic and diluted net income per limited partner unit	\$ 0.08	\$ 0.07	\$ 0.18	\$ 0.28	\$ 0.61

26. Supplementary Information - Consolidating Financial Information

The following condensed consolidating financial information presents the results of operations, financial position and cash flows of DCP Midstream, LP, or parent guarantor, DCP Midstream Operating LP, or subsidiary issuer, which is a wholly owned subsidiary, and non-guarantor subsidiaries, as well as the consolidating adjustments necessary to present DCP Midstream, LP's results on a consolidated basis. The parent guarantor has agreed to fully and unconditionally guarantee debt securities of the subsidiary issuer. For the purpose of the following financial information, investments in subsidiaries are reflected in accordance with the equity method of accounting. The financial information may not necessarily be indicative of results of operations, cash flows, or financial position had the subsidiaries operated as independent entities.

Condensed Consolidating Balance Sheets					
December 31, 2019					
	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
(millions)					
ASSETS					
Current assets:					
Cash and cash equivalents	\$ —	\$ —	\$ 1	\$ —	\$ 1
Accounts receivable, net	—	—	878	—	878
Inventories	—	—	46	—	46
Other	—	—	155	—	155
Total current assets	—	—	1,080	—	1,080
Property, plant and equipment, net	—	—	8,811	—	8,811
Goodwill and intangible assets, net	—	—	220	—	220
Advances receivable — consolidated subsidiaries	1,772	2,042	—	(3,814)	—
Investments in consolidated subsidiaries	4,836	8,423	—	(13,259)	—
Investments in unconsolidated affiliates	—	—	3,724	—	3,724
Other long-term assets	—	—	292	—	292
Total assets	<u>\$ 6,608</u>	<u>\$ 10,465</u>	<u>\$ 14,127</u>	<u>\$ (17,073)</u>	<u>\$ 14,127</u>
LIABILITIES AND EQUITY					
Accounts payable and other current liabilities	\$ 3	\$ 80	\$ 1,107	\$ —	\$ 1,190
Current debt	—	600	3	—	603
Advances payable — consolidated subsidiaries	—	—	3,814	(3,814)	—
Long-term debt	—	4,949	372	—	5,321
Other long-term liabilities	—	—	380	—	380
Total liabilities	<u>3</u>	<u>5,629</u>	<u>5,676</u>	<u>(3,814)</u>	<u>7,494</u>
Commitments and contingent liabilities					
Equity:					
Partners' equity:					
Net equity	6,605	4,838	8,428	(13,259)	6,612
Accumulated other comprehensive loss	—	(2)	(5)	—	(7)
Total partners' equity	<u>6,605</u>	<u>4,836</u>	<u>8,423</u>	<u>(13,259)</u>	<u>6,605</u>
Noncontrolling interests	—	—	28	—	28
Total equity	<u>6,605</u>	<u>4,836</u>	<u>8,451</u>	<u>(13,259)</u>	<u>6,633</u>
Total liabilities and equity	<u>\$ 6,608</u>	<u>\$ 10,465</u>	<u>\$ 14,127</u>	<u>\$ (17,073)</u>	<u>\$ 14,127</u>

Condensed Consolidating Balance Sheets

December 31, 2018

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
	(millions)				
ASSETS					
Current assets:					
Cash and cash equivalents	\$ —	\$ —	\$ 1	\$ —	\$ 1
Accounts receivable, net	—	—	1,033	—	1,033
Inventories	—	—	79	—	79
Other	—	—	158	—	158
Total current assets	—	—	1,271	—	1,271
Property, plant and equipment, net	—	—	9,135	—	9,135
Goodwill and intangible assets, net	—	—	328	—	328
Advances receivable — consolidated subsidiaries	2,452	1,883	—	(4,335)	—
Investments in consolidated subsidiaries	4,818	8,113	—	(12,931)	—
Investments in unconsolidated affiliates	—	—	3,340	—	3,340
Other long-term assets	—	—	192	—	192
Total assets	\$ 7,270	\$ 9,996	\$ 14,266	\$ (17,266)	\$ 14,266
LIABILITIES AND EQUITY					
Accounts payable and other current liabilities	\$ 2	\$ 71	\$ 1,306	\$ —	\$ 1,379
Current debt	—	325	200	—	525
Advances payable — consolidated subsidiaries	—	—	4,335	(4,335)	—
Long-term debt	—	4,782	—	—	4,782
Other long-term liabilities	—	—	283	—	283
Total liabilities	2	5,178	6,124	(4,335)	6,969
Commitments and contingent liabilities					
Equity:					
Partners' equity:					
Net equity	7,268	4,821	8,118	(12,931)	7,276
Accumulated other comprehensive loss	—	(3)	(5)	—	(8)
Total partners' equity	7,268	4,818	8,113	(12,931)	7,268
Noncontrolling interests	—	—	29	—	29
Total equity	7,268	4,818	8,142	(12,931)	7,297
Total liabilities and equity	\$ 7,270	\$ 9,996	\$ 14,266	\$ (17,266)	\$ 14,266

Condensed Consolidating Statement of Operations
Year Ended December 31, 2019

	Parent Guarantor	Subsidiary Issuer	Non- Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
	(millions)				
Operating revenues:					
Sales of natural gas, NGLs and condensate	\$ —	\$ —	\$ 7,199	\$ —	\$ 7,199
Transportation, processing and other	—	—	439	—	439
Trading and marketing losses, net	—	—	(13)	—	(13)
Total operating revenues	—	—	7,625	—	7,625
Operating costs and expenses:					
Purchases and related costs	—	—	6,022	—	6,022
Operating and maintenance expense	—	—	728	—	728
Depreciation and amortization expense	—	—	404	—	404
General and administrative expense	—	—	275	—	275
Asset impairments	—	—	247	—	247
Other expense, net	—	—	8	—	8
Loss on sale of assets, net	—	—	80	—	80
Restructuring costs	—	—	11	—	11
Total operating costs and expenses	—	—	7,775	—	7,775
Operating loss	—	—	(150)	—	(150)
Interest expense, net	—	(293)	(11)	—	(304)
Income from consolidated subsidiaries	17	310	—	(327)	—
Earnings from unconsolidated affiliates	—	—	474	—	474
Income before income taxes	17	17	313	(327)	20
Income tax expense	—	—	1	—	1
Net income	17	17	314	(327)	21
Net income attributable to noncontrolling interests	—	—	(4)	—	(4)
Net income attributable to partners	\$ 17	\$ 17	\$ 310	\$ (327)	\$ 17

Condensed Consolidating Statement of Comprehensive Income
Year Ended December 31, 2019

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
	(millions)				
Net income	\$ 17	\$ 17	\$ 314	\$ (327)	\$ 21
Other comprehensive income:					
Reclassification of cash flow hedge losses into earnings	—	1	—	—	1
Other comprehensive income from consolidated subsidiaries	1	—	—	(1)	—
Total other comprehensive income	1	1	—	(1)	1
Total comprehensive income	18	18	314	(328)	22
Total comprehensive income attributable to noncontrolling interests	—	—	(4)	—	(4)
Total comprehensive income attributable to partners	\$ 18	\$ 18	\$ 310	\$ (328)	\$ 18

Condensed Consolidating Statement of Operations
Year Ended December 31, 2018

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
	(millions)				
Operating revenues:					
Sales of natural gas, NGLs and condensate	\$ —	\$ —	\$ 9,374	\$ —	\$ 9,374
Transportation, processing and other	—	—	489	—	489
Trading and marketing losses, net	—	—	(41)	—	(41)
Total operating revenues	—	—	9,822	—	9,822
Operating costs and expenses:					
Purchases and related costs	—	—	8,019	—	8,019
Operating and maintenance expense	—	—	760	—	760
Depreciation and amortization expense	—	—	388	—	388
General and administrative expense	—	—	276	—	276
Asset impairments	—	—	145	—	145
Other expense, net	—	—	11	—	11
Total operating costs and expenses	—	—	9,599	—	9,599
Operating income	—	—	223	—	223
Loss from financing activities	—	(19)	—	—	(19)
Interest expense, net	—	(268)	(1)	—	(269)
Income from consolidated subsidiaries	298	585	—	(883)	—
Earnings from unconsolidated affiliates	—	—	370	—	370
Income before income taxes	298	298	592	(883)	305
Income tax expense	—	—	(3)	—	(3)
Net income	298	298	589	(883)	302
Net income attributable to noncontrolling interests	—	—	(4)	—	(4)
Net income attributable to partners	\$ 298	\$ 298	\$ 585	\$ (883)	\$ 298

Condensed Consolidating Statement of Comprehensive Income
Year Ended December 31, 2018

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
	(millions)				
Net income	\$ 298	\$ 298	\$ 589	\$ (883)	\$ 302
Other comprehensive income:					
Reclassification of cash flow hedge losses into earnings	—	1	—	—	1
Other comprehensive income from consolidated subsidiaries	1	—	—	(1)	—
Total other comprehensive income	1	1	—	(1)	1
Total comprehensive income	299	299	589	(884)	303
Total comprehensive income attributable to noncontrolling interests	—	—	(4)	—	(4)
Total comprehensive income attributable to partners	\$ 299	\$ 299	\$ 585	\$ (884)	\$ 299

Condensed Consolidating Statement of Operations
Year Ended December 31, 2017

	Parent Guarantor	Subsidiary Issuer	Non- Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
	(millions)				
Operating revenues:					
Sales of natural gas, NGLs and condensate	\$ —	\$ —	\$ 7,850	\$ —	\$ 7,850
Transportation, processing and other	—	—	652	—	652
Trading and marketing losses, net	—	—	(40)	—	(40)
Total operating revenues	—	—	8,462	—	8,462
Operating costs and expenses:					
Purchases and related costs	—	—	6,885	—	6,885
Operating and maintenance expense	—	—	661	—	661
Depreciation and amortization expense	—	—	379	—	379
General and administrative expense	—	—	290	—	290
Asset impairments	—	—	48	—	48
Gain on sale of assets, net	—	—	(34)	—	(34)
Other expense, net	—	—	11	—	11
Total operating costs and expenses	—	—	8,240	—	8,240
Operating income	—	—	222	—	222
Interest expense, net	—	(289)	—	—	(289)
Income from consolidated subsidiaries	229	518	—	(747)	—
Earnings from unconsolidated affiliates	—	—	303	—	303
Income before income taxes	229	229	525	(747)	236
Income tax expense	—	—	(2)	—	(2)
Net income	229	229	523	(747)	234
Net income attributable to noncontrolling interests	—	—	(5)	—	(5)
Net income attributable to partners	\$ 229	\$ 229	\$ 518	\$ (747)	\$ 229

Condensed Consolidating Statement of Comprehensive Income
Year Ended December 31, 2017

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
	(millions)				
Net income	\$ 229	\$ 229	\$ 523	\$ (747)	\$ 234
Other comprehensive income:					
Reclassification of cash flow hedge losses into earnings	—	1	—	—	1
Other comprehensive income from consolidated subsidiaries	1	—	—	(1)	—
Total other comprehensive income	1	1	—	(1)	1
Total comprehensive income	230	230	523	(748)	235
Total comprehensive income attributable to noncontrolling interests	—	—	(5)	—	(5)
Total comprehensive income attributable to partners	\$ 230	\$ 230	\$ 518	\$ (748)	\$ 230

Condensed Consolidating Statement of Cash Flows
Year Ended December 31, 2019

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
	(millions)				
OPERATING ACTIVITIES					
Net cash (used in) provided by operating activities	\$ —	\$ (277)	\$ 1,136	\$ —	\$ 859
INVESTING ACTIVITIES:					
Intercompany transfers	680	(159)	—	(521)	—
Capital expenditures	—	—	(519)	—	(519)
Investments in unconsolidated affiliates, net	—	—	(450)	—	(450)
Proceeds from sale of assets	—	—	209	—	209
Net cash provided by (used in) investing activities	680	(159)	(760)	(521)	(760)
FINANCING ACTIVITIES:					
Intercompany transfers	—	—	(521)	521	—
Proceeds from debt	—	5,821	150	—	5,971
Payments of debt	—	(5,372)	—	—	(5,372)
Costs incurred related to conversion of GP economic interest and IDRs	(3)	—	—	—	(3)
Distributions to preferred limited partners	(59)	—	—	—	(59)
Distributions to limited partners and general partner	(618)	—	—	—	(618)
Distributions to noncontrolling interests	—	—	(5)	—	(5)
Debt issuance costs	—	(13)	—	—	(13)
Net cash (used in) provided by financing activities	(680)	436	(376)	521	(99)
Net change in cash and cash equivalents	—	—	—	—	—
Cash and cash equivalents, beginning of period	—	—	1	—	1
Cash and cash equivalents, end of period	\$ —	\$ —	\$ 1	\$ —	\$ 1

Condensed Consolidating Statements of Cash Flows
Year Ended December 31, 2018

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
	(millions)				
OPERATING ACTIVITIES					
Net cash (used in) provided by operating activities	\$ —	\$ (263)	\$ 925	\$ —	\$ 662
INVESTING ACTIVITIES:					
Intercompany transfers	443	(269)	—	(174)	—
Capital expenditures	—	—	(595)	—	(595)
Investments in unconsolidated affiliates, net	—	—	(354)	—	(354)
Proceeds from sale of assets	—	—	4	—	4
Net cash provided by (used in) investing activities	443	(269)	(945)	(174)	(945)
FINANCING ACTIVITIES:					
Intercompany transfers	—	—	(174)	174	—
Proceeds from debt	—	4,961	200	—	5,161
Payments of debt	—	(4,560)	—	—	(4,560)
Costs incurred to redeem senior notes	—	(18)	—	—	(18)
Proceeds from issuance of preferred limited partner units, net of offering costs	261	—	—	—	261
Distributions to preferred limited partners	(46)	—	—	—	(46)
Distributions to limited partners and general partner	(658)	—	—	—	(658)
Distributions to noncontrolling interests	—	—	(5)	—	(5)
Other	—	(6)	(1)	—	(7)
Net cash (used in) provided by financing activities	(443)	377	20	174	128
Net change in cash and cash equivalents	—	(155)	—	—	(155)
Cash and cash equivalents, beginning of period	—	155	1	—	156
Cash and cash equivalents, end of period	\$ —	\$ —	\$ 1	\$ —	\$ 1

Condensed Consolidating Statements of Cash Flows

Year Ended December 31, 2017

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
	(millions)				
OPERATING ACTIVITIES					
Net cash (used in) provided by operating activities	\$ —	\$ (283)	\$ 1,179	\$ —	\$ 896
INVESTING ACTIVITIES:					
Intercompany transfers	58	1,141	—	(1,199)	—
Capital expenditures	—	—	(375)	—	(375)
Investments in unconsolidated affiliates, net	—	—	(148)	—	(148)
Proceeds from sale of assets	—	—	132	—	132
Net cash provided by (used in) investing activities	58	1,141	(391)	(1,199)	(391)
FINANCING ACTIVITIES:					
Intercompany transfers	—	—	(1,199)	1,199	—
Proceeds from debt	—	116	—	—	116
Payments of debt	—	(811)	—	—	(811)
Proceeds from issuance of preferred limited partner units, net of offering costs	487	—	—	—	487
Net change in advances to predecessor from DCP Midstream, LLC	—	—	418	—	418
Distributions to limited partners and general partner	(545)	—	—	—	(545)
Distributions to noncontrolling interests	—	—	(7)	—	(7)
Other	—	(8)	—	—	(8)
Net cash used in financing activities	(58)	(703)	(788)	1,199	(350)
Net change in cash and cash equivalents	—	155	—	—	155
Cash and cash equivalents, beginning of period	—	—	1	—	1
Cash and cash equivalents, end of period	\$ —	\$ 155	\$ 1	\$ —	\$ 156

27. Subsequent Events

On January 22, 2020, we announced that the board of directors of the General Partner declared a quarterly distribution on our common units of \$0.78 per common unit. The distribution will be paid on February 14, 2020 to unitholders of record on February 3, 2020.

On the same date, the board of directors of the General Partner declared a quarterly distribution on our Series B and Series C Preferred Units of \$0.4922 and \$0.4969 per unit, respectively. The Series B distributions will be paid on March 16, 2020 to unitholders of record on March 2, 2020. The Series C distribution will be paid on April 15, 2020 to unitholders of record on April 1, 2020.

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

There were no changes in or disagreements with accountants on accounting and financial disclosures during the year ended December 31, 2019.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit to the SEC under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified by the SEC’s rules and forms, and that information is accumulated and communicated to the management of our general partner, including our general partner’s principal executive and principal financial officers (whom we refer to as the “Certifying Officers”), as appropriate to allow timely decisions regarding required disclosure. The management of our general partner evaluated, with the participation of the Certifying Officers, the effectiveness of our disclosure controls and procedures as of December 31, 2019, pursuant to Rule 13a-15(b) under the Exchange Act. Based upon that evaluation, the Certifying Officers concluded that, as of December 31, 2019, our disclosure controls and procedures were effective at a reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There were no changes in internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management’s Annual Report On Internal Control Over Financial Reporting

Our general partner is responsible for establishing and maintaining an adequate system of internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Our internal control system was designed to provide reasonable assurance to our management and board of directors of our general partner regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Our management, including our Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2019 based on the “Internal Control-Integrated Framework (2013)” issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, management concluded that our internal control over financial reporting was effective at the reasonable assurance level as of December 31, 2019.

Deloitte & Touche LLP, an independent registered public accounting firm, has issued their report, included immediately following, regarding our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of DCP Midstream GP, LLC and the Unitholders of DCP Midstream, LP

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of DCP Midstream, LP and subsidiaries (the "Partnership") as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Partnership maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2019, of the Partnership and our report dated February 21, 2020, expressed an unqualified opinion on those consolidated financial statements and included explanatory paragraphs regarding the Partnership's adoption of a new accounting standard related to leases in the year ended December 31, 2019, and the adoption of a new accounting standard related to revenue in the year ended December 31, 2018.

Basis for Opinion

The Partnership's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Partnership's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Denver, Colorado
February 21, 2020

Item 9B. Other Information

Appointment of Certain Officers

On February 17, 2020, Corey Walker, age 42, was appointed as President, Operations of DCP Midstream GP, LLC (the "Company"), which is the general partner of the general partner of DCP Midstream, LP (the "Partnership").

Prior to joining the Company, Mr. Walker served as Executive Vice President, Americas, Biomaterials and Advanced Technologies for Avantor, Inc., a leading global provider of mission critical products and services to customers in the biopharma, healthcare, education & government, and advanced technologies & applied materials industries, from June 2018 to February 2020. He previously served as Executive Vice President, Biomaterials and Advanced Technologies at Avantor, Inc. from 2016 through June 2018. Prior to joining Avantor, Inc. in 2016, Mr. Walker acted as Global Vice President of Sperry Drilling Services, a drilling services company, and Multichem global business groups at Halliburton Energy Services, a provider of products and services to the energy industry, from 2013 to 2016, and also led global strategy for the Completion and Production division. Prior to that time, he held a variety of strategic and business unit leadership roles at Dow Chemical, a chemical corporation, leading Dow's strategic initiatives from 2007 to 2009, specialty acrylic monomer business from 2009 to 2011, specialty adhesives business from 2012 to 2013, as well as hygiene and medical business from 2011 to 2013. From 2001 to 2006, Mr. Walker worked at Dell Computers, a computer technology company, where he held global positions in strategy, sales, and marketing. Mr. Walker holds a B.A. in marketing and business management from Brigham Young University and an M.B.A. from Harvard Business School.

In connection with his employment, Mr. Walker will receive an annual base salary of \$425,000. In addition, Mr. Walker will receive an annual short-term cash incentive under DCP Services LLC's short-term incentive program ("STI") with a target of 75% of his base salary, and an annual grant of phantom common units under the Partnership's 2016 Long-Term Incentive Plan (the "2016 LTIP") with a target of 250% of his base salary. As compensation for short- and long-term incentives he forfeited with his prior employer, Mr. Walker will receive a lump sum cash payment of \$320,000 in March 2020 and an additional grant of restricted phantom units under the 2016 LTIP valued at \$3,245,000 that will vest in three years and settle in cash.

There are no arrangements or understandings between Mr. Walker and any other person pursuant to which he was appointed to serve as President, Operations of the Company. Mr. Walker does not have any family relationships with any of the Company's directors or executive officers and he has no direct or indirect material interest in any transaction required to be disclosed pursuant to Item 404(a) of Regulation S-K of the Exchange Act.

Compensatory Arrangements of Certain Officers

On February 19, 2020, the Compensation Committee (the "Compensation Committee") of the Board of Directors of DCP Midstream, LLC, which owns the Company that is the general partner of the general partner of the Partnership, established compensation levels for named executive officers of the Company (the "NEOs") for the 2020 fiscal year, to be effective as of March 23, 2020, as shown below:

Name	Base Salary	Short-Term Incentive	Long-Term Incentive	Total
		Target	Target	
Wouter T. van Kempen	\$730,000	100%	375%	\$4,197,500
Sean P. O'Brien	\$473,530	75%	245%	\$1,988,826
Brent L. Backes	\$449,660	65%	140%	\$1,371,463
Don A. Baldrige	\$425,000	75%	250%	\$1,806,250
Corey Walker	\$425,000	75%	250%	\$1,806,250

The Compensation Committee also established the performance criteria for certain compensation arrangements for the NEOs for the 2020 fiscal year. The performance criteria relate to grants to the NEOs under the 2016 LTIP and awards to the NEOs under the STI.

The 2016 LTIP provides for the grant of cash and common unit-settled phantom units and cash-settled dividend equivalent rights. The phantom units consist of a notional unit based on the fair market value of a common unit of the Partnership. The phantom units will be granted half in restricted phantom units ("RPU") that will settle in common units, and half in strategic performance units ("SPUs") that will settle in cash. RPUs will vest at the end of a three-year vesting period. SPUs will vest in an amount ranging from 0% to 200% depending on the level of achievement, as determined by the Compensation Committee,

during a three-year performance period measured equally by (i) distributable cash flow per common unit of the Partnership and (ii) relative total shareholder return of the Partnership as compared to the following peer group:

Antero Midstream Corporation	Genesis Energy, L.P.	Phillips 66 Partners LP
Cheniere Energy, Inc.	Holly Energy Partners, L.P.	Shell Midstream Partners, L.P.
Crestwood Equity Partners LP	Magellan Midstream Partners, L.P.	Summit Midstream Partners, LP
Enable Midstream Partners, LP	MPLX LP	Targa Resources Corp.
EnLink Midstream, LLC	NGL Energy Partners LP	TC PipeLines, LP
EQM Midstream Partners, LP	NuStar Energy L.P.	Western Gas Equity Partners, LP
Equitrans Midstream Corporation	ONEOK, Inc.	

The foregoing description of the SPU and RPU grants is qualified in its entirety by reference to the terms of the grant agreements.

The 2020 payout opportunity for STI awards will be based on the level of performance achieved by the Partnership on annual strategic priorities and goals that are substantially the same as those used for the prior fiscal year.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Management of DCP Midstream, LP

We do not have directors or officers, which is commonly the case with publicly traded partnerships. Our operations and activities are managed by our general partner, DCP Midstream GP, LP, which in turn is managed by its general partner, DCP Midstream GP, LLC, which we refer to as our General Partner. Our General Partner is 100% owned by DCP Midstream, LLC. The officers and directors of our General Partner are responsible for managing us. All of the directors of our General Partner are appointed annually by DCP Midstream, LLC and all of the officers of our General Partner serve at the discretion of the directors. Unitholders are not entitled to elect the directors of our General Partner or participate, directly or indirectly, in our management or operations.

Board of Directors and Executive Officers of DCP Midstream GP, LLC

The board of directors of our General Partner currently has eight members, three of whom are independent as defined under the independence standards established by the NYSE. Because we are a listed limited partnership and a controlled company, we are not required by the NYSE rules to have a majority of independent directors on the board of directors of our General Partner or to establish a compensation committee or a nominating/corporate governance committee. However, the board of directors of our General Partner has established an audit committee consisting of three independent members of the board and a special committee to address conflict situations.

Our General Partner's board of directors annually reviews the independence of directors and affirmatively makes a determination that each director expected to be independent has no material relationship with our General Partner, either directly or indirectly as a partner, unitholder or officer of an organization that has a relationship with our General Partner. Our General Partner's board of directors has affirmatively determined that Messrs. Fowler, Kimble, and Waycaster satisfy the SEC and NYSE independence standards.

The executive officers of our General Partner are responsible for establishing and executing strategic business and operation plans and managing the day-to-day affairs of our business. All of our executive officers are also executive officers of DCP Midstream, LLC. We utilize employees of DCP Midstream, LLC, including the executive officers, to operate our business and provide us with general and administrative services that are reimbursed to DCP Midstream, LLC pursuant to the terms of the Services Agreement.

The following table shows information regarding the current directors and executive officers of our General Partner, DCP Midstream GP, LLC. Directors are appointed annually by DCP Midstream, LLC and hold office for one year or until their successors have been elected and qualified or until the earlier of their death, resignation, removal or disqualification. Officers serve at the discretion of the board of directors of our general partner. There are no family relationships among any of the directors or executive officers.

<u>Name</u>	<u>Age</u>	<u>Position with DCP Midstream GP, LLC</u>
Wouter T. van Kempen	50	Chairman of the Board, President, Chief Executive Officer, and Director
Sean P. O'Brien	50	Group Vice President and Chief Financial Officer
Brent L. Backes	60	Group Vice President and General Counsel
Don Baldrige	50	President, Operations
Corey Walker	42	President, Operations
Allen C. Capps	49	Director
Fred J. Fowler	73	Director
William F. Kimble	60	Director
Mark Maki	55	Director
Brian Mandell	56	Director
Bill W. Waycaster	81	Director
John Zuklic	52	Director

Wouter T. van Kempen was appointed as DCP Midstream GP, LLC's Chief Executive Officer ("CEO") in January 2013, Chairman of the Board in January 2014, and President in February 2016. Mr. van Kempen is also the Chairman of the Board, President and Chief Executive Officer for DCP Midstream, LLC, which is the owner of DCP Midstream GP, LLC, since January 2013. Mr. van Kempen was previously DCP Midstream, LLC's President and Chief Operating Officer from September 2012 until January 2013, where he led the gathering and processing and the marketing and logistics business units and oversaw all corporate functions of the organization; President, Gathering and Processing, from January 2012 to August 2012; President, Midcontinent Business Unit, and Chief Development Officer, from August 2010 to December 2011. Prior to joining DCP Midstream, LLC in August 2010, Mr. van Kempen was President of Duke Energy Generation Services from September 2006 to July 2010 and Vice President of Mergers and Acquisitions from December 2005 to September 2006. Mr. van Kempen joined Duke Energy in 2003 and served in a number of management positions. Prior to Duke Energy, Mr. van Kempen was employed by General Electric, where he served in increasing roles of responsibility becoming the staff executive for corporate mergers and acquisitions in 1999.

Sean P. O'Brien was appointed Group Vice President and Chief Financial Officer of DCP Midstream GP, LLC in January 2014. Mr. O'Brien is also the Group Vice President and Chief Financial Officer for DCP Midstream, LLC and has served in that position since May 2012. Prior to that time, Mr. O'Brien was Senior Vice President and Treasurer of DCP Midstream, LLC from May 2011 and prior to that, he served as Vice President, Financial Planning and Analysis from September 2009. Prior to joining DCP Midstream, LLC in September 2009, Mr. O'Brien was with Duke Energy Corporation where he served as General Manager of Financial Planning and Forecasting for Duke Energy's Commercial Business Unit from May 2006, and prior to that, he was Vice President and Controller of Duke Energy Generation Services from May 2005. Mr. O'Brien joined Duke Energy in 1997. Mr. O'Brien is a certified public accountant with over 25 years of experience in the finance area and over 20 years of experience in the energy industry.

Brent L. Backes was appointed Group Vice President and General Counsel of DCP Midstream GP, LLC in February 2017. Mr. Backes has also served as the Group Vice President and General Counsel of DCP Midstream, LLC since February 2002. Prior to joining DCP Midstream, LLC in 1998, Mr. Backes was an attorney in private practice focusing on mergers and acquisitions and regulatory matters in the energy industry since 1987.

Don Baldrige was appointed President, Operations of DCP Midstream GP, LLC in February 2017. Mr. Baldrige has also been a President of DCP Midstream, LLC overseeing the commercial, marketing, and logistics businesses since March 2013 and before that was Vice President, Natural Gas and NGL Marketing since February 2011. Mr. Baldrige previously served as our Vice President, Business Development from January 2009 until February 2011. Mr. Baldrige joined DCP Midstream, LLC in March 2005. Mr. Baldrige brings more than 25 years of experience in the energy industry, including commercial, trading and business development activities.

Corey Walker was appointed President, Operations of DCP Midstream GP, LLC on February 17, 2020. Mr. Walker served as Executive Vice President, Americas, Biomaterials and Advanced Technologies for Avantor, Inc., a leading global provider of mission critical products and services to customers in the biopharma, healthcare, education & government, and advanced technologies & applied materials industries, since June 2018. He previously served as Executive Vice President, Biomaterials and Advanced Technologies at Avantor, Inc. from 2016 through June 2018. Prior to joining Avantor, Inc. in 2016, Mr. Walker acted as Global Vice President of Sperry Drilling Services, a drilling services company, and Multichem global business groups at Halliburton Energy Services, a provider of products and services to the energy industry, from 2013 to 2016, and also led global strategy for the Completion and Production division. Prior to that time, he held a variety of strategic and business unit leadership roles at Dow Chemical from 2006 to 2013. Mr. Walker has nearly 20 years of leadership experience in a variety of industries, including energy.

Allen C. Capps was appointed a director of DCP Midstream GP, LLC in August 2016. Mr. Capps has been the senior vice president, corporate development and investment review for Enbridge since June 2019 and prior to that was senior vice president and chief accounting officer since February 2017. Prior to this, Mr. Capps served in a similar capacity as vice president and controller of Spectra Energy since January 2012. From April 2010 until January 2012, Mr. Capps served as Vice President, Business Development, Storage and Transmission, for Union Gas Limited, Spectra Energy's Canadian natural gas utility, and as Vice President and Treasurer of Spectra Energy from December 2007 to April 2010. Mr. Capps has broad experience in the energy industry having served in various senior level finance and accounting roles since 2003.

Fred J. Fowler was appointed a director of DCP Midstream GP, LLC in March 2015. Mr. Fowler is the former president and chief executive officer of Spectra Energy, retiring from that position in December 2008. Prior to Spectra Energy's separation from Duke Energy Corporation in December 2006, Mr. Fowler served as group president for Duke Energy's gas

transmission business since April 2006. Prior to that, Mr. Fowler served as president and chief operating officer of Duke Energy Corporation since November 2002. Mr. Fowler began his career in the energy industry in 1968. Mr. Fowler served as vice chairman of the board of directors of TEPPCO Partners, L.P. from March 1998 to February 2003 and as chairman of the board of directors of our General Partner from April 2007 to January 2009. Mr. Fowler currently serves on the boards of directors of Ovintiv Inc. (formerly known as Encana Corp.) and PG&E Corporation.

William F. Kimble was appointed a director of DCP Midstream GP, LLC in June 2015. Mr. Kimble retired in February 2015 from KPMG LLP (“KPMG”), one of the largest audit, tax and advisory services firms in the world. Mr. Kimble served as KPMG’s Office Managing Partner for the Atlanta office and Managing Partner - Southeastern United States, where he was responsible for the firm’s audit, advisory and tax operations from 2009 until his retirement. Mr. Kimble was also responsible for moderating KPMG’s Audit Committee Institute and Audit Committee Chair Sessions. Until his retirement, Mr. Kimble had been with KPMG or its predecessor firm since 1986. During his tenure with KPMG, Mr. Kimble held numerous senior leadership positions, including Global Chairman of Industrial Markets. Mr. Kimble also served as KPMG’s Energy Sector Leader for approximately ten years and was the executive director of KPMG’s Global Energy Institute. Mr. Kimble currently serves on the board of directors of PRGX Global, Inc. and its audit committee and Liberty Oilfield Services Inc. and its audit committee.

Mark Maki was appointed a director of DCP Midstream GP, LLC in July 2018. Mr. Maki has been Senior Vice President & Chief Accounting Officer of Enbridge since June 2019 and prior to that served as Senior Vice President Corporate Planning and Sponsored Vehicles, having assumed that role in May 2018 after serving as Senior Vice President - Finance Business Partners since October 2016. Mr. Maki also served as a director of the general partner of Enbridge Energy Partners, L.P. (“EEP”) and Enbridge Energy Management, L.L.C. (“EEQ”) from October 2010 to December 2018 and as President of both companies from January 2014 to December 2018. Previously, Mr. Maki served as President of EEP and Senior Vice President of EEQ from October 2010 to January 2014 and he served Enbridge as Acting President, Gas Pipelines during 2013. Mr. Maki also previously served as Vice President - Finance of EEP and EEQ from July 2002. Prior to that time, Mr. Maki served as Controller of EEP and EEQ from June 2001, and prior to that, as Controller of Enbridge Pipelines from September 1999. Mr. Maki began his career with Enbridge in 1986.

Brian Mandell was appointed a director of DCP Midstream GP, LLC in May 2015. Mr. Mandell has nearly 30 years of oil and gas industry experience serving in various marketing, commercial, and midstream roles. He is currently Executive Vice President, Marketing and Commercial, for Phillips 66. He previously served as Senior Vice President, Commercial, for Phillips 66. Prior to that, he served as Phillips 66's President, Global Marketing, and prior to that, Global Trading Lead, Clean Products, Commercial. Prior to joining Phillips 66 in May 2012, he worked for ConocoPhillips as Manager, U.S. Gasoline Trading since 2011. Previously, Mr. Mandell served in the Commercial NGL group and was named Manager of NGL Trading after working as Manager of Processing Assets and Business Development in 2006. Mr. Mandell began his career with Conoco in 1991 working in various marketing roles.

Bill W. Waycaster was appointed a director of DCP Midstream GP, LLC in June 2015. Mr. Waycaster retired in April 2003 from Texas Petrochemicals LLC (“Texas Petrochemicals”) after working in the hydrocarbon process industries for over 45 years. Mr. Waycaster was President and Chief Executive Officer of Texas Petrochemicals from April 1992 until his retirement. Prior to that, Mr. Waycaster spent 27 years at The Dow Chemical Company (“Dow”) serving as Vice President and General Manager of Hydrocarbons and Energy Resources until he left to join Texas Petrochemicals. Mr. Waycaster held positions at Dow ranging from Project Engineer to Vice President of Business and Asset Management. Mr. Waycaster previously served on the board of directors of the National Petrochemical and Refiners Association, where he served as Chairman of the Petrochemicals Committee and Executive Committee, and also served on the board of directors of the American Chemistry Council. Mr. Waycaster has previously served on the board of directors of each of Destec Energy, Inc. and Enterprise Products GP, LLC.

John Zuklic was appointed a director of DCP Midstream GP, LLC in May 2015. Mr. Zuklic has more than 20 years of oil and gas industry experience serving in various finance and commercial roles. He is currently Vice President and Treasurer of Phillips 66 and, prior to assuming that role in May 2015, was General Manager, Global Commercial Risk and Compliance. Before joining Phillips 66 and assuming the role of Assistant Treasurer in May 2012, Mr. Zuklic worked for ConocoPhillips as Manager, Treasury Services, since 2008. In 2004, he was named Principal Consultant, Treasury, and prior to that he was Director, Midstream Finance, from 2000 to 2004. Prior to joining ConocoPhillips in 2000, Mr. Zuklic worked at BP p.l.c. for five years in various treasury, finance, and commercial positions.

Director Experience and Qualifications

DCP Midstream, LLC evaluates and recommends candidates for membership on the board of directors of our General Partner based on established criteria. When evaluating director candidates, nominees and incumbent directors, DCP Midstream, LLC has informed us that it considers, among other things, educational background, knowledge of our business and industry, professional reputation, independence, and ability to represent the best interests of our unitholders. DCP Midstream, LLC and the board of directors of our General Partner believe that the above-mentioned attributes, along with the leadership skills and experience in the midstream natural gas industry, provide the Partnership with a capable and knowledgeable board of directors.

Wouter T. van Kempen - Mr. van Kempen was appointed a director because of his extensive knowledge of and experience with our assets as Chairman, President, and Chief Executive Officer of DCP Midstream GP, LLC and as Chairman, President and Chief Executive Officer of DCP Midstream, LLC. Mr. van Kempen brings strong management experience having served in positions of increasing responsibility at Duke Energy and General Electric.

Allen C. Capps - Mr. Capps was appointed a director because of his strong background in the energy industry including his leadership roles in accounting, finance, and business development with Enbridge and Spectra Energy.

Fred J. Fowler - Mr. Fowler was appointed a director because of his extensive knowledge and experience of the energy industry, including a strong understanding of our assets, customers, regulatory environment, and competitive landscape. Mr. Fowler brings leadership, management, and business skills developed as an executive and a director at public and privately held companies.

William F. Kimble - Mr. Kimble was appointed a director because of his extensive accounting background and experience as a director of other public companies. Mr. Kimble brings significant knowledge of the most current and pressing audit and financial compliance matters and reporting obligations faced by public companies.

Mark Maki - Mr. Maki was appointed a director because of his broad range of experience in the pipeline industry having progressed through a series of accounting, regulatory, financial, and executive roles of increasing responsibility during his tenure with Enbridge in the United States and Canada. Mr. Maki brings financial expertise, leadership skills, knowledge of our business environment, and knowledge of master limited partnerships developed over 30 plus years in the industry.

Brian Mandell - Mr. Mandell was appointed a director because of his strong background and knowledge with over two decades of senior leadership experience in a variety of roles including commercial and marketing within the industry.

Bill W. Waycaster - Mr. Waycaster was appointed a director because of his lengthy tenure in the energy industry and executive management experience, spanning a period of over 50 years. Mr. Waycaster contributes valuable insight into strategic, corporate governance, and compliance matters with his prior public company leadership and board experience.

John Zuklic - Mr. Zuklic was appointed a director because of his strong knowledge and extensive experience in the energy industry gained through his current and past roles in treasury, finance, commercial, and risk management.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires DCP Midstream GP, LLC's directors and executive officers, and persons who own more than 10% of a registered class of our equity securities to file with the SEC and the NYSE initial reports of ownership and reports of changes in ownership of our common units and our other equity securities and to furnish us with copies of such reports. To our knowledge, based solely on a review of the copies of reports and amendments thereto filed electronically with the SEC or furnished to us and written representations of our directors and executive officers that no other reports were required, all Section 16(a) filing requirements applicable to such reporting persons were complied with on a timely basis during the fiscal year ended December 31, 2019.

Audit Committee

The board of directors of our General Partner has a standing audit committee. The audit committee is composed of three independent directors, William F. Kimble (chairman), Fred J. Fowler, and Bill W. Waycaster, each of whom is able to understand fundamental financial statements and at least one of whom has past experience in accounting or related financial

management experience. Mr. Kimble has been designated by the board as the audit committee's financial expert meeting the requirements promulgated by the SEC as set forth in Item 407(d) of Regulation S-K of the Exchange Act based upon his education and employment experience as more fully detailed in Mr. Kimble's biography set forth above.

The board has determined that each member of the audit committee is independent under Section 303A.02 of the NYSE listing standards and Section 10A(m) (3) of the Exchange Act. In making the independence determination, the board considered the requirements of the NYSE and our Corporate Governance Guidelines. Among other factors, the board considered current or previous employment with us, our auditors or their affiliates by the director or his immediate family members, ownership of our voting securities, and other material relationships with us.

The audit committee has adopted a charter, which has been ratified and approved by the board of directors. The primary purpose of the audit committee is to assist the board of directors in its oversight of (1) the integrity of the financial statements of the Partnership, (2) the compliance by the General Partner and the Partnership with legal and regulatory requirements, and the General Partner's and the Partnership's Code of Business Ethics, (3) the independent auditor's qualifications and independence and (4) the performance of the Partnership's internal audit function and independent auditors.

Special Committee

The board of directors of our General Partner has a special committee. The special committee, comprised of two or more of our independent directors, is convened on an ad hoc basis upon determination of the board and reviews specific matters that the board believes may involve conflicts of interest, including transactions between us and DCP Midstream, LLC or its affiliates. The special committee determines if the resolution of the conflict of interest is fair and reasonable to us, or on grounds no less favorable to us than generally available from unrelated third parties. The members of the special committee may not be officers or employees of our General Partner or directors, officers or employees of its affiliates. Each of the members of the special committee must meet the independence and experience standards established by the NYSE and the Exchange Act. Any matters approved by the special committee will be conclusively deemed to be fair and reasonable to us, approved by all of our partners, and not a breach by our General Partner of any duties it may owe us or our unitholders.

Corporate Governance Guidelines, Code of Business Ethics, and Audit Committee Charter

The board of directors of our general partner adopted Corporate Governance Guidelines that outline the important policies and practices regarding our governance.

We have adopted a Code of Business Ethics applicable to all persons serving as our directors, officers (including without limitation, our principal executive officer, principal financial officer and principal accounting officer) and employees. We intend to disclose any amendment to or waiver of our Code of Business Ethics that applies to our executive officers or directors on our website at www.dcpmidstream.com in order to satisfy disclosure requirements under SEC and NYSE rules relating to such information.

Copies of our Corporate Governance Guidelines, Code of Business Ethics and Audit Committee Charter are available on our website at www.dcpmidstream.com. Copies of these items are also available free of charge in print to any person who sends a request to the office of the Corporate Secretary of DCP Midstream at 370 17th Street, Suite 2500, Denver, Colorado 80202. The information contained on, or connected to, our website is not incorporated by reference into this annual report on Form 10-K and should not be considered part of this or any other report that we file with or furnish to the SEC.

Meeting of Non-Management Directors and Communications with Directors

At each quarterly meeting of the board of directors of our general partner, the independent directors meet in an executive session, which executive sessions are presided over by William F. Kimble. In addition, at each quarterly meeting of the board of directors, the non-management members of the board meet in executive session, which executive sessions are presided over by Fred J. Fowler.

Unitholders or interested parties may communicate with any and all members of our board, or any committee of our board, by transmitting correspondence to one or more directors by name or to the chairman of the board or any committee of the board at the following address: Name of the Director(s), c/o Corporate Secretary, DCP Midstream, 370 17th Street, Suite 2500, Denver, Colorado 80202.

Report of the Audit Committee

The audit committee oversees our financial reporting process on behalf of the board of directors. Management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls over financial reporting. The audit committee operates under a written charter approved by the board of directors. The charter, among other things, provides that the audit committee is responsible for the appointment, compensation, oversight, retention, and termination of the independent auditor. In this context, the audit committee:

- reviewed and discussed quarterly and annual earnings press releases, quarterly unaudited financial statements, and the annual audited financial statements included in this Annual Report on Form 10-K with management and Deloitte & Touche LLP, our independent auditors, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements;
- reviewed with Deloitte & Touche LLP, who are responsible for expressing an opinion on the conformity of the audited financial statements with generally accepted accounting principles, their judgments as to the quality and acceptability of our accounting principles and such other matters as are required to be discussed with the audit committee under the auditing standards of the Public Company Accounting Oversight Board (PCAOB);
- received the written disclosures and the letter required by PCAOB Ethics and Independence Rules (independence discussions with audit committees) provided to the audit committee by Deloitte & Touche LLP;
- discussed with Deloitte & Touche LLP its independence from management and us and considered the compatibility of the provision of nonaudit service by the independent auditors with the auditors' independence;
- discussed with Deloitte & Touche LLP the matters required to be discussed by statement on auditing standards No. 16 (PCAOB Auditing Standard No. 16, Communications With Audit Committees, Related Amendments to PCAOB Standards and Transitional Amendments to AU Section 380);
- discussed with our internal auditors and Deloitte & Touche LLP the overall scope and plans for their respective audits. The audit committee meets with the internal auditors and Deloitte & Touche LLP, with and without management present, to discuss the results of their examinations, their evaluations of our internal controls and the overall quality of our financial reporting;
- based on the foregoing reviews and discussions, recommended to the board of directors that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2019, for filing with the SEC; and
- approved the reappointment of Deloitte & Touche LLP to serve as our independent auditors based on an annual consideration of, among other factors, the following: their historical and recent performance on our audit, the quality and candor of their communications with the audit committee and management, the depth of expertise of their audit team and the value provided by their national office, the appropriateness of their fees, how effectively they maintained their independence, their tenure as our independent auditors, their knowledge of our operations, accounting policies and practices, and internal control over financial reporting, and external data relating to audit quality and performance by them and their peer firms.

This report has been furnished by the members of the audit committee of the board of directors:

Audit Committee
William F. Kimble (Chairman)
Fred J. Fowler
Bill W. Waycaster

The report of the audit committee in this report shall not be deemed incorporated by reference into any other filing by DCP Midstream, LP under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that we specifically incorporate this information by reference, and shall not otherwise be deemed filed under such laws.

Item 11. Executive Compensation

Compensation Discussion and Analysis

General

We were formed in 2005. Similar to other publicly traded partnerships, our operations are managed by our general partner, DCP Midstream GP, LP, which in turn is managed by its general partner, DCP Midstream GP, LLC, which we refer to as our General Partner. Our General Partner is 100% owned by DCP Midstream, LLC. When we refer herein to the board of directors, we are referring to the board of directors of our General Partner. Additionally, when we refer herein to the compensation committee, we are referring to the compensation committee of the board of directors of DCP Midstream, LLC, comprised of Chairman Greg C. Garland, Chairman and CEO of Phillips 66 and Al Monaco, President and CEO of Enbridge Inc.

We have entered into the Services Agreement with DCP Midstream, LLC pursuant to which, among other matters, DCP Services, LLC makes available its employees who manage and operate our assets and serve as the executive officers, including the named executive officers, or NEOs, of our General Partner. For the year ended December 31, 2019, the NEOs of our General Partner were Wouter T. van Kempen, Chairman of the Board, President, and Chief Executive Officer (Principal Executive Officer); Sean P. O'Brien, Group Vice President and Chief Financial Officer (Principal Financial Officer); Brent L. Backes, Group Vice President and General Counsel; Don A. Baldrige, President, Operations; and Brian S. Frederick, Former President, Operations, who departed effective December 31, 2019.

The General Partner has not entered into employment agreements with any of the NEOs. The NEOs do not receive any separate compensation from us for their services to our business or as executive officers of our General Partner. We pay DCP Midstream, LLC the full cost for the compensation of our NEOs. The compensation committee has the ultimate decision-making authority with respect to the total compensation that DCP Midstream, LLC pays to the NEOs.

Compensation Decisions

All compensation decisions concerning the officers and employees dedicated to our operations and management are made by the compensation committee. The compensation committee's responsibilities on compensation matters include the following:

- annually review the Partnership's goals and objectives relevant to compensation of the NEOs;
- annually evaluate the NEO's performance in light of the Partnership's goals and objectives, and approve the compensation levels for the NEOs;
- periodically evaluate the terms and administration of short-term and long-term incentive plans to assure that they are structured and administered in a manner consistent with the Partnership's goals and objectives;
- retain and terminate any compensation consultant to assist in the evaluation of compensation for NEOs and for directors who are not officers or employees of the General Partner or its affiliates, or our non-employee directors; and
- periodically review the compensation of our non-employee directors.

Compensation Philosophy

The Partnership's compensation program is structured to provide the following benefits:

- attract, retain and reward talented executive officers and key management employees by providing total compensation competitive with that of other executive officers in our industry;
- motivate executive officers and key management employees to achieve strong financial and operational performance;
- emphasize performance-based compensation, balancing short-term and long-term results; and
- reward individual performance.

Methodology - Advisors and Peer Companies

The compensation committee reviews data from market surveys provided by independent consultants to assess our competitive position with respect to base salary, annual short-term incentives and long-term incentive compensation for our NEOs as well as the compensation package for our non-employee directors. With respect to NEO compensation, the compensation committee also considers individual performance, levels of responsibility, skills and experience. In 2018, management, on behalf of the compensation committee, engaged the services of Mercer, a compensation consultant, to conduct a study to assist us in establishing overall compensation packages for the NEOs for 2019. We consider Mercer to be independent of the Partnership and therefore, the work performed by Mercer does not create a conflict of interest. The Mercer study was based on compensation for a group of peer companies with similar operations obtained from public documents as well as multiple survey sources, including the 2018 Mercer Benchmark Database and the 2018 Mercer Total Compensation Survey for the Energy Sector. The Mercer study was comprised of the following peer companies:

Buckeye Partners, L.P.	MPLX LP
Crestwood Equity Partners LP	NuStar Energy L.P.
Enable Midstream Partners, LP	ONEOK, Inc.
EnLink Midstream Partners, LP	Targa Resources Corp.
Genesis Energy, L.P.	Western Gas Partners, LP
Magellan Midstream Partners, L.P.	

Studies such as this generally include only the most highly compensated officers of each company, which correlates with most of the NEOs. The results of this study as well as other factors such as targeted performance objectives served as a benchmark for establishing total annual direct compensation packages for the NEOs. Peer data from the Mercer study and the data point that represents the 50th percentile of the market in the surveys were used to assess the competitiveness of the total annual direct compensation packages for the NEOs.

Components of Compensation

The total annual direct compensation program for the NEOs consists of three components: (1) base salary; (2) a short-term cash incentive, or STI, which is based on a percentage of annual base salary; and (3) the present value of a grant of phantom units payable in cash upon vesting under the DCP Services, LLC 2008 Long-Term Incentive Plan, or LTIP, which is based on a percentage of annual base salary. Effective March 25, 2019, the base salary, short-term incentive targets, and long-term incentive targets for our NEOs were as follows:

Name and Principal Position	Base Salary	Short-Term Incentive Target	Long-Term Incentive Target	Total
Wouter T. van Kempen, Chairman, President & CEO	\$695,000	100%	355%	\$3,857,250
Sean P. O'Brien, Group Vice President & Chief Financial Officer	\$459,740	75%	225%	\$1,838,960
Brent L. Backes, Group Vice President & General Counsel	\$436,560	65%	140%	\$1,331,508
Don A. Baldrige, President, Operations	\$403,650	75%	175%	\$1,412,775
Brian S. Frederick, Former President, Operations	\$402,220	75%	175%	\$1,407,770

In allocating compensation among these components, we believe a significant portion of the compensation of the NEOs should be performance-based since these individuals have a greater opportunity to influence our performance. In making this allocation, we have relied in part on the Mercer study and considered each component of compensation as described below.

Base Salary - Base salaries for NEOs are determined based upon individual performance, levels of responsibility, skills and experience, and comparisons to the salaries of individuals in similar positions obtained from the Mercer study. The goal of the base salary component is to compensate NEOs at a level that approximates the median salaries of individuals in comparable positions at comparably sized companies in our industry.

The base salaries for NEOs are generally reevaluated annually as part of our performance review process, or when there is a change in the level of job responsibility. The compensation committee annually considers and approves a merit increase in base salary based upon the results of this performance review process. Merit increases are based on industry trends and a review

of individual performance in certain categories, such as business values, environmental, health & safety performance, leadership, financial results, project results, attitude, ability and knowledge.

Short-Term Cash Incentive - Under the STI plan, annual cash incentives are provided to executives to promote the achievement of our performance objectives. Target incentive opportunities for executives under the STI are established as a percentage of base salary. Incentive amounts are intended to provide total cash compensation at the market median for executive officers in comparable positions when target performance is achieved, below the market median when performance is less than target and above the market median when performance exceeds target. The Mercer study was used to determine the competitiveness of the incentive opportunity for comparable positions. STI payments generally occur in March of each year for the prior fiscal year's performance.

The 2019 STI objectives were initially designed and proposed by our Chairman of the Board, President, and CEO and subsequently approved by the compensation committee. All STI objectives are tied to the performance of the Partnership and are subject to change each year based on annual strategic priorities and goals. The 2019 objectives comprising the total STI opportunity for the NEOs are described below.

Financial objectives (65% of total STI):

- *Distributable Cash Flow.* An objective intended to capture the annual amount of cash that is available for the quarterly distributions to our unitholders. For this objective, we established a range of performance from a minimum of \$700 million to a maximum of \$800 million.
- *Constant Price Cash Generation.* An objective intended to capture the cash generated from operations for the Partnership excluding the effect of commodity prices. For this objective, we established a range of performance from a minimum of \$1,085 million to a maximum of \$1,187 million.
- *Cost.* An objective intended to capture the ongoing operating and general and administrative costs of the Partnership. For this objective, we established a range of performance from a minimum of \$1,015 million to a maximum of \$945 million.

Operational objectives (20% of total STI):

- *Operations/ICC Transformation.* An objective intended to measure our transformative efforts to create a platform for optimizing the operation of our assets and leveraging the capabilities of our Integrated Collaboration Center (ICC).
- *Commercial Transformation.* An objective to drive the establishment of a scalable commercial platform that enables us to capture additional margin and cost synergies and to enhance the experience of our customers.
- *Finance Transformation.* An objective measuring improvements in forward looking analysis of the business as well as timeliness and efficiencies in financial processes.

Safety & Environmental Objectives (15% of total STI):

- *Total Recordable Injury Rate (TRIR).* An objective of both employee and contractor incident rates covering the assets of the Partnership. For this objective, the maximum level of performance is a TRIR of 0.23 and the minimum level of performance is a TRIR of 0.51.
- *Process Safety Event Rate (PSE Rate).* An objective using Tier 1 and 2 process safety events covering the assets of the Partnership. For this objective, the maximum level of performance is a PSE Rate of 0.83 and a minimum level of performance is a PSE Rate of 1.55.
- *Total Emissions.* An objective of air emissions, natural gas vented or flared, covering the assets of the Partnership. For this objective, we have established certain levels of emissions at such assets.

The payout on the Partnership objectives range from 0% if the minimum level of performance is not achieved, 50% if the minimum level of performance is achieved, 100% if the target level of performance is achieved and 200% if the maximum level of performance is achieved. When the performance level falls between these percentages, payout will be evaluated using straight-line interpolation with the final percentages determined by the compensation committee.

Early in 2020, management prepared a report on the achievement of the Partnership objectives during 2019. These results were then reviewed and approved by the compensation committee. The level of performance achieved in 2019 for each of the STI objectives was as follows:

STI Objectives	Level of Performance Achieved
Distributable Cash Flow	Between Target & Maximum
Constant Price Cash Generation	At Maximum
Cost	Between Minimum & Target
Operations/ICC Transformation	Between Target & Maximum
Commercial Transformation	Between Target & Maximum
Finance Transformation	Between Target & Maximum
Total Recordable Injury Rate (TRIR)	Between Target & Maximum
Process Safety Event Rate (PSE Rate)	Between Minimum & Target
Total Emissions	Below Minimum

Long-Term Incentive Plan - The LTIP has the objective of providing a focus on long-term value creation and enhancing executive retention. Under the LTIP, phantom units, which are notional units based on the fair market value of our common units, are issued where half of such phantom units are strategic performance units, or SPUs, and half are restricted phantom units, or RPUs. The SPUs will vest at a multiple based upon the level of achievement of certain performance objectives over a three-year performance period, or the Performance Period, and will settle in cash. The RPUs will vest if the executive officer remains employed at the end of a three-year vesting period, or the Vesting Period, or earlier in the case of death, disability, retirement, or layoff. Our RPUs have historically settled in cash; however, starting with 2020 grants, RPUs will be settled through the issuance of common units. The SPU and RPU awards are granted annually with a three-year Performance Period and Vesting Period, respectively. We believe this program promotes retention of the executive officers, and focuses the executive officers on the goal of long-term value creation.

For 2019, the SPUs had the following two performance measures: (1) three-year distributable cash flow, or DCF, as defined in Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” per common unit of the Partnership over the Performance Period, which DCF per common unit will be determined using our 2021 financial statements; and (2) relative total shareholder return, or RTSR, defined as total shareholder return of the Partnership over the three-year Performance Period relative to the following peer group:

Andeavor Logistics LP	Equitrans Midstream Corporation	Phillips 66 Partners LP
Antero Midstream Corporation	Genesis Energy, L.P.	SemGroup Corporation
Buckeye Partners, L.P.	Holly Energy Partners, L.P.	Shell Midstream Partners, L.P.
Cheniere Energy, Inc.	Magellan Midstream Partners, L.P.	Summit Midstream Partners, LP
Crestwood Equity Partners LP	MPLX LP	Tallgrass Energy, LP
Enable Midstream Partners, LP	NGL Energy Partners LP	Targa Resources Corp.
EnLink Midstream, LLC	NuStar Energy L.P.	TC PipeLines, LP
EQM Midstream Partners, LP	ONEOK, Inc.	Western Gas Equity Partners, LP

Half of the SPUs will be measured against the DCF per common unit performance measure and the other half will be measured against the RTSR performance measure. The compensation committee believes in utilizing the DCF per common unit of the Partnership, which is a liquidity and performance measure that reflects our ability to make cash distributions to our unitholders, and RTSR, which reflects our performance as compared to a group of representative companies that investors use to assess our relative performance, because they measure management’s effectiveness and directly align the performance of the NEOs with the success of the Partnership. We believe these performance measures provide management with appropriate incentives for our disciplined and steady growth and execution of our strategic priorities.

SPU and RPU awards include the right to receive dividend equivalent rights, or DERs, during the Performance Period or Vesting Period, as applicable, based on the number of phantom common units granted. The DERs on the SPUs are paid in cash when SPUs are settled at the end of the Performance Period and the DERs on the RPUs are paid quarterly in cash during the Vesting Period. The amount paid on the DERs is equal to the quarterly distributions actually paid on the underlying common units during the Performance Period and the Vesting Period on the number of SPUs earned or RPUs granted, respectively.

Our practice is to determine the dollar amount of long-term incentive compensation that we want to provide, and to then grant a number of SPUs and RPUs that have a fair market value equal to that amount on the date of grant, which is based on the average closing price of our common units on the NYSE for the 20 trading days prior to the date of grant under the LTIP.

Target long-term incentive opportunities for executives under the plan are established as a percentage of base salary, using the Mercer study data for individuals in comparable positions.

In the event an award recipient's employment is terminated after the first anniversary of the grant date for reasons of death, disability, retirement, or layoff, the recipient's: (i) SPUs will contingently vest on a pro rata basis for time worked over the Performance Period and final performance, measured at the end of the Performance Period, will determine the payout and (ii) RPUs will become fully vested and payable. Termination of employment for any other reason will result in the forfeiture of any unvested units and unpaid DERs.

Unit Ownership Guidelines - In order to further align the interests of our officers with the interests of our unitholders, we have adopted guidelines that our officers beneficially own common units having a value as set forth in the table below. Officers are expected to reach this guideline within five years of becoming subject to the guidelines and to maintain such minimum ownership level during the tenure of their position. The following table sets forth the ownership guidelines for our named executive officers:

Position	Multiple of Base Salary
CEO	5x
All other NEOs	3x

Other Compensation - In addition, executives are eligible to participate in other compensation programs, which include but are not limited to:

Company Matching and Retirement Contributions to Defined Contribution Plans - Executives may elect to participate in a 401(k) and retirement plan. Under the plan, executives may elect to defer up to 75% of their eligible compensation, or up to the limits specified by the Internal Revenue Service. We match the first 6% of eligible compensation contributed by the executive to the plan. In addition, we make retirement contributions ranging from 4% to 7% of the eligible compensation of qualifying participants to the plan, based on years of service, up to the limits specified by the Internal Revenue Service. We have no defined benefit plans.

Miscellaneous Compensation - Executive officers are eligible to participate in a non-qualified deferred compensation program. Executive officers can defer up to 75% of their base salary, up to 90% of their STI and up to 100% of their LTIP or other compensation. Executive officers elect either to receive amounts contributed during specific plan years as a lump sum at a specific date, subject to Internal Revenue Service rules, as an annuity (up to five years) at a specific date, subject to Internal Revenue Service rules, or in a lump sum or annual annuity (over three to ten years) at termination.

Within the non-qualified deferred compensation program is a non-qualified, defined contribution retirement plan in which benefits earned under the plan are attributable to compensation in excess of the annual compensation limits under Section 401(k) of the Code. Under this part of the plan, we contribute up to 13% of annual compensation, as defined by the plan, to the non-qualified deferred compensation program.

Benefit Programs - We provide employees, including the executive officers, with a variety of health and welfare benefit programs. The health and welfare programs are intended to protect employees against catastrophic loss and promote well-being. These programs include medical, dental, life insurance, accidental death and disability, and long-term disability. We also provide employees with a monthly parking pass or a pass to be used on public transportation systems.

We do not provide any material perquisites or any other personal benefits to our executives.

We are a partnership and not a corporation for U.S. federal income tax purposes, and therefore, are not subject to the executive compensation tax deductible limitations of Section 162(m) of the Code. Accordingly, none of the compensation paid to NEOs is subject to the limitation.

Board of Directors Report on Compensation

Our General Partner's board of directors does not have a compensation committee. The board of directors of the General Partner has reviewed and discussed with management the "Compensation Discussion and Analysis" presented above. Members of management with whom the board of directors had discussions are the Chairman of the Board, President, and Chief Executive Officer of the General Partner and the Group Vice President and Chief Human Resources Officer of DCP Midstream, LLC. In addition, we engaged the services of Mercer, a compensation consultant, to conduct a study to assist us in establishing overall compensation packages for the executives. Based on this review and discussion, the board of directors of the General Partner recommended that the "Compensation Discussion and Analysis" referred to above be included in this Annual Report on Form 10-K for the year ended December 31, 2019.

The information contained in this Board of Directors Report on Compensation shall not be deemed to be "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any filing with the SEC, or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that we specifically incorporate it by reference into a document filed under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act.

Board of Directors

Wouter T. van Kempen (Chairman)

Allen C. Capps

Fred J. Fowler

William F. Kimble

Mark Maki

Brian Mandell

Bill W. Waycaster

John Zuklic

The following tables and accompanying narrative disclosures provide information regarding compensation of our named executive officers, or NEOs, as of December 31, 2019.

Summary Compensation Table

The following table summarizes the compensation awarded to, earned by or paid to the named executive officers of our General Partner for the services they provided to our business:

Name and Principal Position	Year	Salary	LTI Awards (a)	Non-Equity Incentive Plan Compensation (b)	All Other Compensation (c)	Total
<i>Wouter T. van Kempen, Chairman of the Board, President and Chief Executive Officer</i>						
	2019	\$ 691,742	\$ 2,467,198	\$ 1,003,026	\$ 925,285	\$ 5,087,251
	2018	\$ 679,292	\$ 1,877,950	\$ 1,039,657	\$ 650,366	\$ 4,247,265
	2017	\$ 664,250	\$ 1,506,735	\$ 1,074,511	\$ 442,250	\$ 3,687,746
<i>Sean P. O'Brien, Group Vice President and Chief Financial Officer</i>						
	2019	\$ 453,846	\$ 1,034,276	\$ 493,558	\$ 463,715	\$ 2,445,395
	2018	\$ 428,117	\$ 875,653	\$ 540,568	\$ 306,141	\$ 2,150,479
	2017	\$ 398,550	\$ 662,999	\$ 451,295	\$ 204,895	\$ 1,717,739
<i>Brent L. Backes, Group Vice President and General Counsel</i>						
	2019	\$ 433,135	\$ 611,135	\$ 449,053	\$ 345,702	\$ 1,839,025
	2018	\$ 420,518	\$ 593,418	\$ 418,341	\$ 296,270	\$ 1,728,547
	2017	\$ 408,538	\$ 576,480	\$ 429,562	\$ 215,903	\$ 1,630,483
<i>Don A. Baldrige, President, Operations</i>						
	2019	\$ 399,975	\$ 706,663	\$ 434,973	\$ 377,289	\$ 1,918,900
	2018	\$ 386,338	\$ 682,430	\$ 487,815	\$ 245,738	\$ 1,802,321
	2017	\$ 373,438	\$ 469,399	\$ 392,655	\$ 175,427	\$ 1,410,919
<i>Brian S. Frederick, Former President, Operations (d)</i>						
	2019	\$ 402,220	\$ 703,602	\$ 437,414	\$ 913,653 (e)	\$ 2,456,889
	2018	\$ 399,065	\$ 704,141	\$ 366,461	\$ 251,846	\$ 1,721,513
	2017	\$ 387,673	\$ 489,116	\$ 407,623	\$ 172,112	\$ 1,456,524

(a) The amounts in this column reflect the grant date fair value of strategic performance units, or SPUs, and restricted phantom units, or RPU, granted under the LTIP, and are computed in accordance with the provisions of the FASB Accounting Standards Codification, or ASC, 718 "Compensation-Stock Compensation", or ASC 718. SPU awards are subject to performance conditions and the amounts shown are for target performance because target is the probable outcome. For SPUs granted in 2019, the performance conditions are between 0% if the minimum level of performance is not achieved to 200% if the maximum level of performance is achieved. The maximum value payable on the SPUs based on the 2019 grant date fair value, assuming the SPUs vested at the highest level of performance conditions, would be \$2,467,198 for Wouter T. van Kempen, \$1,034,276 for Sean P. O'Brien, \$611,135 for Brent L. Backes, \$706,663 for Don A. Baldrige, and \$703,602 for Brian S. Frederick.

(b) Includes amounts payable under the STI Plan, including any amounts voluntarily deferred into the nonqualified deferred compensation plan. These amounts are expected to be paid in March 2020.

(c) Includes DERs, Partnership contributions to the defined contribution plan and Partnership contributions to the nonqualified deferred compensation plan, as described in more detail below.

(d) Mr. Frederick departed effective December 31, 2019.

(e) Includes \$603,330 of severance and \$15,547 of unused vacation payments in connection with Mr. Frederick's departure effective December 31, 2019. In connection with his departure, Mr. Frederick also received vesting of outstanding RPU issued under the 2008 LTIP, that had been held by Mr. Frederick for at least one year, with a value of \$503,720, which amount is excluded from the "Summary Compensation Table" and shown in the "Stock Awards Vested" table.

All Other Compensation

“All Other Compensation” in the summary compensation table includes the following for 2019:

Name	Company contributions to defined contribution plans	Company contributions to nonqualified deferred compensation program	DERs	Severance payments	Total
Wouter T. van Kempen	\$ 30,800	\$ 407,085	\$ 487,400	\$ —	\$ 925,285
Sean P. O’Brien	\$ 30,800	\$ 219,430	\$ 213,485	\$ —	\$ 463,715
Brent L. Backes	\$ 33,600	\$ 170,322	\$ 141,780	\$ —	\$ 345,702
Don A. Baldrige	\$ 30,800	\$ 192,558	\$ 153,931	\$ —	\$ 377,289
Brian S. Frederick	\$ 36,400	\$ 135,968	\$ 122,408	\$ 618,877	(a) \$ 913,653

(a) Includes \$603,330 of severance and \$15,547 of unused vacation payments in connection with Mr. Frederick’s departure effective December 31, 2019.

Grants of Plan-Based Awards

Following are the grants of plan-based awards to the NEOs during the year ended December 31, 2019:

Name	Grant Date (b)	Estimated Future Payouts under Non-Equity Incentive Plan Awards (a)			Estimated Future Payouts under Equity Incentive Plan Awards			Grant Date Fair Value of LTIP Awards (\$)
		Minimum (\$)	Target (\$)	Maximum (\$)	Minimum (#)	Target (#)	Maximum (#)	
Wouter T. van Kempen	N/A	\$ —	\$ 691,742	\$ 1,383,485	—	—	—	\$ —
SPUs		\$ —	\$ —	\$ —	—	40,290	80,580	\$ 1,233,599
RPUs		\$ —	\$ —	\$ —	40,290	40,290	40,290	\$ 1,233,599
Sean P. O’Brien	N/A	\$ —	\$ 340,385	\$ 680,770	—	—	—	\$ —
SPUs		\$ —	\$ —	\$ —	—	16,890	33,780	\$ 517,138
RPUs		\$ —	\$ —	\$ —	16,890	16,890	16,890	\$ 517,138
Brent L. Backes	N/A	\$ —	\$ 281,538	\$ 563,076	—	—	—	\$ —
SPUs		\$ —	\$ —	\$ —	—	9,980	19,960	\$ 305,568
RPUs		\$ —	\$ —	\$ —	9,980	9,980	9,980	\$ 305,568
Don A. Baldrige	N/A	\$ —	\$ 299,981	\$ 599,963	—	—	—	\$ —
SPUs		\$ —	\$ —	\$ —	—	11,540	23,080	\$ 353,332
RPUs		\$ —	\$ —	\$ —	11,540	11,540	11,540	\$ 353,332
Brian S. Frederick	N/A	\$ —	\$ 301,665	\$ 603,330	—	—	—	\$ —
SPUs		\$ —	\$ —	\$ —	—	3,827	7,654	\$ 351,801
RPUs		\$ —	\$ —	\$ —	11,490	11,490	11,490	\$ 351,801

(a) Amounts shown represent amounts under the STI. If minimum levels of performance are not met, then the payout for one or more of the components of the STI may be zero.

(b) Grant Date is not applicable with respect to Non-Equity Incentive Plan Awards. The SPUs awarded on January 1, 2019 under the LTIP will vest in their entirety on December 31, 2021 if the specified performance conditions are satisfied or, if minimum levels of performance are not met, then the payout may be zero. The RPUs awarded on January 1, 2019 under the LTIP will vest in their entirety on December 31, 2021 if the NEO is still employed by DCP Services, or earlier in the case of death, disability, retirement or layoff.

(c) Units reflect contingently vested SPUs awarded in 2019, net of forfeiture of 7,663 units triggered by his departure effective December 31, 2019.

Outstanding Equity Awards at Fiscal Year-End

Following are the outstanding equity awards for the NEOs as of December 31, 2019:

Name	Outstanding LTIP Awards	
	Equity Incentive Plan Awards: Unearned Units That Have Not Vested (a)	Equity Incentive Plan Awards: Market Value of Unearned Units That Have Not Vested (b)
Wouter T. van Kempen	198,720	\$ 5,441,918
Sean P. O'Brien	86,970	\$ 2,386,297
Brent L. Backes	36,360	\$ 1,055,068
Don A. Baldrige	62,910	\$ 1,730,362
Brian S. Frederick (c)	20,616	\$ 609,649

(a) SPU's awarded in 2018 and 2019 vest in their entirety over a range of 0% to 200% on December 31, 2020 and 2021, respectively, if the specified performance conditions are satisfied. RPU's awarded in 2018 and 2019 vest in their entirety on December 31, 2020 and 2021, respectively, if still employed. To determine the outstanding awards, the calculation of the number of SPU's that are expected to vest is based on assumed performance of 200% as the previous fiscal year performance has exceeded target performance.

(b) Value calculated based on the closing price on the NYSE on December 31, 2019 of our common units of \$24.49. The disclosed value includes distribution equivalents earned but not vested as of December 31, 2019 with respect to SPU's awarded in 2018 and 2019. Distribution equivalents accrued in 2019 on outstanding SPU's are also reported within "All Other Compensation" in the Summary Compensation Table.

(c) Outstanding units reflect contingently vested SPU's awarded in 2018 and 2019, net of forfeiture of 10,912 units triggered by his departure effective December 31, 2019.

Stock Awards Vested

Following are the stock awards vested for the NEOs for the year ended December 31, 2019:

Name	Stock Awards	
	Number of Units Acquired on Vesting	Value Realized on Vesting (a)
Wouter T. van Kempen	28,090	\$ 2,118,908
Sean P. O'Brien	12,359	\$ 931,849
Brent L. Backes (b)	15,658	\$ 713,142
Don A. Baldrige	8,756	\$ 661,035
Brian S. Frederick (c)	30,336	\$ 1,190,731

(a) Value calculated based on the average closing prices on the NYSE for the last 20 trading days in 2019 of our common units of \$23.74, Enbridge's common stock of \$38.92, and Phillips 66's common stock of \$112.55. The disclosed value includes distribution equivalents accrued as of December 31, 2019 with respect to SPU's awarded in 2017 and distribution equivalents paid in 2019 on RPU's awarded in 2017, 2018 and 2019. The distribution equivalents attributable to 2019 for such SPU's, and the distribution equivalents attributable to all of such RPU's, are also reported within "All Other Compensation" in the Summary Compensation Table.

(b) Includes 9,980 units that vested on December 31, 2019 due to his retirement eligibility, the value of which is based on the closing price on the NYSE on December 31, 2019 of our common units of \$24.49.

(c) Includes 21,220 units that vested on December 31, 2019 due to his departure, the value of which is based on the average closing price on the NYSE for the last 20 trading days in 2019 of our common units of \$23.74.

Nonqualified Deferred Compensation

Following is the nonqualified deferred compensation for the NEOs for the year ended December 31, 2019:

Name	Executive Contributions in Last Fiscal Year (a)	Registrant Contributions in Last Fiscal Year (b)	Aggregate Earnings in Last Fiscal Year (c)	Aggregate Withdrawal/ Distributions	Aggregate Balance at December 31, 2019 (d)
Wouter T. van Kempen	\$ 279,158	\$ 407,085	\$ 176,768	\$ —	\$ 3,467,264
Sean P. O'Brien	\$ 249,899	\$ 219,430	\$ 47,903	\$ (250,145)	\$ 974,912
Brent L. Backes	\$ 77,964	\$ 170,322	\$ 174,959	\$ (88,160)	\$ 3,423,430
Don A. Baldrige	\$ 138,922	\$ 192,558	\$ 90,911	\$ —	\$ 1,589,247
Brian S. Frederick	\$ 52,289	\$ 135,968	\$ 404,757	\$ —	\$ 2,916,450

(a) These amounts are included in the Summary Compensation Table for the year 2019 as follows: \$77,964 for Mr. Backes and \$52,289 for Mr. Frederick.

(b) These amounts are included in the Summary Compensation Table for the year 2019.

(c) At the election of each executive officer, the performance of non-qualified deferred compensation is linked to certain mutual funds or to the US High Yield BB rated Bond Index specific to the Energy sector.

(d) Includes amounts previously reported in the Summary Compensation Table for prior years.

Potential Payments upon Termination or Change in Control

The General Partner has not entered into any employment agreements with any of our executive officers. The NEOs participate in executive severance arrangements maintained by DCP Services, LLC in the event of termination of employment that is involuntary or not for cause. Mr. Backes is retirement eligible and any voluntary termination would be treated as a retirement.

As noted above, the SPUs, RPU and the related dividend equivalent rights, or DERs, will become payable to executive officers under certain circumstances related to termination. When an employee terminates employment, they are entitled to a cash payment for the amount of unused vacation hours at the date of their termination. Retirement eligible employees who provide at least 30 days' notice of retirement are entitled to a cash payment for the amount of earned but unused vacation hours plus unearned vacation hours for the year of retirement.

In the event of a change in control, the disposition of SPUs, RPU and the related DERs will be determined by the board of directors of DCP Midstream, LLC. There are no formal plans for severance in the event of a change in control.

The following table presents payments in the event of retirement, death, or disability, as may be applicable, as of the last business day of 2019:

	2019 STI	2017 LTI	Accelerated LTIP	Total
Wouter T. van Kempen	\$ 1,003,026	\$ 1,877,304	\$ 2,450,925	\$ 5,331,255
Sean P. O'Brien	\$ 493,558	\$ 826,028	\$ 1,080,834	\$ 2,400,420
Brent L. Backes (a)	\$ 449,053	\$ 718,188	\$ 684,573	\$ 1,851,814
Don A. Baldrige	\$ 434,973	\$ 584,723	\$ 789,292	\$ 1,808,988
Brian S. Frederick (b)	\$ 437,414	\$ 609,465	\$ 800,793	\$ 1,847,672

(a) Mr. Backes is retirement eligible.

(b) Amounts reflect actual payments made and/or payable in connection with Mr. Frederick's departure effective December 31, 2019.

The following table presents payments in the event of termination for reasons other than cause as of the last business day of 2019:

	Severance	Other	Total
Wouter T. van Kempen	\$ 1,042,500	\$ —	\$ 1,042,500
Sean P. O'Brien	\$ 459,740	\$ —	\$ 459,740
Brent L. Backes	\$ 436,560	\$ —	\$ 436,560
Don A. Baldrige	\$ 403,650	\$ —	\$ 403,650
Brian S. Frederick (a)	\$ 603,330	\$ 25,000 (b)	\$ 628,330

(a) Amounts reflect actual payments made and/or payable in connection with Mr. Frederick's departure effective December 31, 2019.

(b) Mr. Frederick is eligible to receive up to \$25,000 as reimbursement for executive level outplacement assistance and tuition for courses on corporate boards.

CEO Pay Ratio

We are providing the following information about the relationship of the annual total compensation of our employees and the annual total compensation of Wouter T. van Kempen, the Chairman of the Board, President, and CEO of our General Partner:

For 2019, our last completed fiscal year, the median of the annual total compensation of all employees of our company (other than our CEO) was \$122,270 and the annual total compensation of our CEO, as reported in the Summary Compensation Table above, was \$5,087,251. Based on this information, for 2019, Mr. van Kempen's total annual compensation was 42 times that of the median of the annual total compensation of all employees.

To identify the median of the annual total compensation of all our employees (other than our CEO), as well as to determine the annual total compensation of our median employee and our CEO, we took the following steps:

- We determined that, as of December 31, 2019, our employee population consisted of approximately 2,250 individuals with all of these individuals located in the United States (as reported in Item 1, Business, in this Annual Report on Form 10-K). This population consisted of our full-time, part-time, and temporary employees.
- To identify the "median employee" from our employee population, we compared the 2019 earnings eligible in the short-term incentive plan plus the short-term incentive earned in 2018 that was paid in 2019 as reflected in our payroll records for 2019. We identified our median employee using this compensation measure, which was consistently applied to all our employees included in the calculation. Since all our employees are located in the United States, as is our CEO, we did not make any cost-of-living adjustments in identifying the "median employee."
- With respect to calculating the total annual compensation disclosed above for the median employee, we combined all of the elements of such employee's total compensation for 2019.
- Once we identified our median employee, we combined all of the elements of such employee's total compensation for 2019.

- With respect to the annual total compensation of our CEO, we used the amount reported in the “Total” column of our 2019 Summary Compensation Table above.

The pay ratio disclosed above is a reasonable estimate calculated in accordance with SEC rules, based on our records and the methodologies described above. The SEC rules for identifying the median compensated employee and calculating the pay ratio allow companies to use a variety of methodologies and apply various assumptions. The application of various methodologies may result in significant differences in the results reported by other SEC reporting companies. As a result the pay ratio reported by other SEC reporting companies may differ substantially from, and may not be comparable to, the pay ratio we disclose above.

Director Compensation

General - Members of the board of directors who are officers or employees of the General Partner or its affiliates do not receive compensation for serving as directors.

For 2019, the board approved an annual compensation package for non-employee directors, consisting of an annual \$90,000 cash retainer and an annual grant of common units that approximate \$100,000 of value on the date of grant. Chairpersons of committees of the board received an additional annual cash retainer of \$20,000. All cash retainers were paid on a quarterly basis in arrears. Directors did not receive additional fees for attending meetings of the board or its committees. The directors were reimbursed for out-of-pocket expenses associated with their membership on the board of directors.

Unit Ownership Guidelines - In order to further align the interests of our non-employee directors with the interests of our unitholders, we have adopted guidelines that our non-employee directors beneficially own common units having a value of at least a 3x multiple of the annual cash retainer. Non-employee directors are expected to reach this guideline within five years of becoming a director and to maintain such minimum ownership level during the tenure of the directorship.

The following table sets forth the compensation earned by the General Partner’s non-employee directors for the year ended December 31, 2019:

Name	Fees Earned or Paid in Cash	Unit Awards (a)	Total
Fred J. Fowler	\$ 90,000	\$ 99,540	\$ 189,540
William F. Kimble (b)	\$ 110,000	\$ 99,540	\$ 209,540
Bill W. Waycaster (c)	\$ 110,000	\$ 99,540	\$ 209,540

(a) The amounts in this column reflect the grant date fair value of common unit awards computed in accordance with ASC 718.

(b) Mr. Kimble earned an additional \$20,000 in fees as the audit committee chair.

(c) Mr. Waycaster earned an additional \$20,000 in fees as the special committee chair.

Each director is entitled to be fully indemnified by us for his actions associated with being a director to the fullest extent permitted under Delaware law.

Compensation Committee Interlocks and Insider Participation

As discussed above, our General Partner's board of directors does not maintain a compensation committee. In 2019, the compensation committee of the board of directors of DCP Midstream, LLC, the owner of our General Partner, determined all elements of compensation for our NEOs. Only Mr. van Kempen was a director and a NEO of our General Partner. Further Mr. van Kempen is a non-voting member of the board of directors of DCP Midstream, LLC; however, he is not a member of the compensation committee thereof, nor did he participate in deliberations of such board with regard to his own compensation. During 2019, none of our NEOs served as a director or member of a compensation committee of another entity that has or has had an executive officer who served as a member of our board of directors, the board of directors of DCP Midstream, LLC, or the compensation committee of the board of directors of DCP Midstream, LLC.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Unitholder Matters

The following table sets forth the beneficial ownership of our common units and Preferred Units for:

- each person known by us to be the beneficial owner of more than 5% of our common units;
- each director of DCP Midstream GP, LLC;
- each NEO of DCP Midstream GP, LLC; and
- all directors and executive officers of DCP Midstream GP, LLC as a group.

The percentage of total common units beneficially owned is based on 208,329,928 outstanding common units and the percentage of Series A Preferred Units beneficially owned is based on 500,000 outstanding Series A Preferred Units as of February 14, 2020. None of the named beneficial owners set forth in the table below owns any of the 6,450,000 outstanding Series B Preferred Units or any of the 4,400,000 outstanding Series C Preferred Units as of February 14, 2020.

Name of Beneficial Owner (a)	Common Units Beneficially Owned	Percentage of Common Units Beneficially Owned	Series A Preferred Units Beneficially Owned	Percentage of Series A Preferred Units Beneficially Owned
DCP Midstream, LLC (b)	117,762,526	56.5%	—	—
DCP Midstream GP, LP (c)	66,887,618	32.1%	—	—
ALPS Advisors, Inc. (d)	10,776,659	5.2%	—	—
Wouter T. van Kempen	2,540	*	750	*
Sean P. O'Brien	—	—	—	—
Brent L. Backes	10,406	*	150	*
Don Baldrige	10,689	*	50	*
Corey Walker	—	*	—	—
Allen C. Capps	—	—	—	—
Fred J. Fowler	37,000	*	—	—
William F. Kimble	12,900	*	—	—
Mark Maki	—	—	—	—
Brian Mandell	—	—	—	—
Bill W. Waycaster	12,900	*	—	—
John Zuklic	—	—	—	—
All directors and executive officers as a group (12 persons)	86,435	*	950	*

* Less than 1%.

- (a) Unless otherwise indicated, the address for all beneficial owners in this table is 370 17th Street, Suite 2500, Denver, Colorado 80202.
- (b) Includes 50,874,908 common units directly held by DCP Midstream, LLC and 66,887,618 common units directly held by DCP Midstream GP, LP. DCP Midstream, LLC is the sole member of DCP Midstream GP, LLC, which is the general partner of DCP Midstream GP, LP, and therefore may be deemed to indirectly beneficially own such securities, but disclaims beneficial ownership except to the extent of its pecuniary interest therein.
- (c) DCP Midstream GP, LLC is the general partner of DCP Midstream GP, LP and therefore may be deemed to indirectly beneficially own such securities, but disclaims beneficial ownership except to the extent of its pecuniary interest therein.
- (d) As reported on Schedule 13G/A filed with the SEC on February 7, 2020 by ALPS Advisors, Inc. and Alerian MLP ETF each with an address of 1290 Broadway, Suite 1000, Denver, Colorado 80203. The Schedule 13G/A reports that ALPS Advisors, Inc. (“AAI”), an investment adviser registered under the Investment Advisers Act of 1940, as amended, furnishes investment advice to investment companies registered under the Investment Company Act of 1940, as amended (collectively referred to as the “Funds”). In its role as investment advisor, AAI has voting and/or investment power over the registrant's common units that are owned by the Funds, and may be deemed to be the beneficial owner of such common units held by the Funds. Alerian MLP ETF is an investment company registered under the Investment Company Act of 1940 and is one of the Funds to which AAI provides investment advice. Alerian MLP ETF has shared voting and investment power over 10,776,659 common units. The common units reported herein are owned by the Funds and AAI

disclaims beneficial ownership of such common units.

Equity Compensation Plan Information

The following table sets forth information about our equity compensation plans as of December 31, 2019.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by unitholders (1)	—	\$ —	865,500
Equity compensation plans not approved by unitholders	—	—	—
Total	—	\$ —	865,500

1. This information relates to our 2016 LTIP, which was approved by unitholders at a special meeting on April 28, 2016. For more information on our 2016 LTIP, refer to Note 17. "Equity-Based Compensation" in the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data."

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

Distributions and Payments to our General Partner and its Affiliates

The following table summarizes the distributions and payments to be made by us to our General Partner and its affiliates in connection with our formation, ongoing operation, and liquidation. These distributions and payments are determined by and among affiliated entities and, consequently, are not the result of arm's-length negotiations.

Operational Stage:	
Distributions of Available Cash to our General Partner and its affiliates	We will generally make cash distributions to the unitholders, which includes our general partner and its affiliates, in accordance with their pro rata interest.
Payments to our General Partner and its affiliates	For further information regarding payments to our General Partner, please see the "Services Agreement" section below.
Withdrawal or removal of our General Partner	If our General Partner withdraws or is removed, its general partner interest will be sold to the new general partner in exchange for cash in amount equal to the fair market value of such interest.
Liquidation Stage:	
Liquidation	Upon our liquidation, the partners, including our General Partner, will be entitled to receive liquidating distributions according to their respective capital account balances.

Services Agreement

Under the Service Agreement, we are required to reimburse DCP Midstream, LLC for costs, expenses, and expenditures incurred or payments made on our behalf for general and administrative functions including, but not limited to, legal, accounting, compliance, treasury, insurance administration and claims processing, risk management, health, safety and environmental, information technology, human resources, benefit plan maintenance and administration, credit, payroll, internal audit, taxes and engineering, as well as salaries and benefits of seconded employees, insurance coverage and claims, capital expenditures, maintenance and repair costs and taxes. There is no limit on the reimbursements we make to DCP Midstream, LLC under the Services Agreement for costs, expenses and expenditures incurred or payments made on our behalf.

Our General Partner and its affiliates will also receive payments from us pursuant to the contractual arrangements described below under the caption "Contracts with Affiliates."

The Services Agreement, other than the indemnification provisions, will be terminable by DCP Midstream, LLC at its option if our general partner is removed without cause and units held by our general partner and its affiliates are not voted in favor of that removal. The Services Agreement will also terminate in the event of a change of control of us, our General Partner or DCP Midstream, LLC.

Competition

None of DCP Midstream, LLC, or any of its affiliates, including Phillips 66 and Enbridge, is restricted, under either the Partnership Agreement or the Services Agreement, from competing with us. DCP Midstream, LLC and any of its affiliates, including Phillips 66 and Enbridge, may acquire, construct or dispose of additional midstream energy or other assets in the future without any obligation to offer us the opportunity to purchase or construct those assets.

Contracts with Affiliates

We sell a portion of our residue gas and NGLs to and purchase NGLs from Phillips 66 and its respective affiliates. We anticipate continuing to purchase and sell these commodities to Phillips 66 and its respective affiliates in the ordinary course of business.

We purchase NGLs from Enbridge and its affiliates. We anticipate continuing to purchase commodities from Enbridge and its affiliates in the ordinary course of business.

Unconsolidated Affiliates

Under the terms of their respective operating agreements, Sand Hills and Southern Hills are required to reimburse us for any direct costs or expenses (other than general and administration services) which we incur on behalf of Sand Hills and Southern Hills. Additionally, Sand Hills and Southern Hills each pay us an annual service fee of \$5 million, for centralized corporate functions provided by us as operator of Sand Hills and Southern Hills, including legal, accounting, cash management,

insurance administration and claims processing, risk management, health, safety and environmental, information technology, human resources, credit, payroll, taxes and engineering. Except with respect to the annual service fee, there is no limit on the reimbursements Sand Hills and Southern Hills make to us under the respective operating agreements for other expenses and expenditures which we incur on behalf of Sand Hills or Southern Hills.

Transportation Arrangements

The Texas Express, Front Range, Sand Hills, Southern Hills and Gulf Coast Express pipelines have in place 10 to 15-year transportation agreements with us pursuant to which we have committed to transport minimum throughput volumes at rates defined in each respective pipeline's tariffs.

Review, Approval or Ratification of Transactions with Related Persons

Our Partnership Agreement contains specific provisions that address potential conflicts of interest between the owner of our general partner and its affiliates, including DCP Midstream, LLC on one hand, and us and our subsidiaries, on the other hand. Whenever such a conflict of interest arises, our general partner will resolve the conflict. Our general partner may, but is not required to, seek the approval of such resolution from the special committee of the board of directors of our general partner, which committee is comprised of independent directors and acts as our conflicts committee. The Partnership Agreement provides that our general partner will not be in breach of its obligations under the Partnership Agreement or its duties to us or to our unitholders if the resolution of the conflict is:

- approved by the conflicts committee;
- approved by the vote of a majority of the outstanding common units, excluding any common units owned by our general partner or any of its affiliates;
- on terms no less favorable to us than those generally being provided to or available from unrelated third parties; or
- fair and reasonable to us, taking into account the totality of the relationships between the parties involved, including other transactions that may be particularly favorable or advantageous to us.

If our general partner does not seek approval from the special committee and the board of directors of our general partner determines that the resolution or course of action taken with respect to the conflict of interest satisfies either of the standards set forth in the third and fourth bullet points above, then it will be presumed that, in making its decision, the board of directors acted in good faith, and in any proceeding brought by or on behalf of any limited partner or the Partnership, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption. Unless the resolution of a conflict is specifically provided for in our Partnership Agreement, our general partner or the conflicts committee may consider any factors it determines in good faith to consider when resolving a conflict. When our Partnership Agreement requires someone to act in good faith, it requires that person to reasonably believe that he is acting in the best interests of the Partnership, unless the context otherwise requires.

In addition, our code of business ethics requires that all employees, including employees of affiliates of DCP Midstream, LLC who perform services for us and our general partner, avoid or disclose any activity that may interfere, or have the appearance of interfering, with their responsibilities to us.

Director Independence

Please see Item 10. "Directors, Executive Officers and Corporate Governance" in this Annual Report on Form 10-K for information about the independence of our general partner's board of directors and its committees.

Item 14. Principal Accountant Fees and Services

The following table presents fees for professional services rendered by Deloitte & Touche LLP, or Deloitte, our principal accountant, for the audit of our financial statements, and the fees billed for other services rendered by Deloitte:

Type of Fees	Year Ended December 31,	
	2019	2018
	(millions)	
Audit fees (a)	\$ 3	\$ 3
Audit-related and tax fees (b)(c)	\$ 1	\$ —

- (a) Audit Fees are fees billed by Deloitte for professional services for the audit of our consolidated financial statements included in our annual report on Form 10-K and review of financial statements included in our quarterly reports on Form 10-Q, services that are normally provided by Deloitte in connection with statutory and regulatory filings.
- (b) Audit-related fees include assurance and related services performed by Deloitte to comply with generally accepted auditing standards and including comfort and consent letters in connection with SEC filings and financing transactions.
- (c) Deloitte Tax has been engaged to review the Federal tax return of the Partnership and prepare and process the K-1 schedules for unitholders for a total fixed fee of \$415,000 and \$275,000 for the years ended December 31, 2019 and 2018, respectively. Prior to this engagement Deloitte had not provided any services to us over the last two fiscal years related to tax compliance, tax services and tax planning.

Audit Committee Pre-Approval Policy

The audit committee pre-approves all audit and permissible non-audit services provided by the independent auditors on a case-by-case basis. These services may include audit services, audit-related services, tax services and other services. The audit committee has pre-approved audit related services that do not impair the independence of the independent auditors for up to \$50,000 per engagement, and up to an aggregate of \$100,000 annually, provided the audit committee is notified of such audit-related services in a timely manner. The audit committee may, however, from time to time delegate its authority to any audit committee member, who will report on the independent auditor services that were approved at the next audit committee meeting.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Financial Statement Schedules

Consolidated Financial Statements and Financial Statement Schedules included in this Item 15:

Consolidated Financial Statements of Discovery Producer Services LLC

Consolidated Financial Statements of DCP Sand Hills Pipeline, LLC

Consolidated Financial Statements of DCP Southern Hills Pipeline, LLC

FINANCIAL STATEMENTS

Discovery Producer Services LLC

Years Ended December 31, 2019, 2018 and 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members and Management Committee of
Discovery Producer Services LLC

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Discovery Producer Services LLC (the “Company”) as of December 31, 2019 and 2018, the related consolidated statements of operations and comprehensive income, members’ capital and cash flows for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

Adoption of New Accounting Standard

As discussed in Note 2 to the consolidated financial statements, the Company changed its method for accounting for revenue effective January 1, 2018.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2002
Tulsa, Oklahoma
February 14, 2020

**DISCOVERY PRODUCER SERVICES LLC
CONSOLIDATED BALANCE SHEETS**

	December 31,	
	2019	2018
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 13,864	\$ 18,187
Trade accounts receivable:		
Affiliate	11,943	11,142
Other	4,557	6,674
Prepaid insurance	2,908	2,607
Inventory	3,577	3,509
Total current assets	36,849	42,119
Property, plant and equipment, net	1,012,525	1,079,375
Right of use asset	3,353	—
Intangible assets, net	11,504	13,564
Total assets	<u>\$ 1,064,231</u>	<u>\$ 1,135,058</u>
LIABILITIES AND MEMBERS' CAPITAL		
Current liabilities:		
Accounts payable:		
Affiliate	\$ 224	\$ 344
Other	13,126	17,595
Asset retirement obligations	—	505
Deferred revenue	14,070	17,968
Operating leases liabilities	207	—
Other current liabilities	216	224
Total current liabilities	27,843	36,636
Non Current liabilities		
Asset retirement obligations	128,123	136,684
Deferred revenue	66,771	61,559
Customer deposits	1,533	2,795
Operating leases liabilities	3,145	—
Commitments and contingent liabilities (Note 7)		
Members' capital		
Members' capital accounts	835,550	896,055
Other comprehensive income	1,266	1,329
Total members' capital	836,816	897,384
Total liabilities and members' capital	<u>\$ 1,064,231</u>	<u>\$ 1,135,058</u>

See accompanying notes to the financial statements.

DISCOVERY PRODUCER SERVICES LLC
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

	Year Ended December 31,		
	2019	2018	2017
	(In thousands)		
Revenues:			
Product sales:			
Affiliate	\$ 40,814	\$ 46,699	\$ 165,525
Third-party	4,535	3,871	93
Transportation services			
Affiliate	14	—	—
Third-party	30,067	22,675	46,395
Gathering and processing services:			
Affiliate	1,834	1,005	687
Third-party	60,800	69,504	191,351
Commodity consideration	37,598	44,497	—
Other revenues	7,346	9,606	8,793
Total revenues	183,008	197,857	412,844
Costs and expenses:			
Product cost			
Affiliate	—	—	8,750
Third-party	42,486	47,819	126,610
Processing commodity expense:			
Affiliate	8,655	9,151	—
Third-party	10,068	6,894	—
Operating and maintenance expenses:			
Affiliate	9,284	9,610	9,510
Third-party	27,424	28,692	28,719
Depreciation, amortization and accretion	67,063	71,080	93,110
Taxes other than income	2,895	2,932	2,913
General and administrative expenses- affiliate	7,937	7,639	7,454
Other (income) expense, net	(1,482)	(24)	(6,553)
Total costs and expenses	174,330	183,793	270,513
Operating income	8,678	14,064	142,331
Interest income (expense)	(883)	(638)	177
Net income	7,795	13,426	142,508
Net loss from derivative instruments, including amounts reclassified into earnings	(63)	(64)	(63)
Comprehensive income	\$ 7,732	\$ 13,362	\$ 142,445

See accompanying notes to the financial statements.

**DISCOVERY PRODUCER SERVICES LLC
CONSOLIDATED STATEMENT OF MEMBERS' CAPITAL**

	Williams Field Services Group, LLC	DCP Assets Holding, LP	Accumulated Other Comprehensive Income	Total
(In thousands)				
Balance December 31, 2016	\$ 610,362	\$ 405,880	\$ 1,456	\$ 1,017,698
Contributions	834	556	—	1,390
Distributions	(127,266)	(84,844)	—	(212,110)
Net income	85,504	57,004	—	142,508
Other comprehensive loss	—	—	(63)	(63)
Balance December 31, 2017	<u>\$ 569,434</u>	<u>\$ 378,596</u>	<u>\$ 1,393</u>	<u>\$ 949,423</u>
Contributions	5,454	3,636	—	9,090
Distributions	(45,420)	(30,280)	—	(75,700)
Net income	8,056	5,370	—	13,426
Cumulative effect adjustments - Adoption of ASU 606	725	484	—	1,209
Other comprehensive loss	—	—	(64)	(64)
Balance December 31, 2018	<u>\$ 538,249</u>	<u>\$ 357,806</u>	<u>\$ 1,329</u>	<u>\$ 897,384</u>
Contributions	300	200	—	500
Distributions	(41,280)	(27,520)	—	(68,800)
Net income	4,677	3,118	—	7,795
Other comprehensive loss	—	—	(63)	(63)
Balance December 31, 2019	<u><u>\$ 501,946</u></u>	<u><u>\$ 333,604</u></u>	<u><u>\$ 1,266</u></u>	<u><u>\$ 836,816</u></u>

See accompanying notes to financial statements.

DISCOVERY PRODUCER SERVICES LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2019	2018	2017
	(In thousands)		
OPERATING ACTIVITIES:			
Net income	\$ 7,795	\$ 13,426	\$ 142,508
Adjustments to reconcile cash provided by operations:			
Depreciation, amortization, and accretion	67,063	71,080	93,110
Loss on retirement of equipment	—	—	—
Other non-cash item	(1,485)	800	(6,556)
Cash provided (used) by changes in assets and liabilities:			
Trade accounts receivable	1,313	(567)	25,726
Prepaid insurance	(300)	280	37
Inventory	(68)	(126)	(199)
Accounts payable	(4,978)	1,504	6,221
Asset retirement obligation	(196)	(4,724)	(679)
Customer deposits	(1,250)	(696)	147
Other current liabilities	(20)	14	(50)
Deferred revenue	1,314	(11,443)	(30,452)
Net cash provided by operating activities	69,188	69,548	229,813
INVESTING ACTIVITIES:			
Property, plant and equipment - capital expenditures *	(5,211)	(7,578)	(7,390)
Net cash used by investing activities	(5,211)	(7,578)	(7,390)
FINANCING ACTIVITIES:			
Distributions to members	(68,800)	(75,700)	(212,110)
Capital contributions	500	9,090	1,390
Net cash used by financing activities	(68,300)	(66,610)	(210,720)
Increase (decrease) in cash and cash equivalents	(4,323)	(4,640)	11,703
Cash and cash equivalents beginning of period	18,187	22,827	11,124
Cash and cash equivalents end of period	\$ 13,864	\$ 18,187	\$ 22,827
Supplemental Disclosures			
Non cash additions (retirements) to PP&E	\$ —	\$ —	\$ 5,300
* Increase to property, plant and equipment	\$ (5,600)	\$ (6,302)	\$ (8,300)
Changes in related accounts payable - affiliate, accounts payable, and construction retainage payable	389	(1,276)	910
Capital expenditures	\$ (5,211)	\$ (7,578)	\$ (7,390)

See accompanying notes to financial statements.

DISCOVERY PRODUCER SERVICES LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization and Description of Business

Unless the context clearly indicates otherwise, references in this report to “we”, “our”, “us” or similar language refers to Discovery Producer Services LLC and its wholly-owned subsidiary, Discovery Gas Transmission LLC (DGT). We are a Delaware limited liability company formed on June 24, 1996 for the purpose of constructing and operating a cryogenic natural gas processing plant near Larose, Louisiana and a natural gas liquids fractionator near Paradis, Louisiana. DGT is a Delaware Limited Liability Company formed on June 24, 1996 for the purpose of constructing and operating an offshore natural gas deep water pipeline in the Gulf of Mexico which connects to our gas processing plant in Larose, Louisiana. We have since connected several laterals to the DGT pipeline to expand our presence in the Gulf of Mexico.

We are owned 60% by Williams Field Services Group, LLC (WFS) (a wholly-owned subsidiary of The Williams Companies, Inc. (WMB)) and 40% by DCP Assets Holding, LP (a wholly-owned subsidiary of DCP Midstream Partners, LP (DCP)). WFS is our operator. Herein, The Williams Companies, Inc., and WFS are collectively referred to as “Williams.” Williams and DCP are collectively referred to as “members”.

We evaluated our disclosure of subsequent events through February 14, 2020, the date our financial statements were issued.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation. The consolidated financial statements have been prepared based upon accounting principles generally accepted in the United States and include the accounts of the parent and our wholly-owned subsidiary, DGT. Intercompany accounts and transactions have been eliminated.

Accounting standards issued and adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02 “Leases (Topic 842)” (ASU 2016-02). ASU 2016-02 establishes a comprehensive new lease accounting model. ASU 2016-02 modifies the definition of a lease, requires a dual approach to lease classification similar to prior lease accounting, and causes lessees to recognize operating leases on the balance sheet as a lease liability measured as the present value of the future lease payments with a corresponding right-of-use asset, with an exception for leases with a term of one year or less. Additional disclosures are required regarding the amount, timing, and uncertainty of cash flows arising from leases. In January 2018, the FASB issued ASU 2018-01 “Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842” (ASU 2018-01). Per ASU 2018-01, land easements and rights-of-way are required to be assessed under ASU 2016-02 to determine whether the arrangements are or contain a lease. ASU 2018-01 permits an entity to elect a transition practical expedient to not apply ASU 2016-02 to land easements that exist or expired before the effective date of ASU 2016-02 and that were not previously assessed under the previous lease guidance in Accounting Standards Codification (ASC) Topic 840 “Leases.”

In July 2018, the FASB issued ASU 2018-11 “Leases (Topic 842): Targeted Improvements” (ASU 2018-11). Prior to ASU 2018-11, a modified retrospective transition was required for financing or operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements. ASU 2018-11 allows entities an additional transition method to the existing requirements whereby an entity could adopt the provisions of ASU 2016-02 by recognizing a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption without adjustment to the financial statements for periods prior to adoption. ASU 2018-11 also allows a practical expedient that permits lessors to not separate non-lease components from the associated lease component if certain conditions are present. ASU 2016-02 is effective for interim and annual periods beginning after December 15, 2018. We prospectively adopted ASU 2016-02 effective January 1, 2019, and did not adjust prior periods as permitted by ASU 2018-11 (see Note 3 – Leases).

We completed our review of contracts to identify leases based on the modified definition of a lease and implemented changes to our internal controls to support management in the accounting for and disclosure of leasing activities upon adoption of ASU 2016-02. We implemented a financial lease accounting system to assist management in the accounting for leases upon adoption. The most significant changes to our financial statements as a result of adopting ASU 2016-02 relate to the recognition of a \$3.8 million lease liability and offsetting right-of-use asset in our Consolidated Balance Sheet for operating leases. We also evaluated ASU 2016-02’s available practical expedients on adoption and have generally elected to adopt certain practical

expedients, which includes the practical expedient to not separate lease and nonlease components by both lessees and lessors by class of underlying assets and the land easements practical expedient.

Accounting standards issued but not yet adopted

In June 2016, the FASB issued ASU 2016-13 “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (ASU 2016-13). ASU 2016-13 changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans, and other instruments, entities will be required to use a new forward-looking “expected loss” model that generally will result in the earlier recognition of allowances for losses. The guidance also requires increased disclosures. ASU 2016-13 is effective for us for interim and annual periods beginning after December 15, 2019. We are adopting ASU 2016-13 effective January 1, 2020. We anticipate that ASU 2016-13 will primarily apply to our trade receivables. While we do not expect a significant financial impact, we have analyzed our historical credit loss experience and continue to develop and implement processes, procedures, and internal controls in order to make the necessary credit loss assessments and required disclosures upon adoption.

Use of Estimates. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Significant estimates and assumptions include:

- Asset retirement obligations
- Depreciable asset lives
- Revenue recognition, including estimates utilized in recognition of deferred revenue

Cash and Cash Equivalents. The cash and cash equivalents balance include cash equivalents which are invested in funds with high-quality, short-term securities and instruments that are issued or guaranteed by the U.S. government. These securities have maturities of three months or less when acquired.

Trade Accounts Receivable. Trade accounts receivable are carried on a gross basis, with no discounting, less an allowance for doubtful accounts. We do not recognize an allowance for doubtful accounts at the time the revenue that generates the accounts receivable is recognized. We estimate the allowance for doubtful accounts based on existing economic conditions, the financial condition of the customers and the amount and age of past due accounts. Receivables are considered past due if full payment is not received by the contractual due date. Past due accounts are generally written off against the allowance for doubtful accounts only after all collection attempts have been exhausted. There is no allowance for doubtful accounts as of December 31, 2019 and 2018.

Prepaid Insurance. Prepaid insurance represents the unamortized balance of insurance premiums. These payments are amortized on a straight-line basis over the policy term.

Gas Imbalances. In the course of providing transportation services to customers, we may receive different quantities of gas from shippers than the quantities delivered on behalf of those shippers. This results in gas transportation imbalance receivables and payables. The imbalance is recovered or repaid in cash, based on market-based prices, or through the receipt or delivery of gas in the future. Imbalance receivables are valued based on the lower of the current market prices; or the weighted average cost of natural gas in the system. Imbalance payables are valued at current market prices. Settlement of imbalances requires an agreement between the pipelines and shippers as to the allocations of volumes to specific transportation contracts, and the timing of delivery of gas based on operational conditions. Pursuant to a settlement with our shippers issued by the Federal Energy Regulatory Commission (FERC) on February 5, 2008, if a cash-out refund is due and payable to a shipper during any year pursuant to our FERC Gas Tariff, the shipper will be deemed to have immediately assigned its right to the refund amount to us.

Inventory. Inventories primarily consist of materials and supplies, with a minor amount related to natural gas liquids. Inventories are stated at the lower of cost or net realized value.

Property, Plant and Equipment. Property, plant and equipment is recorded at cost. We base the carrying value of these assets on estimates, assumptions and judgments relative to capitalized costs, useful lives and salvage values. The natural gas and natural gas liquids maintained in the pipeline facilities necessary for their operation (line fill) are included in property, plant and equipment. Depreciation of property, plant and equipment is provided on a straight-line basis over the estimated useful lives of 25 to 35 years. Expenditures for maintenance and repairs are expensed as incurred. Expenditures that extend the useful lives of the assets or increase their functionality are capitalized. The cost of property, plant and equipment sold or retired and

the related accumulated depreciation is removed from the accounts in the period of sale or disposition. Gains and losses on the disposal of property, plant and equipment are recorded in operating income.

We record an asset and a liability equal to the present value of each expected future asset retirement obligation (ARO). Measurements of AROs include, as a component of future expected costs, an estimate of the price that a third party would demand, and coup expect to receive, for bearing the uncertainties inherent in the obligations, sometimes referred to as market-risk premium. The ARO asset increases the carrying value of the underlying physical asset and is depreciated with the underlying physical asset. We measure changes in the liability due to passage of time by applying an interest method of allocation. This amount is recognized as an increase in the carrying amount of the liability and as corresponding accretion expense included in operating income.

Intangible Assets. Our intangible assets are primarily related to amounts we paid to another party to allow us to access and serve product being shipped on their pipeline. Our intangible assets are amortized on a straight-line basis over the period in which these assets contribute to our cash flows. We evaluate these assets for changes in the expected remaining useful lives and would reflect any changes prospectively through amortization over the revised remaining useful life.

Impairment of Long-Lived Assets. We evaluate long-lived assets for impairment when events or changes in circumstances indicate that, in our management's judgment, the carrying value of such assets may not be recoverable. When such a determination has been made, we compare our estimate of undiscounted future cash flows attributable to the assets to the carrying value of the assets to determine whether the carrying value is recoverable. If the carrying value is not recoverable, we determine the amount of the impairment recognized in the financial statements by estimating the fair value of the assets and recording a loss for the amount by which the carrying value exceeds the estimated fair value. There were no impairments recorded during 2019, 2018 and 2017.

Customer Deposits. We extend credit to customers in the normal course of business and perform ongoing credit evaluations of our customers. We may require cash deposit from our customers based on their overall creditworthiness. The dollars are recorded as a non-current liability on the consolidated balance sheet.

Income Taxes. For federal tax purposes, we have elected to be treated as a partnership with each member being separately taxed on its ratable share of our taxable income. This election, to be treated as a pass-through entity, also applies to our wholly owned subsidiary, DGT. Therefore, no income taxes or deferred income taxes are reflected in the consolidated financial statements.

Other Comprehensive loss. Amounts recorded in other comprehensive loss relate to cash flow hedges we entered into to hedge forecasted foreign currency-denominated payments for pipeline construction. We recorded the effective portion of changes in the fair value of those hedges in other comprehensive loss, and reclassify such amounts into income on a straight-line basis over the period that we are depreciating the assets to which the hedges related.

Revenue Recognition. Revenue for sales of products is recognized in the period of delivery, and revenues from the gathering, transportation, and processing of gas are recognized in the period the service is provided based on contractual terms and the related natural gas and liquid volumes. DGT is subject to FERC regulations, and accordingly, certain revenues collected may be subject to possible refunds upon final orders in pending cases. DGT records rate refund liabilities considering its and other third parties' regulatory proceedings, advice of counsel, estimated total exposure as discounted and risk weighted, and collection and other risks. There was no rate refund liability accrued at December 31, 2019 or 2018.

Customers for our service revenues are comprised of oil and natural gas producers. Williams is the primary customer for our sales of natural gas liquids.

A performance obligation is a promise in a contract to transfer a distinct good or service (or integrated package of goods or services) to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue, when, or as, the performance obligation is satisfied. A performance obligation is distinct if the service is separately identifiable from other items in the integrated package of services and if a customer can benefit from it on its own or with other resources that are readily available to the customer. An integrated package of services typically represents a single performance obligation if the services are contained within the same contract or within multiple contracts entered into in contemplation with one another that are highly interdependent or highly interrelated, meaning each of the services is significantly affected by one or more of the other services in the contract. Our service revenue contracts contain a series of distinct services, with the majority of our contracts having a single performance obligation that is satisfied over time as the customer simultaneously receives and consumes the benefits provided by our performance. Most of our product sales contracts have a single performance obligation with revenue recognized at a point in time when the products have been sold and delivered to the customer.

For our businesses, reimbursement and service contracts with customers are viewed together as providing the same commercial objective, as we have the ability to negotiate the mix of consideration between reimbursements and amounts billed over time. Accordingly, we generally recognize reimbursements of construction costs from customers on a gross basis as a contract liability separate from the associated costs included within property, plant, and equipment. The contract liability is recognized into service revenues as the underlying performance obligations are satisfied.

Gathering, Processing, and Transportation Services

Revenues from our businesses include contracts for natural gas gathering, processing, treating, compression, transportation, and other related services with contract terms that are generally long-term in nature and may extend up to the production life of the associated reservoir. As such, revenue is recognized at the daily completion of the integrated package of services as the integrated package represents a single performance obligation. Additionally, certain contracts in our businesses contain fixed or upfront payment terms that result in the deferral of revenues until such services have been performed or such capacity has been made available.

We generally earn a contractually stated fee per unit for the volume of product transported, gathered, or processed. The rate is generally fixed; however, certain contracts contain variable rates that are subject to change based on levels of throughput. For all of our contracts, we allocate the transaction price to each performance obligation based on the relative standalone selling price. The excess of consideration received over revenue recognized results in the deferral of those amounts until future periods based on a units of production or straight-line methodology.

Under keep-whole and percent-of-liquids processing contracts, we receive commodity consideration in the form of natural gas liquids (NGLs) and take title to the NGLs at the tailgate of the plant. We recognize such commodity consideration as service revenue based on the market value of the NGLs retained at the time the processing is provided. The current market value, as opposed to the market value at the contract inception date, is used due to a combination of factors, including the fact that the volume, mix, and market price of NGL consideration to be received is unknown at the time of contract execution and is not specified in our contracts with customers. Additionally, product sales revenue (discussed below) is recognized upon the sale of the NGLs to a third party based on the sales price at the time of sale. As a result, revenue is recognized both at the time the processing service is provided in Commodity consideration and at the time the NGLs retained as part of the processing service are sold in Product sales. The recognition of revenue related to commodity consideration has the impact of increasing the book value of NGL inventory, resulting in higher product cost at the time of sale. Given that most inventory is sold in the same period that it is generated, the impact of these transactions is expected to have little impact to operating income.

Product Sales

In the course of providing gathering and processing services to customers of our businesses, we may receive different quantities of natural gas from customers than the quantities delivered on behalf of those customers. The resulting imbalances are primarily settled through the purchase or sale of natural gas with each customer under terms provided for in our FERC tariffs or gathering and processing agreements. Revenue is recognized from the sale of natural gas upon settlement of imbalances.

In certain instances, we purchase NGLs, and natural gas from our oil and natural gas producer customers. In addition, we retain NGLs as consideration in certain processing arrangements, as discussed above in the Service Revenues section. We recognize revenue from the sale of these commodities when the products have been sold and delivered, except in certain instances where we have concluded that we are an agent in the arrangement, in which case we record such sales on a net basis. Our product sales contracts are primarily short-term contracts based on prevailing market rates at the time of the transaction.

Revenue recognition (prior to adoption of ASC606 on January 1, 2018). Revenue for sales of products is recognized in the period of delivery, and revenues from the gathering, transportation, and processing of gas are recognized in the period the service is provided based on contractual terms and the related natural gas and liquid volumes. DGT is subject to FERC regulations, and accordingly, certain revenues collected may be subject to possible refunds upon final orders in pending cases. DGT records rate refund liabilities considering its and other third parties' regulatory proceedings, advice of counsel, estimated total exposure as discounted and risk weighted, and collection and other risks. There was no rate refund liability accrued at December 31, 2019 or 2018 We recognize revenue from the sale of these commodities when the products have been sold and delivered and concluded we are the principal in the arrangement and as such record the sales and cost of sales on a gross basis.

Note 3. Leases

We are a lessee through non-cancellable lease agreements for property and equipment used in our operations functions. We recognize a lease liability with an offsetting right-of-use asset in our Consolidated Balance Sheet for operating leases based on the present value of the future lease payments. As an accounting policy, we have elected to combine lease and non-lease components for all classes of leased assets in our calculation of the lease liability and the offsetting right-of-use asset.

Our lease agreements require both fixed and variable periodic payments, with initial terms averaging 22 years, with one having a term of up to 43 years. Payment provisions in certain of our lease agreements contain escalation factors which may be based on stated rates or a change in a published index at a future time. The amount by which a lease escalates based on the change in a published index, which is not known at lease commencement, is considered a variable payment and is not included in the present value of the future lease payments, which only includes those that are stated or can be calculated based on the lease agreement at lease commencement. In addition to the non-cancellable periods, many of our lease agreements provide for one or more extensions of the lease agreement for periods ranging from one year in length to an indefinite number of times following the specified contract term. Other lease agreements provide for extension terms that allow us to utilize the identified leased asset for an indefinite period of time so long as the asset continues to be utilized in our operations. In consideration of these renewal features, we assess the term of the lease agreements, which includes using judgment in the determination of which renewal periods and termination provisions, when at our sole election, will be reasonably certain of being exercised. Periods after the initial term or extension terms that allow for either party to the lease to cancel the lease are not considered in the assessment of the lease term. Additionally, we have elected to exclude leases with an original term of one year or less, including renewal periods, from the calculation of the lease liability and the offsetting right-of-use asset.

We used judgment in determining the discount rate upon which the present value of the future lease payments is determined. This rate is based on a collateralized interest rate corresponding to the term of the lease agreement using company, industry, and market information available.

	Twelve Months Ended December 31, 2019	
	(Thousands)	
<i>Lease Cost:</i>		
Operating lease cost	\$	383
Variable lease cost		244
Total lease cost	\$	627
Cash paid for amounts included in the measurement of operating lease	\$	381

	2019	
	(Thousands)	
<i>Other Information:</i>		
Right-of-use assets	\$	3,353
<i>Operating lease liabilities:</i>		
Current	\$	207
Non Current liabilities	\$	3,145
Weighted-average remaining lease term - operating leases (years)		16.15
Weighted-average discount rate - operating leases		7.09 %

As of December 31, 2019, the following table represents our operating lease maturities, including renewal provisions that we have assessed as being reasonably certain of exercise, for each of the years ended December 31:

	(Thousands)	
2020	\$	381
2021		381
2022		386
2023		386
2024		387
Thereafter		3,740
Total future lease payments	\$	5,661
Less amount representing interest		2,309
Total obligations under operating leases	\$	3,352

Total rent expense for 2018 and 2017 was \$0.9 million and \$1.4 million, respectively.

Note 4. Revenue Recognition

Contract Assets

The following table presents a reconciliation of our contract assets:

	2019		2018	
	(Thousands)			
Balance at beginning of period (January 1)	\$	—	\$	800
Payments received and deferred		—		(435)
Impairment of contract asset		—		(365)
Balance at end of period (December 31)	\$	—	\$	—

Contract Liabilities

Our contract liabilities primarily consist of advance payments from construction reimbursements, prepayments, and other billings for which future services are to be provided under the contract. These amounts are deferred until recognized in revenue when the associated performance obligation has been satisfied, which is primarily based on a units of production methodology over the remaining contractual service periods, and are classified as current or noncurrent according to when such amounts are expected to be recognized.

Contracts requiring advance payments and the recognition of contract liabilities are evaluated to determine whether the advance payments provide us with a significant financing benefit. This determination is based on the combined effect of the expected length of time between when we transfer the promised good or service to the customer, when the customer pays for those goods or services, and the prevailing interest rates. We have assessed our contracts for significant financing components and determined that one contract contains a significant financing component. As a result, we recognize noncash interest expense based on the effective interest method and revenue (noncash) is recognized utilizing units of production over the life of the corresponding customer contract.

The following table presents a reconciliation of our contract liabilities:

	2019	2018
	(Thousands)	
Balance at beginning of period (January 1)	\$ 79,527	\$ 90,918
Payments received and deferred	24,506	9,422
Recognized in revenue	(23,192)	(20,813)
Balance at end of period (December 31)	<u>\$ 80,841</u>	<u>\$ 79,527</u>

The following table presents the amount of the contract liabilities balance as of December 31, 2019, expected to be recognized as revenue as performance obligations are expected to be satisfied:

	(Thousands)
2020	25,835
2021	11,147
2022	9,055
2023	6,435
2024	4,649
2025	2,289
Thereafter	21,431
Total	<u>\$ 80,841</u>

Remaining Performance Obligations

The following table presents the transaction price allocated to the remaining performance obligations under certain contracts as of December 31, 2019. These primarily include long-term contracts containing fixed payments associated with gathering services and offshore production handling. As a practical expedient permitted by ASC 606, this table excludes variable consideration as well as consideration in contracts that is recognized in revenue as billed. It also excludes consideration received prior to December 31, 2019, that will be recognized in future periods (see above for Contract Liabilities and the expected recognition of those amounts within revenue). As noted above, certain of our contracts contain evergreen and other renewal provisions for periods beyond the initial term of the contract. The remaining performance obligation amounts as of December 31, 2019, do not consider potential future performance obligations for which the renewal has not been exercised.

	(Thousands)
2020	15,820
2021	14,854
2022	11,216
2023	9,223
2024	6,253
2025	4,703
Thereafter	14,466
Total	<u>\$ 76,535</u>

Note 5. Related Party Transactions

We have various business transactions with our members and subsidiaries and affiliates of our members. Revenues include sales to Williams of NGLs to which we take title, transportation, processing and excess natural gas. The related-party revenues associated with Williams in 2019, 2018, and 2017 were \$42.7 million, \$48.1 million, and \$166.1 million, respectively. During 2019 and 2018, we paid Phillips 66 (an affiliate of DCP) an exchange fee of \$0.7 million and \$0.4 million. The amount is netted in product sales. Also, in 2018, we paid Phillips 66 \$2 million for connection to their River Parish NGL system. We recorded the payment as an intangible asset. There were no other significant transactions with Phillips 66 in 2019, 2018, or 2017.

Processing commodity expense— affiliate includes natural gas purchases from Williams for fuel and shrink requirements.

We have no employees. Pipeline and plant operations are performed under operation and maintenance agreements with Williams. Most costs for materials, services and other charges are third-party charges and are invoiced directly to us. Operating and maintenance expenses— affiliate includes the following:

- Direct payroll and employee benefit costs incurred on our behalf by Williams;
- Transportation expense under a transportation agreement for pipeline capacity (five-year extension from 2020 to 2025) from Texas Eastern Transmission, LP (an affiliate of DCP) for \$1.1 million in each of 2019, 2018 and 2017; and
- Storage expense under a 20-year agreement to store parts, tools and equipment in a warehouse owned by Williams PERK, LLC (an affiliate of WFS) through 2033 for \$0.3 million in each of 2019, 2018 and 2017.

General and administrative expenses — affiliate includes a monthly operation and management fee paid to Williams to cover the cost of accounting services, computer systems and management services provided to us.

We also pay Williams a project management fee to cover the cost of managing capital projects. This fee is determined on a project by project basis and is capitalized as part of the construction costs. A summary of the payroll costs and project fees charged to us by Williams and capitalized are as follows:

	Years Ended December 31,		
	2019	2018	2017
	(In thousands)		
Capitalized labor	\$ 205	\$ 321	\$ 464
Capitalized fee	294	203	179
Total	<u>\$ 499</u>	<u>\$ 524</u>	<u>\$ 643</u>

Note 6. Property, Plant, and Equipment

Property, plant, and equipment consisted of the following at December 31, 2019 and 2018:

	Years Ended December 31,		Estimated Depreciable Lives
	2019	2018	
	(In thousands)		
Property, plant, and equipment:			
Pipelines	\$ 1,107,479	\$ 1,110,217	25 - 35 years
Plant and other equipment	539,104	547,654	25 - 35 years
Buildings	31,521	31,521	25 - 35 years
Land and land rights	9,376	8,673	0 - 35 years
Construction work in progress	1,952	1,565	
Total property, plant, and equipment	1,689,432	1,699,630	
Less accumulated depreciation	676,907	620,255	
Net property, plant, and equipment	\$ 1,012,525	\$ 1,079,375	

Depreciation expense in 2019, 2018 and 2017 was \$57.4 million, \$61.7 million and \$83.5 million, respectively.

Commitments for construction and acquisition of property, plant and equipment totaled \$1.5 million at December 31, 2019.

Our asset retirement obligations relate primarily to our offshore platforms and pipelines and our onshore processing and fractionation facilities. At the end of the useful life of each respective asset, we are legally or contractually obligated to dismantle the offshore platforms, properly abandon the offshore pipelines, remove the onshore facilities and related surface equipment and restore the surface of the property.

A rollforward of our asset retirement obligation for 2019 and 2018 is presented below:

	Years Ended December 31,	
	2019	2018
	(In thousands)	
Balance at January 1	\$ 137,189	\$ 122,080
Accretion expense	7,341	7,231
Estimate revisions	(16,212)	12,602
New obligation incurred	—	—
Settlements	(196)	(4,724)
Balance at December 31	\$ 128,122	\$ 137,189

Note 7. Intangible Assets

Gross intangible assets at December 31, 2019 and 2018 were \$23.6 million and \$23.3 million, respectively. Accumulated amortization at December 31, 2019 and 2018 was \$12.1 million and \$9.8 million, respectively. The amortization expense was \$2.3 million for 2019, \$2.1 million for 2018, and \$2.0 million for 2017. The intangible assets are being amortized on a straight-line basis with lives between 10 and 20 years. Amortization expense is expected to be \$2.4 million annually for the next four years and \$1.0 million in 2025.

Note 8. Commitments and Contingent Liabilities

Environmental Matters. We are subject to extensive federal, state, and local environmental laws and regulations which affect our operations related to the construction and operation of our facilities. Appropriate governmental authorities may enforce these laws and regulations with a variety of civil and criminal enforcement measures, including monetary penalties,

assessment and remediation requirements and injunctions as to future compliance. We have not been notified and are not currently aware of any material noncompliance under the various environmental laws and regulations.

Other. We are party to various other claims, legal actions and complaints arising in the ordinary course of business. We estimate that, for all matters for which we are able to reasonably estimate a range of loss, our aggregate reasonably possible losses beyond amounts accrued for all of our contingent liabilities are immaterial to our expected future annual results of operations, liquidity, and financial position. These calculations have been made without consideration of any potential recovery from third parties. There are no significant matters for which we are unable to reasonably estimate a range of possible loss.

Note 9. Financial Instruments, Concentrations of Credit Risk and Major Customers

Fair Value of Financial Instruments

Fair value is defined as the price which would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities recorded or disclosed at fair value are categorized based upon the level of judgment associated with the inputs used to measure their fair values. These categories include (in descending order of priority): Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The carrying value of cash and cash equivalents, accounts receivable, accounts payable, customer deposits, other current assets and other current liabilities approximate their fair value because of their short-term nature, and each represents a Level 1 estimate.

Concentrations of Credit Risk

Our cash equivalents balance is primarily invested in funds with high-quality, short-term securities and instruments that are issued or guaranteed by the U.S. government.

At December 31, 2019, substantially all of customer accounts receivable result from product sales and gathering from our largest customers. This concentration may impact our overall credit risk either positively or negatively, in that the entity may be similarly affected by industry-wide changes in economic or other conditions. As a general policy, collateral is not required for receivables, but customers' financial condition and credit worthiness are evaluated regularly. Our credit policy and the relatively short duration of receivables mitigate the risk of uncollected receivables. We incurred no gain/loss on receivables in 2019, 2018 or 2017.

Major Customers

Williams accounted for \$42.7 million (23.3%), \$48.1 million (24.3%), and \$166.1 million (40%), respectively, of our total revenues in 2019, 2018, and 2017. These revenues were for the sale of NGLs purchased from or received as compensation under processing contracts with third-party producers, transportation and processing.

During 2019, Occidental Petroleum Corporation (formerly Anadarko) accounted for \$24.6 million (13.5%), and Walter Oil and Gas Corporation accounted for \$18.8 million (10.3%) of our total revenues. These revenues were for gathering, processing, transportation, commodity consideration and other services.

During 2018, Occidental Petroleum Corporation accounted for \$40.9 million (20.6%) of our total revenues. These revenues were for gathering, processing, transportation, commodity consideration and other services.

During 2017, ExxonMobil Corporation accounted for \$68.6 million (16.6%), and Occidental Petroleum Corporation accounted for \$53.7 million (13.0%), of our total revenues. These revenues were for gathering, processing, transportation and other services.

Note 10. Rate and Regulatory Matters

Rate and Regulatory Matters. Pursuant to the terms of its FERC Gas Tariff, DGT has the right to file, on an annual basis, a request with the FERC for a fuel lost-and-unaccounted-for gas (FL&U) percentage ("the retention rate") to be assessed shippers for the upcoming fiscal year beginning July 1. On May 31, 2018, DGT filed to increase the FL&U retention rate from 0.0% (zero percent) to 0.13% per dekatherm (Dt) to be assessed on gas received into DGT's system commencing July 1, 2018. The

revised retention rate was based upon the actual fuel use, system loss and gas retained in 2017. On June 22, 2018, the FERC issued a letter order approving the requested retention rate revision. The actual system loss for 2018 was \$1.5 million with FL&U recovered of \$0.3 million. On May 21, 2019, DGT filed to increase the FL&U retention rate from 0.13% to 0.41% per Dt to be assessed on gas received into DGT's system commencing July 1, 2019. The revised retention rate was based upon the actual fuel use, system loss and gas retained in 2018. On June 10, 2019, the FERC issued a letter order approving the requested retention rate. The actual system gains for 2019 was \$0.1 million with FL&U recovered of \$1 million. The above amounts were recognized in each year's respective operating income.

On November 15, 2018, DGT filed its annual HMRE surcharge adjustment to maintain the currently effective \$0.0500 per Dt surcharge for 2019. The filing reflected an additional \$0.13 million of qualifying HMRE costs to be recovered by the surcharge. As reflected in the application, the total HMRE amount to be recovered over future periods was \$9.4 million as of September 30, 2018. The Commission approved the requested surcharge by letter order dated December 11, 2018.

On November 14, 2019, DGT filed its annual HMRE surcharge adjustment to reduce its then current rate from \$0.0500 per Dt to \$0.0330 per Dt effective January 1, 2020. The filing reflected an additional \$3.0 million of qualifying HMRE costs to be recovered by the surcharge. As reflected in the application, the total HMRE amount to be recovered over future periods was \$5.3 million as of September 30, 2019. The Commission approved the requested surcharge by letter order dated December 20, 2019.

Note 11. Subsequent Events

During January 2020, we made distributions to our partners totaling \$5.0 million.

DCP SAND HILLS PIPELINE, LLC
Consolidated Financial Statements for the
Years Ended December 31, 2019, 2018 and 2017

INDEPENDENT AUDITORS' REPORT

To the Members of DCP Sand Hills Pipeline, LLC

We have audited the accompanying consolidated financial statements of DCP Sand Hills Pipeline, LLC and subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations, changes in members' equity, and cash flows for each of the three years in the period ended December 31, 2019 and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DCP Sand Hills Pipeline, LLC and its subsidiary as of December 31, 2019 and 2018, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2019 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 3 to the consolidated financial statements, in 2018, the Company adopted new accounting guidance related to recognition of revenue from contracts with customers. Our opinion is not modified with respect to this matter.

As discussed in Notes 5 and 6 to the consolidated financial statements, the Company has significant transactions with related parties. Our opinion is not modified with respect to this matter.

/s/ Deloitte & Touche LLP

Denver, Colorado
February 7, 2020

**DCP SAND HILLS PIPELINE, LLC
CONSOLIDATED BALANCE SHEETS**

	December 31, 2019	December 31, 2018
	(millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12.5	\$ 16.6
Accounts receivable:		
Affiliates	46.7	40.0
Trade and other	8.0	15.1
Other current assets	—	0.1
Total current assets	67.2	71.8
Property, plant and equipment, net	1,790.0	1,815.6
Other long-term assets	6.3	6.5
Total assets	<u>\$ 1,863.5</u>	<u>\$ 1,893.9</u>
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Accounts payable:		
Trade and other	\$ 2.3	\$ 12.7
Affiliates	7.7	6.2
Accrued taxes	21.7	14.8
Accrued capital expenditures	0.8	9.7
Accrued liabilities and other	8.1	6.0
Total current liabilities	40.6	49.4
Contract liabilities - affiliates	30.7	34.0
Other long-term liabilities	6.3	5.3
Total liabilities	77.6	88.7
Commitments and contingent liabilities		
Total members' equity	1,785.9	1,805.2
Total liabilities and members' equity	<u>\$ 1,863.5</u>	<u>\$ 1,893.9</u>

See Notes to Consolidated Financial Statements.

DCP SAND HILLS PIPELINE, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
	(millions)		
Operating revenues:			
Transportation - affiliates	\$ 514.4	\$ 389.0	\$ 246.4
Transportation	93.0	91.4	85.6
Total operating revenues	607.4	480.4	332.0
Operating costs and expenses:			
Cost of transportation - affiliates	4.0	6.0	3.6
Cost of transportation	3.0	3.0	3.0
Operating and maintenance expense	96.4	68.8	42.9
Depreciation expense	41.3	36.4	30.1
General and administrative expense - affiliates	5.2	5.2	5.2
General and administrative expense	3.6	2.6	2.5
Total operating costs and expenses	153.5	122.0	87.3
Operating income	453.9	358.4	244.7
Interest income	1.0	1.0	0.4
Income tax expense	(3.3)	(2.7)	(1.7)
Net income	\$ 451.6	\$ 356.7	\$ 243.4

See Notes to Consolidated Financial Statements.

DCP SAND HILLS PIPELINE, LLC
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

	DCP Sand Holding, LLC	DCP Pipeline Holding LLC	Phillips 66 Sand Hills LLC	Total Members' Equity
	(millions)			
Balance, January 1, 2017	\$ 445.2	\$ 445.0	\$ 445.2	\$ 1,335.4
Contributions from members	73.3	73.2	73.3	219.8
Distributions to members	(84.3)	(84.4)	(84.3)	(253.0)
Net income	81.1	81.2	81.1	243.4
Balance, December 31, 2017	515.3	515.0	515.3	1,545.6
Contributions from members	27.1	155.6	91.4	274.1
Distributions to members	(24.4)	(227.7)	(126.1)	(378.2)
Cumulative effect adjustment	2.3	2.4	2.3	7.0
Transfer of interest in DCP Sand Hills Pipeline, LLC (see Note 1)	(555.7)	555.7	—	—
Net income	35.4	202.5	118.8	356.7
Balance, December 31, 2018	—	1,203.5	601.7	1,805.2
Contributions from members	—	7.0	3.5	10.5
Distributions to members	—	(320.9)	(160.5)	(481.4)
Net income	—	301.1	150.5	451.6
Balance, December 31, 2019	<u>\$ —</u>	<u>\$ 1,190.7</u>	<u>\$ 595.2</u>	<u>\$ 1,785.9</u>

See Notes to Consolidated Financial Statements.

DCP SAND HILLS PIPELINE, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS

	<u>Year Ended</u> <u>December 31, 2019</u>	<u>Year Ended</u> <u>December 31, 2018</u>	<u>Year Ended</u> <u>December 31, 2017</u>
	(millions)		
OPERATING ACTIVITIES:			
Net income	\$ 451.6	\$ 356.7	\$ 243.4
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation expense	41.3	36.4	30.1
Other	(1.3)	(1.9)	0.7
Change in operating assets and liabilities:			
Accounts receivable	(0.1)	(21.2)	(13.3)
Accounts payable	(1.3)	(0.6)	2.9
Deferred revenues	—	(3.5)	(11.2)
Other current liabilities	8.0	9.0	1.0
Other long-term assets	0.4	(2.9)	0.4
Other long-term liabilities	—	2.0	(0.1)
Net cash provided by operating activities	<u>498.6</u>	<u>374.0</u>	<u>253.9</u>
INVESTING ACTIVITIES:			
Capital expenditures	(31.8)	(270.8)	(211.2)
Net cash used in investing activities	<u>(31.8)</u>	<u>(270.8)</u>	<u>(211.2)</u>
FINANCING ACTIVITIES:			
Contributions from members	10.5	274.1	219.8
Distributions to members	(481.4)	(378.2)	(253.0)
Net cash used in financing activities	<u>(470.9)</u>	<u>(104.1)</u>	<u>(33.2)</u>
Net change in cash and cash equivalents	(4.1)	(0.9)	9.5
Cash and cash equivalents, beginning of period	16.6	17.5	8.0
Cash and cash equivalents, end of period	<u>\$ 12.5</u>	<u>\$ 16.6</u>	<u>\$ 17.5</u>

See Notes to Consolidated Financial Statements.

DCP SAND HILLS PIPELINE, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2019, 2018 and 2017

1. Description of Business and Basis of Presentation

DCP Sand Hills Pipeline, LLC, with its consolidated subsidiary, or Sand Hills, we, our, the Company, or us, is engaged in the business of transporting natural gas liquids, or NGLs. The Sand Hills pipeline is a common carrier pipeline which provides takeaway service from plants in the Permian and the Eagle Ford basins to fractionation facilities along the Texas Gulf Coast and the Mont Belvieu, Texas market hub. The Sand Hills pipeline was placed into service in June 2013.

We are a limited liability company owned 66.665% by DCP Pipeline Holding LLC, a 100% owned subsidiary of DCP Midstream, LP, or DCP Midstream, and 33.335% by Phillips 66 Sand Hills LLC, a 100% owned subsidiary of Phillips 66 Partners LP, or Phillips 66 Partners. On May 1, 2018, DCP Sand Holding, LLC, a 100% owned subsidiary of DCP Midstream, contributed its 33.335% ownership interest in the Company to DCP Pipeline Holding LLC. Previously, we were owned 33.330% by DCP Pipeline Holding LLC, 33.335% by DCP Sand Holding, LLC, and 33.335% by Phillips 66 Sand Hills LLC. Throughout these consolidated financial statements, DCP Midstream and Phillips 66 Partners will together be referenced as the members. DCP Midstream is the operator of the Sand Hills pipeline.

The Company allocates revenues, costs, and expenses in accordance with the terms of the Second Amended and Restated LLC Agreement, which became effective on September 3, 2013, or the LLC Agreement, to each of the members based on each member's ownership interest. Under terms of the LLC Agreement, the members are required to fund capital calls necessary to fund the capital requirements of the Company, including capital expansion and working capital requirements. Under the terms of the LLC Agreement, cash calls and cash distributions from operations are allocated to the members based upon each member's respective ownership interest.

The consolidated financial statements include the accounts of Sand Hills and its 100% owned subsidiary and have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. Intercompany balances and transactions have been eliminated. Transactions between us and the members have been identified in the consolidated financial statements as transactions between affiliates.

2. Summary of Significant Accounting Policies

Use of Estimates - Conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the 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.

Cash and Cash Equivalents - Cash and cash equivalents include all cash balances and investments in highly liquid financial instruments purchased with an original stated maturity of 90 days or less and temporary investments of cash in short-term money market securities.

Distributions - Under the terms of the LLC Agreement, we are required to make quarterly distributions to the members based on Available Cash, as the term is defined in the LLC Agreement. Available Cash distributions are paid pursuant to the members' respective ownership percentages at the date the distributions are due.

Estimated Fair Value of Financial Instruments - The fair value of cash and cash equivalents, accounts receivable and accounts payable included in the consolidated balance sheets are not materially different from their carrying amounts because of the short-term nature of these instruments. We may invest available cash balances in short-term money market securities. As of December 31, 2019 and 2018, we invested \$12.5 million and \$16.6 million, respectively, in short-term money market securities which are included in cash and cash equivalents in our consolidated balance sheets. The short-term money market securities are publicly traded and market prices are readily available, these investments are considered Level 1 fair value measurements.

Concentration of Credit Risk - Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash and accounts receivable. We extend credit to customers and other parties in the normal course of business and have established various procedures to manage our credit exposure, including initial credit approvals, credit limits and rights of offset.

DCP SAND HILLS PIPELINE, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
Years Ended December 31, 2018, 2017 and 2016

Property, Plant and Equipment - Property, plant and equipment are recorded at historical cost. The cost of maintenance and repairs, which are not significant improvements, are expensed when incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Long-Lived Assets - We periodically evaluate whether the carrying value of long-lived assets has been impaired when circumstances indicate the carrying value of those assets may not be recoverable. This evaluation is based on undiscounted cash flow projections. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. We consider various factors when determining if these assets should be evaluated for impairment, including but not limited to:

- a significant adverse change in legal factors or business climate;
- a current-period operating or cash flow loss combined with a history of operating or cash flow losses, or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset;
- an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset;
- significant adverse changes in the extent or manner in which an asset is used, or in its physical condition;
- a significant adverse change in the market value of an asset; or
- a current expectation that, more likely than not, an asset will be sold or otherwise disposed of before the end of its estimated useful life.

If the carrying value is not recoverable, the impairment loss is measured as the excess of the asset's carrying value over its fair value. We assess the fair value of long-lived assets using commonly accepted techniques, and may use more than one method, including, but not limited to, recent third party comparable sales and discounted cash flow models. Significant changes in market conditions resulting from events such as the condition of an asset or a change in management's intent to utilize the asset would generally require management to reassess the cash flows related to the long-lived assets.

Revenue Recognition - Our operating revenues are primarily derived from services related to transportation of NGLs. Revenues from transportation agreements are recognized based on contracted volumes transported in the period the services are provided. Our contracts generally have terms that extend beyond one year, and are recognized over time. The performance obligation for most of our contracts encompasses a series of distinct services performed on discrete daily quantities of NGLs for purposes of allocating variable consideration and recognizing revenue while the customer simultaneously receives and consumes the benefits of the services provided. Revenue is recognized over time consistent with the transfer of goods or services over time to the customer based on daily volumes delivered. Consideration is generally variable, and the transaction price cannot be determined at the inception of the contract, because the volume of NGLs for which the service is provided is only specified on a daily or monthly basis. The transaction price is determined at the time the service is provided as the uncertainty is resolved.

Contract liabilities - We have contracts with customers whereby the customer reimburses us for costs we incur to construct certain connections to our operating assets. These agreements are typically entered into in conjunction with transportation agreements with customers. Prior to January 1, 2018 we accounted for these arrangements as a reduction to the cost basis of our long-lived assets which were amortized as a reduction to depreciation expense over the estimated useful life of the related assets. Under the accounting guidance currently effective we record these payments as deferred revenue which will be amortized into revenue over the expected contract term.

DCP SAND HILLS PIPELINE, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
Years Ended December 31, 2019, 2018 and 2017

Significant Customers - There was no third party customer that accounted for more than 10% of total operating revenue for the year ended December 31, 2019 and 2018 and one third party customer that accounted for more than 10% of total operating revenue for the year ended December 31, 2017. There were significant transactions with affiliates for each of the years ended December 31, 2019, 2018 and 2017. See Note 6, Summary of Transactions with Affiliates.

Environmental Expenditures - Environmental expenditures are expensed or capitalized as appropriate, depending upon the future economic benefit. Expenditures that relate to an existing condition caused by past operations and that do not generate current or future revenue are expensed. Liabilities for these expenditures are recorded on an undiscounted basis when environmental assessments and/or clean-ups are probable and the costs can be reasonably estimated.

Income Taxes - We are structured as a limited liability company, which is a pass-through entity for federal income tax purposes. As a limited liability company, we do not pay federal income taxes. Instead, our income or loss for tax purposes is allocated to each of the members for inclusion in their respective tax returns. Consequently, no provision for federal income taxes has been reflected in these consolidated financial statements. We are subject to the Texas margin tax, which is treated as a state income tax. We follow the asset and liability method of accounting for state income taxes. Under this method, deferred income taxes are recognized for the tax consequences of temporary differences between the consolidated financial statement carrying amounts and the tax basis of the assets and liabilities. For the years ended December 31, 2019, 2018 and 2017, deferred state income tax expense totaled \$0.7 million, \$0.5 million and \$0.5 million, respectively. For the years ended December 31, 2019, 2018 and 2017, current state income tax expense totaled \$2.6 million, \$2.2 million and \$1.2 million, respectively.

3. Recent Accounting Pronouncements

Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU"), 2016-13 "Financial Instruments-Credit Losses (Topic 326)," or ASU 2016-13 - In June 2016, the FASB issued ASU 2016-13, which requires measuring all expected credit losses for financial instruments held at the reporting date based on historical experience and immediate recognition of management's estimates of current expected credit losses. We adopted this ASU on January 1, 2020 and it did not have a material impact our consolidated financial statements.

FASB ASU, 2016-02 "Leases (Topic 842)," or ASU 2016-02 - In February 2016, the FASB issued ASU 2016-02, which requires lessees to recognize a lease liability on a discounted basis and the right of use of a specified asset at the commencement date for all leases. We adopted this ASU on January 1, 2019 using the modified retrospective approach without application to prior periods. We implemented the following practical expedients and policy elections permitted under the new standard: (a) the package of practical expedients allowing us to not reassess whether expired or existing contracts contain a lease, the lease classification for any expired or existing leases and the treatment of initial direct costs for any expired or existing leases, (b) the land easement practical expedient, allowing us to carry forward our current accounting treatment for land easements in existing agreements, (c) not recognizing lease assets or liabilities when lease terms are less than twelve months and (d) for agreements that contain both lease and non-lease components, the company combines these components together and accounting for them as a single lease for all asset types.

The cumulative effect of the changes made to our consolidated January 1, 2019 balance sheet for the adoption of Topic 842 did not have material impact on our consolidated balance sheet or consolidated statement of cash flows.

FASB ASU 2014-09 "Revenue from Contracts with Customers (Topic 606)," or ASU 2014-09 and related interpretations and amendments- In May 2014, the FASB issued ASU 2014-09, which supersedes the revenue recognition requirements of Accounting Standards Codification Topic 605 "Revenue Recognition." We adopted this ASU on January 1, 2018 using the modified retrospective method. Under the new standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. We recognized the initial cumulative effect of applying this ASU as an adjustment to the 2018 opening balance of members' equity.

DCP SAND HILLS PIPELINE, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
Years Ended December 31, 2019, 2018 and 2017

The adjustment to member's equity represents the difference between amortizing deferred customer balances over the fixed asset useful life versus the estimated contract term. The cumulative effect of the changes made to our consolidated January 1, 2018 balance sheet for the adoption of Topic 606 was as follows:

	Balance at December 31, 2017	Adjustments due to ASU 2014-09	Balance at January 1, 2018
	(millions)		
Balance sheet			
Assets			
Property, plant and equipment, net	\$ 1,547.0	\$ 43.7	\$ 1,590.7
Liabilities and members' equity			
Liabilities			
Contract liabilities	\$ —	\$ 36.7	\$ 36.7
Members' equity	\$ 1,545.6	\$ 7.0	\$ 1,552.6

In accordance with the new revenue standard requirements, the impact of adoption on our consolidated statement of operations and balance sheet was as follows:

	Year Ended December 31, 2018		
	As Reported	Balances Without Adoption of ASC 606	Effect of Change
	(millions)		
Statement of operations			
Operating revenues			
Transportation	\$ 480.4	\$ 477.5	\$ 2.9
Operating costs and expenses			
Depreciation expense	\$ 36.4	\$ 35.3	\$ 1.1
December 31, 2018			
	As Reported	Balances Without Adoption of ASC 606	Effect of Change
	(millions)		
Balance sheet			
Assets			
Property, plant and equipment, net	\$ 1,815.6	\$ 1,771.0	\$ 44.6
Liabilities and members' equity			
Liabilities			
Contract liabilities	\$ 34.0	\$ —	\$ 34.0
Members' equity	\$ 1,805.2	\$ 1,810.4	\$ (5.2)

DCP SAND HILLS PIPELINE, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
Years Ended December 31, 2019, 2018 and 2017

Aside from the adjustments to the opening consolidated balance sheet noted above, the impact of adoption on our consolidated total operating, financing or investing activities of our consolidated statement of cash flows for the period ended December 31, 2018 was immaterial.

	Year Ended	Year Ended
	December 31, 2019	December 31, 2018
	(millions)	
Balance, beginning of period	\$ 34.0	\$ 36.7
Additions	—	2.0
Revenue recognized (a)	(3.3)	(2.9)
Other (b)	—	(1.8)
Balance, end of period	\$ 30.7	\$ 34.0

(a) Deferred revenue recognized is included in affiliate transportation revenues on the consolidated statement of operations.

(b) Amended reimbursable projects

6. Summary of Transactions with Affiliates

DCP Midstream

Under the LLC Agreement, we are required to reimburse DCP Midstream for any direct costs or expenses (other than general and administration services) incurred by DCP Midstream on our behalf. Additionally, we pay DCP Midstream an annual service fee of \$5.0 million, for centralized corporate functions provided by DCP Midstream on our behalf, including legal, accounting, cash management, insurance administration and claims processing, risk management, health, safety and environmental, information technology, human resources, credit, payroll, taxes and engineering. These expenses are included in general and administrative expense - affiliates in the consolidated statements of operations. Except with respect to the annual service fee, there is no limit on the reimbursements we make to DCP Midstream under the LLC Agreement for other expenses and expenditures incurred or payments made on our behalf.

We have entered into transportation agreements with DCP Midstream, which include a commitment to transport volumes at rates defined in our tariffs. These 15-year transportation agreements became effective in June 2013. We currently, and anticipate to continue to, transact with DCP Midstream in the ordinary course of business. DCP Midstream was a significant customer during the years ended December 31, 2019, 2018 and 2017.

DCP Southern Hills Pipeline, LLC

We have a long-term capacity arrangement with DCP Southern Hills Pipeline, LLC, or Southern Hills, which expires in March 2023. Under the terms of this agreement, Southern Hills has the right to transport minimum throughput volumes on the Sand Hills pipeline at rates defined in the transportation agreement.

DCP SAND HILLS PIPELINE, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
Years Ended December 31, 2019, 2018 and 2017

Summary of Transactions with Affiliates

The following table summarizes our transactions with affiliates:

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
(millions)			
DCP Midstream and its affiliates:			
Transportation - affiliates	\$ 510.9	\$ 384.1	\$ 236.7
Cost of transportation - affiliates	\$ 4.0	\$ 6.0	\$ 3.6
General and administrative expense - affiliates	\$ 5.0	\$ 5.0	\$ 5.0
Southern Hills:			
Transportation - affiliates	\$ 3.5	\$ 3.3	\$ 3.2
Phillips 66:			
Transportation - affiliates	\$ —	\$ 1.5	\$ 6.5
General and administrative expense - affiliates	\$ 0.2	\$ 0.2	\$ 0.2
Enbridge:			
Transportation - affiliates	\$ —	\$ 0.1	\$ —

We had balances with affiliates as follows:

	December 31, 2019	December 31, 2018
(millions)		
DCP Midstream and its affiliates:		
Accounts receivable	\$ 46.4	\$ 39.7
Accounts payable	\$ 7.7	\$ 6.2
Contract liabilities	\$ 30.7	\$ 34.0
Southern Hills:		
Accounts receivable	\$ 0.3	\$ 0.3
Phillips 66:		
Other current assets	\$ 0.1	\$ 0.1

DCP SAND HILLS PIPELINE, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
Years Ended December 31, 2019, 2018 and 2017

7. Property, Plant and Equipment

Property, plant and equipment by classification is as follows:

	Depreciable Life	December 31, 2019	December 31, 2018
(millions)			
Transmission systems	20-50 Years	\$ 1,982.6	\$ 1,957.9
Processing facilities	35-60 Years	0.3	0.3
Other	3-30 Years	5.2	3.4
Land		0.4	0.4
Construction work in progress		9.8	20.8
Property, plant and equipment		1,998.3	1,982.8
Accumulated depreciation		(208.3)	(167.2)
Property, plant and equipment, net		\$ 1,790.0	\$ 1,815.6

8. Commitments and Contingent Liabilities

Regulatory Compliance - In the ordinary course of business, we are subject to various laws and regulations. In the opinion of our management, compliance with existing laws and regulations will not materially affect our consolidated results of operations, financial position, or cash flows.

Litigation - We are not party to any significant legal proceedings, but are a party to various administrative and regulatory proceedings and various commercial disputes that arose during the development of the Sand Hills pipeline and in the ordinary course of our business. Management currently believes that the ultimate resolution of the foregoing matters, taken as a whole and after consideration of amounts accrued, insurance coverage and other indemnification arrangements, will not have a material adverse effect on our consolidated results of operations, financial position, or cash flows.

General Insurance - Insurance for Sand Hills is written in the commercial markets and through affiliate companies, which management believes is consistent with companies engaged in similar commercial operations with similar assets. Our insurance coverage includes general liability and excess liability insurance above the established primary limits for general liability. 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 for transporting NGLs is subject to stringent and complex laws and regulations pertaining to health, safety, and the environment. As an owner or operator of these facilities, we must comply with United States laws and regulations at the federal, state, and, in some cases, local levels that relate to worker safety, pipeline safety, air and water quality, solid and hazardous waste storage, management, transportation and disposal, and other environmental matters. The cost of planning, designing, constructing, and operating pipelines incorporates compliance with environmental laws and regulations, worker safety standards, and safety standards applicable to our various facilities. In addition, there is increasing focus from (i) regulatory bodies and communities, and through litigation, on hydraulic fracturing and the real or perceived environmental or public health impacts of this technique, which indirectly presents some risk to the available supply of natural gas and the resulting supply of NGLs, (ii) regulatory bodies regarding pipeline system safety which could impose additional regulatory burdens and increase the cost of our operations, and (iii) regulatory bodies and communities that could prevent or delay the development of fossil fuel energy infrastructure such as pipeline and associated facilities used in our business. Failure to comply with 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 existing laws and regulations will not have a material adverse effect on our consolidated results of operations, financial position, or cash flows.

DCP SAND HILLS PIPELINE, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
Years Ended December 31, 2019, 2018 and 2017

Purchase Obligations - We have a capacity arrangement which terminates in May 2023, with an option to renew annually thereafter. Under the terms of this agreement, Sand Hills has the right to transport minimum throughput volumes on a third party pipeline at rates defined in the capacity arrangement. The expected cost to reserve the capacity over the term is as follows:

		(millions)
2020	\$	2.8
2021		2.8
2022		2.8
2023		1.2
Total obligation	\$	9.6

During the year ended December 31, 2019, the fixed cost of transportation under this arrangement was \$2.8 million.

9. Supplemental Cash Flow Information

		Year Ended December 31, 2019		Year Ended December 31, 2018		Year Ended December 31, 2017
(millions)						
Non-cash investing and financing activities:						
Property, plant and equipment acquired with accrued liabilities and accounts payable	\$	1.5	\$	18.2	\$	20.6
Cumulative effect of applying ASU 2014-09 on property, plant and equipment	\$	—	\$	43.7	\$	—
Cumulative effect of applying ASU 2014-09 on contract liabilities	\$	—	\$	(36.7)	\$	—
Cumulative effect of applying ASU 2014-09 on members' equity	\$	—	\$	(7.0)	\$	—
Other non-cash changes in property, plant and equipment, net	\$	(0.6)	\$	0.4	\$	0.1

10. Subsequent Events

We have evaluated subsequent events occurring through February 7, 2020, the date the consolidated financial statements were available to be issued and have identified no events that require adjustments to or disclosure in these consolidated financial statements.

DCP SOUTHERN HILLS PIPELINE, LLC
Consolidated Financial Statements for the
Years Ended December 31, 2019, 2018 and 2017

INDEPENDENT AUDITORS' REPORT

To the Members of DCP Southern Hills Pipeline, LLC

We have audited the accompanying consolidated financial statements of DCP Southern Hills Pipeline, LLC and subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations, changes in members' equity, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DCP Southern Hills Pipeline, LLC and its subsidiary as of December 31, 2019 and 2018, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2019 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 3 to the consolidated financial statements, in 2018, the Company adopted new accounting guidance related to recognition of revenue from contracts with customers. Our opinion is not modified with respect to this matter.

As discussed in Notes 5 and 6 to the consolidated financial statements, the Company has significant transactions with related parties. Our opinion is not modified with respect to this matter.

/s/ Deloitte & Touche LLP

Denver, Colorado
February 7, 2020

**DCP SOUTHERN HILLS PIPELINE, LLC
CONSOLIDATED BALANCE SHEETS**

	<u>December 31,</u> 2019	<u>December 31,</u> 2018
(millions)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8.9	\$ 5.7
Accounts receivable:		
Affiliates	15.3	14.0
Trade and other	4.0	1.1
Other current assets	0.2	0.1
Total current assets	28.4	20.9
Property, plant and equipment, net	929.5	908.3
Other long-term assets	0.7	—
Total assets	\$ 958.6	\$ 929.2
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Accounts payable:		
Trade and other	\$ 10.0	\$ 7.3
Affiliates	4.3	1.8
Accrued taxes	3.4	1.8
Accrued capital expenditures	8.5	4.5
Accrued liabilities and other	2.1	3.0
Total current liabilities	28.3	18.4
Contract liabilities - affiliates	13.1	14.5
Other long-term liabilities	2.8	1.9
Total liabilities	44.2	34.8
Commitments and contingent liabilities		
Total members' equity	914.4	894.4
Total liabilities and members' equity	\$ 958.6	\$ 929.2

See Notes to Consolidated Financial Statements.

DCP SOUTHERN HILLS PIPELINE, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
	(millions)		
Operating revenues:			
Transportation - affiliates	\$ 173.8	\$ 157.6	\$ 127.7
Transportation	9.4	8.8	5.2
Other revenue - affiliates	—	0.8	—
Total operating revenues	183.2	167.2	132.9
Operating costs and expenses:			
Cost of transportation - affiliates	4.7	3.3	3.3
Cost of transportation	1.1	—	—
Operating and maintenance expense	27.9	29.3	27.0
Depreciation expense	21.4	21.2	20.9
General and administrative expense - affiliates	5.2	5.2	5.2
General and administrative expense	2.5	2.1	1.8
Total operating costs and expenses	62.8	61.1	58.2
Operating income	120.4	106.1	74.7
Interest income	0.4	0.3	0.1
Income tax expense	(0.4)	(0.3)	(0.3)
Net income	\$ 120.4	\$ 106.1	\$ 74.5

See Notes to Consolidated Financial Statements.

DCP SOUTHERN HILLS PIPELINE, LLC
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

	DCP Southern Holding, LLC	DCP Pipeline Holding LLC	Phillips 66 Southern Hills LLC	Total Members' Equity
	(millions)			
Balance, January 1, 2017	\$ 308.6	\$ 307.9	\$ 308.6	\$ 925.1
Distributions to members	(31.1)	(31.1)	(31.1)	(93.3)
Net income	24.8	24.9	24.8	74.5
Balance, December 31, 2017	302.3	301.7	302.3	906.3
Contributions from members	—	2.0	1.0	3.0
Distributions to members	(7.8)	(75.2)	(41.5)	(124.5)
Cumulative effect adjustment (see Note 3)	1.2	1.1	1.2	3.5
Transfer of interest in DCP Southern Hills Pipeline, LLC (see Note 1)	(305.7)	305.7	—	—
Net income	10.0	60.6	35.5	106.1
Balance, December 31, 2018	—	595.9	298.5	894.4
Contributions from members	—	22.5	11.3	33.8
Distributions to members	—	(89.4)	(44.8)	(134.2)
Net income	—	80.3	40.1	120.4
Balance, December 31, 2019	<u>\$ —</u>	<u>\$ 609.3</u>	<u>\$ 305.1</u>	<u>\$ 914.4</u>

See Notes to Consolidated Financial Statements.

DCP SOUTHERN HILLS PIPELINE, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS

	<u>Year Ended</u> <u>December 31, 2019</u>	<u>Year Ended</u> <u>December 31, 2018</u>	<u>Year Ended</u> <u>December 31, 2017</u>
	(millions)		
OPERATING ACTIVITIES:			
Net income	\$ 120.4	\$ 106.1	\$ 74.5
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation expense	21.4	21.2	20.9
Other	(1.2)	(1.1)	0.1
Change in operating assets and liabilities:			
Accounts receivable	(4.4)	(2.2)	(1.5)
Accounts payable	3.9	1.6	0.9
Other current liabilities	0.5	1.4	0.5
Other long-term liabilities	—	1.6	—
Net cash provided by operating activities	<u>140.6</u>	<u>128.6</u>	<u>95.4</u>
INVESTING ACTIVITIES:			
Capital expenditures	(37.0)	(7.1)	(0.4)
Proceeds from sale of assets	—	—	0.2
Net cash used in investing activities	<u>(37.0)</u>	<u>(7.1)</u>	<u>(0.2)</u>
FINANCING ACTIVITIES:			
Contributions from members	33.8	3.0	—
Distributions to members	(134.2)	(124.5)	(93.3)
Net cash used in financing activities	<u>(100.4)</u>	<u>(121.5)</u>	<u>(93.3)</u>
Net change in cash and cash equivalents	3.2	—	1.9
Cash and cash equivalents, beginning of period	5.7	5.7	3.8
Cash and cash equivalents, end of period	<u>\$ 8.9</u>	<u>\$ 5.7</u>	<u>\$ 5.7</u>

See Notes to Consolidated Financial Statements.

DCP SOUTHERN HILLS PIPELINE, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2019, 2018 and 2017

1. Description of Business and Basis of Presentation

DCP Southern Hills Pipeline, LLC, with its consolidated subsidiary, or Southern Hills, we, our, the Company, or us, is engaged in the business of transporting natural gas liquids, or NGLs. The Southern Hills pipeline provides takeaway service from plants in the Midcontinent and DJ Basin to fractionation facilities along the Texas Gulf Coast and the Mont Belvieu, Texas market hub. The Southern Hills pipeline was placed into service in June 2013.

We are a limited liability company owned 66.665% by DCP Pipeline Holding LLC, a 100% owned subsidiary of DCP Midstream, LP, or DCP Midstream, and 33.335% by Phillips 66 Southern Hills LLC, a 100% owned subsidiary of Phillips 66 Partners LP, or Phillips 66 Partners. On May 1, 2018, DCP Southern Holding, LLC, a 100% owned subsidiary of DCP Midstream, contributed its 33.335% ownership interest in the Company to DCP Pipeline Holding LLC. Previously, we were owned 33.330% by DCP Pipeline Holding LLC, 33.335% by DCP Southern Holding, and 33.335% by Phillips 66 Southern Hills LLC. Throughout these consolidated financial statements, DCP Midstream and Phillips 66 Partners will together be referenced as the members. DCP Midstream is the operator of the Southern Hills pipeline.

The Company allocates revenues, costs, and expenses in accordance with the terms of the Second Amended and Restated LLC Agreement, which became effective on September 3, 2013, or the LLC Agreement, to each of the members based on each member's ownership interest. Under terms of the LLC Agreement, the members are required to fund capital calls necessary to fund the capital requirements of the Company, including capital expansion and working capital requirements. Under the terms of the LLC Agreement, cash calls and cash distributions from operations are allocated to the members based upon each member's respective ownership interest.

The consolidated financial statements include the accounts of Southern Hills and its 100% owned subsidiary and have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. Intercompany balances and transactions have been eliminated. Transactions between us and the members have been identified in the consolidated financial statements as transactions between affiliates.

2. Summary of Significant Accounting Policies

Use of Estimates - Conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the 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.

Cash and Cash Equivalents - Cash and cash equivalents include all cash balances and investments in highly liquid financial instruments purchased with an original stated maturity of 90 days or less and temporary investments of cash in short-term money market securities.

Distributions - Under the terms of the LLC Agreement, we are required to make quarterly distributions to the members based on Available Cash, as the term is defined in the LLC Agreement. Available Cash distributions are paid pursuant to the members' respective ownership percentages at the date the distributions are due.

Estimated Fair Value of Financial Instruments - The fair value of cash and cash equivalents, accounts receivable and accounts payable included in the consolidated balance sheets are not materially different from their carrying amounts because of the short-term nature of these instruments. We may invest available cash balances in short-term money market securities. As of December 31, 2019 and 2018, we invested \$8.9 million and \$5.6 million, respectively, in short-term money market securities which are included in cash and cash equivalents in our consolidated balance sheets. Given that the short-term money market securities are publicly traded and market prices are readily available, these investments are considered Level 1 fair value measurements.

Concentration of Credit Risk - Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash and accounts receivable. We extend credit to customers and other parties in the normal course of business

DCP SOUTHERN HILLS PIPELINE, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
Years Ended December 31, 2019, 2018 and 2017

and have established various procedures to manage our credit exposure, including initial credit approvals, credit limits and rights of offset.

Property, Plant and Equipment - Property, plant and equipment are recorded at historical cost. The cost of maintenance and repairs, which are not significant improvements, are expensed when incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Long-Lived Assets - We periodically evaluate whether the carrying value of long-lived assets has been impaired when circumstances indicate the carrying value of those assets may not be recoverable. This evaluation is based on undiscounted cash flow projections. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. We consider various factors when determining if these assets should be evaluated for impairment, including but not limited to:

- a significant adverse change in legal factors or business climate;
- a current-period operating or cash flow loss combined with a history of operating or cash flow losses, or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset;
- an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset;
- significant adverse changes in the extent or manner in which an asset is used, or in its physical condition;
- a significant adverse change in the market value of an asset; or
- a current expectation that, more likely than not, an asset will be sold or otherwise disposed of before the end of its estimated useful life.

If the carrying value is not recoverable, the impairment loss is measured as the excess of the asset's carrying value over its fair value. We assess the fair value of long-lived assets using commonly accepted techniques, and may use more than one method, including, but not limited to, recent third party comparable sales and discounted cash flow models. Significant changes in market conditions resulting from events such as the condition of an asset or a change in management's intent to utilize the asset would generally require management to reassess the cash flows related to the long-lived assets.

Revenue Recognition - Our operating revenues are primarily derived from services related to transportation of NGLs. Revenues from transportation agreements are recognized based on contracted volumes transported in the period the services are provided. Our contracts generally have terms that extend beyond one year, and are recognized over time. The performance obligation for most of our contracts encompasses a series of distinct services performed on discrete daily quantities of NGLs for purposes of allocating variable consideration and recognizing revenue while the customer simultaneously receives and consumes the benefits of the services provided. Revenue is recognized over time consistent with the transfer of goods or services over time to the customer based on daily volumes delivered. Consideration is generally variable, and the transaction price cannot be determined at the inception of the contract, because the volume of NGLs for which the service is provided is only specified on a daily or monthly basis. The transaction price is determined at the time the service is provided as the uncertainty is resolved.

Contract liabilities - We have contracts with customers whereby the customer reimburses us for costs we incur to construct certain connections to our operating assets. These agreements are typically entered into in conjunction with transportation agreements with customers. Prior to January 1, 2018 we previously accounted for these arrangements as a reduction to the cost basis of our long-lived assets which were amortized as a reduction to depreciation expense over the estimated useful life of the related assets. Under the accounting guidance currently effective we record these payments as deferred revenue which will be amortized into revenue over the expected contract term.

DCP SOUTHERN HILLS PIPELINE, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
Years Ended December 31, 2019, 2018 and 2017

Significant Customers - There was no third party customer that accounted for more than 10% of total operating revenue for the years ended December 31, 2019, 2018 and 2017. There were significant transactions with affiliates for each of the years ended December 31, 2019, 2018 and 2017. See Note 6, Summary of Transactions with Affiliates.

Environmental Expenditures - Environmental expenditures are expensed or capitalized as appropriate, depending upon the future economic benefit. Expenditures that relate to an existing condition caused by past operations and that do not generate current or future revenue are expensed. Liabilities for these expenditures are recorded on an undiscounted basis when environmental assessments and/or clean-ups are probable and the costs can be reasonably estimated.

Income Taxes - We are structured as a limited liability company, which is a pass-through entity for federal income tax purposes. As a limited liability company, we do not pay federal income taxes. Instead, our income or loss for tax purposes is allocated to each of the members for inclusion in their respective tax returns. Consequently, no provision for federal income taxes has been reflected in these consolidated financial statements. We are subject to the Texas margin tax, which is treated as a state income tax. We follow the asset and liability method of accounting for state income taxes. Under this method, deferred income taxes are recognized for the tax consequences of temporary differences between the consolidated financial statement carrying amounts and the tax basis of the assets and liabilities. For the years ended December 31, 2019, 2018 and 2017, deferred state income tax expense totaled \$0.2 million, \$0.1 million and \$0.2 million, respectively. For the years ended December 31, 2019, 2018 and 2017, current state income tax expense totaled \$0.2 million, \$0.2 million and \$0.1 million, respectively.

3. Recent Accounting Pronouncements

Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU"), 2016-13 "Financial Instruments-Credit Losses (Topic 326)," or ASU 2016-13 - In June 2016, the FASB issued ASU 2016-13, which requires measuring all expected credit losses for financial instruments held at the reporting date based on historical experience and immediate recognition of management's estimates of current expected credit losses. We adopted this ASU on January 1, 2020 and it did not have a material impact on our consolidated financial statements.

FASB ASU, 2016-02 "Leases (Topic 842)" or ASU 2016-02 - In February 2016, the FASB issued ASU 2016-02, which requires lessees to recognize a lease liability on a discounted basis and the right of use of a specified asset at the commencement date for all leases. We adopted this ASU on January 1, 2019 using the modified retrospective approach without application to prior periods. We implemented the following practical expedients and policy elections permitted under the new standard: (a) the package of practical expedients allowing us to not reassess whether expired or existing contracts contain a lease, the lease classification for any expired or existing leases and the treatment of initial direct costs for any expired or existing leases, (b) the land easement practical expedient, allowing us to carry forward our current accounting treatment for land easements in existing agreements, (c) not recognizing lease assets or liabilities when lease terms are less than twelve months and (d) for agreements that contain both lease and non-lease components, the company combines these components together and accounting for them as a single lease for all asset types.

The cumulative effect of the changes made to our consolidated January 1, 2019 balance sheet for the adoption of Topic 842 did not have material impact on our consolidated balance sheet or consolidated statement of cash flows.

FASB ASU 2014-09 "Revenue from Contracts with Customers (Topic 606)," or ASU 2014-09 and related interpretations and amendments - In May 2014, the FASB issued ASU 2014-09, which supersedes the revenue recognition requirements of Accounting Standards Codification Topic 605 "Revenue Recognition." We adopted this ASU on January 1, 2018 using the modified retrospective method. Under the new standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. We recognized the initial cumulative effect of applying this ASU as an adjustment to the 2018 opening balance of members' equity.

DCP SOUTHERN HILLS PIPELINE, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
Years Ended December 31, 2019, 2018 and 2017

The adjustment to members' equity represents the difference between amortizing deferred customer balances over the fixed asset useful life versus the estimated contract term. The cumulative effect of the changes made to our consolidated January 1, 2018 balance sheet for the adoption of Topic 606 was as follows:

	Balance at December 31, 2017	Adjustments due to ASU 2014-09	Balance at January 1, 2018
	(millions)		
Balance sheet			
Assets			
Property, plant and equipment, net	\$ 902.1	\$ 17.9	\$ 920.0
Liabilities and members' equity			
Liabilities			
Contract liabilities	\$ —	\$ 14.4	\$ 14.4
Members' equity	\$ 906.3	\$ 3.5	\$ 909.8

In accordance with the new revenue standard requirements, the impact of adoption on our consolidated statement of operations and balance sheet was as follows:

	Year Ended December 31, 2018		
	As Reported	Balances Without Adoption of ASC 606	Effect of Change
	(millions)		
Statement of operations			
Operating revenues			
Transportation	\$ 166.4	\$ 164.6	\$ 1.8
Operating costs and expenses			
Depreciation expense	\$ 21.2	\$ 20.8	\$ 0.4
December 31, 2018			
	As Reported	Balances Without Adoption of ASC 606	Effect of Change
	(millions)		
Balance sheet			
Assets			
Property, plant and equipment, net	\$ 908.3	\$ 889.4	\$ 18.9
Liabilities and members' equity			
Liabilities			
Contract liabilities	\$ 15.5	\$ —	\$ 15.5
Members' equity	\$ 894.4	\$ 896.5	\$ (2.1)

DCP SOUTHERN HILLS PIPELINE, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
Years Ended December 31, 2019, 2018 and 2017

Aside from the adjustments to the opening consolidated balance sheet noted above, the impact of adoption on our consolidated total operating, financing or investing activities of our consolidated statement of cash flows for the period ended December 31, 2018 was immaterial.

	Year Ended December 31, 2019	Year Ended December 31, 2018
	(millions)	
Balance, beginning of period	\$ 14.5	\$ 14.4
Additions	—	2.9
Revenue recognized (a)	(1.4)	(1.8)
Balance, end of period	13.1	15.5
Current contract liabilities	—	(1.0)
Long-term contract liabilities	\$ 13.1	\$ 14.5

(a) Deferred revenue recognized is in transportation revenues on the consolidated statement of operations.

6. Summary of Transactions with Affiliates

DCP Midstream

Under the LLC Agreement, we are required to reimburse DCP Midstream for any direct costs or expenses (other than general and administration services) incurred by DCP Midstream on our behalf. Additionally, we pay DCP Midstream an annual service fee of \$5.0 million, for centralized corporate functions provided by DCP Midstream on our behalf, including legal, accounting, cash management, insurance administration and claims processing, risk management, health, safety and environmental, information technology, human resources, credit, payroll, taxes and engineering. These expenses are included in general and administrative expense - affiliates in the consolidated statements of operations. Except with respect to the annual service fee, there is no limit on the reimbursements we make to DCP Midstream under the LLC Agreement for other expenses and expenditures incurred or payments made on our behalf.

We have entered into transportation agreements with DCP Midstream, which include a commitment to transport volumes at rates defined in our tariffs. These 15-year transportation agreements became effective in June 2013. We currently, and anticipate to continue to, transact with DCP Midstream in the ordinary course of business. DCP Midstream was a significant customer during the years ended December 31, 2019, 2018 and 2017.

DCP Sand Hills Pipeline, LLC

We have a long-term capacity arrangement with DCP Sand Hills Pipeline, LLC, or Sand Hills, which expires in March 2023. Under the terms of this agreement, Southern Hills has the right to transport minimum throughput volumes on the Sand Hills pipeline at rates defined in the transportation agreement.

DCP SOUTHERN HILLS PIPELINE, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
Years Ended December 31, 2019, 2018 and 2017

Summary of Transactions with Affiliates

The following table summarizes our transactions with affiliates:

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
(millions)			
DCP Midstream and its affiliates:			
Transportation - affiliates	\$ 173.8	\$ 157.6	\$ 127.7
Other revenue - affiliates	\$ —	\$ 0.8	\$ —
General and administrative expense - affiliates	\$ 1.2	\$ —	\$ 0.1
Cost of transportation - affiliates	\$ 5.0	\$ 5.0	\$ 5.0
Phillips 66:			
General and administrative expense - affiliates	\$ 0.2	\$ 0.2	\$ 0.2
Sand Hills:			
Cost of transportation - affiliates	\$ 3.5	\$ 3.3	\$ 3.2

We had balances with affiliates as follows:

	December 31, 2019	December 31, 2018
(millions)		
DCP Midstream and its affiliates:		
Accounts receivable	\$ 15.3	\$ 14.0
Accounts payable	\$ 4.0	\$ 1.5
Contract liabilities	\$ 13.1	\$ 14.5
Phillips 66:		
Other current assets	\$ 0.1	\$ 0.1
Sand Hills:		
Accounts payable	\$ 0.3	\$ 0.3

DCP SOUTHERN HILLS PIPELINE, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
Years Ended December 31, 2019, 2018 and 2017

7. Property, Plant and Equipment

Property, plant and equipment by classification is as follows:

	Depreciable Life	December 31, 2019	December 31, 2018
(millions)			
Transmission systems	20-50 Years	\$ 1,050.4	\$ 1,010.6
Other	3-30 Years	4.6	3.9
Land		2.0	2.0
Construction work in progress		8.8	6.7
Property, plant and equipment		1,065.8	1,023.2
Accumulated depreciation		(136.3)	(114.9)
Property, plant and equipment, net		\$ 929.5	\$ 908.3

8. Commitments and Contingent Liabilities

Regulatory Compliance - In the ordinary course of business, we are subject to various laws and regulations. In the opinion of our management, compliance with existing laws and regulations will not materially affect our consolidated results of operations, financial position, or cash flows.

Litigation - We are not party to any significant legal proceedings, but are a party to various administrative and regulatory proceedings and various commercial disputes that arose during the development of the Southern Hills pipeline and in the ordinary course of our business. Management currently believes that the ultimate resolution of the foregoing matters, taken as a whole and after consideration of amounts accrued, insurance coverage and other indemnification arrangements, will not have a material adverse effect on our consolidated results of operations, financial position, or cash flows.

General Insurance - Insurance for Southern Hills is written in the commercial markets and through affiliate companies, which management believes is consistent with companies engaged in similar commercial operations with similar assets. Our insurance coverage includes general liability and excess liability insurance above the established primary limits for general liability. 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 for transporting NGLs is subject to stringent and complex laws and regulations pertaining to health, safety, and the environment. As an owner or operator of these facilities, we must comply with United States laws and regulations at the federal, state, and, in some cases, local levels that relate to worker safety, pipeline safety, air and water quality, solid and hazardous waste storage, management, transportation and disposal, and other environmental matters. The cost of planning, designing, constructing, and operating pipelines incorporates compliance with environmental laws and regulations, worker safety standards, and safety standards applicable to our various facilities. In addition, there is increasing focus from (i) regulatory bodies and communities, and through litigation, on hydraulic fracturing and the real or perceived environmental or public health impacts of this technique, which indirectly presents some risk to the available supply of natural gas and the resulting supply of NGLs, (ii) regulatory bodies regarding pipeline system safety which could impose additional regulatory burdens and increase the cost of our operations, and (iii) regulatory bodies and communities that could prevent or delay the development of fossil fuel energy infrastructure such as pipeline and associated facilities used in our business. Failure to comply with 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 existing laws and regulations will not have a material adverse effect on our consolidated results of operations, financial position, or cash flows.

DCP SOUTHERN HILLS PIPELINE, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
Years Ended December 31, 2019, 2018 and 2017

Purchase Obligations - We have capacity arrangements which terminate March 2023 and December 2029, with options to renew annually thereafter. Under the terms of these agreements, Southern Hills has the right to transport minimum throughput volumes on other pipelines at rates defined in the capacity arrangement. The expected cost to reserve the capacity over the term is as follows:

	(millions)
2020	\$ 17.8
2021	17.8
2022	17.8
2023	15.4
2024	14.6
Thereafter	73.0
Total obligations	\$ 156.4

During the year ended December 31, 2019, the fixed cost of transportation under this arrangement was \$3.2 million.

9. Supplemental Cash Flow Information

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
	(millions)		
Non-cash investing and financing activities:			
Property, plant and equipment acquired with accrued liabilities and accounts payable	\$ 9.9	\$ 4.6	\$ 0.1
Cumulative effect of applying ASU 2014-09 on property, plant and equipment	\$ —	\$ 17.9	\$ —
Cumulative effect of applying ASU 2014-09 on contract liabilities	\$ —	\$ (14.4)	\$ —
Cumulative effect of applying ASU 2014-09 on members' equity	\$ —	\$ (3.5)	\$ —
Other non-cash changes in property, plant and equipment, net	\$ 0.1	\$ —	\$ —

10. Subsequent Events

We have evaluated subsequent events occurring through February 7, 2020, the date the consolidated financial statements were available to be issued and have identified no events that require adjustments to or disclosure in these consolidated financial statements.

(b) Exhibits

Exhibit Number	Description
2.1	*# Contribution, Conveyance and Assumption Agreement, dated December 7, 2005, among DCP Midstream Partners, LP, DCP Midstream Operating LP, DCP Midstream GP, LLC, DCP Midstream GP, LP, Duke Energy Field Services, LLC, DEFS Holding 1, LLC, DEFS Holding, LLC, DCP Assets Holdings, LP, DCP Assets Holdings, GP, LLC, Duke Energy Guadalupe Pipeline Holdings, Inc., Duke Energy NGL Services, LP, DCP LP Holdings, LP and DCP Black Lake Holdings, LLC (attached as Exhibit 10.3 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on December 12, 2005).
2.2	*# Contribution Agreement, dated October 9, 2006, between DCP LP Holdings, LP and DCP Midstream Partners, LP (attached as Exhibit 10.1 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on October 13, 2006).
2.3	*# Purchase and Sale Agreement, dated March 7, 2007, between Anadarko Gathering Company, Anadarko Energy Services Company and DCP Midstream Partners, LP (attached as Exhibit 99.1 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on May 14, 2007).
2.4	*# Contribution and Sale Agreement, dated May 21, 2007, between Gas Supply Resources Holdings, Inc., DCP Midstream, LLC and DCP Midstream Partners, LP (attached as Exhibit 10.1 to DCP Midstream Partners LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on May 25, 2007).
2.5	*# Contribution Agreement, dated May 23, 2007, among DCP LP Holdings, LP, DCP Midstream, LLC, DCP Midstream GP, LP and DCP Midstream Partners, LP (attached as Exhibit 10.1 to DCP Midstream Partners LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on May 25, 2007).
2.6	*# Contribution Agreement dated February 24, 2009, among DCP LP Holdings, LLC, DCP Midstream GP, LP, DCP Midstream, LLC, and DCP Midstream Partners, LP (attached as Exhibit 10.16 to DCP Midstream Partners, LP's Annual Report on Form 10-K (File No. 001-32678) filed with the SEC on March 5, 2009).
2.7	*# Purchase and Sale Agreement by and Among DCP Midstream, LLC and DCP Midstream Partners, LP dated as of November 4, 2010 (attached as Exhibit 2.1 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on November 8, 2010).
2.8	*# Contribution Agreement between DCP Southeast Texas, LLC and DCP Partners SE Texas LLC dated as of November 4, 2010 (attached as Exhibit 2.2 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on November 8, 2010).
2.9	*# Contribution Agreement, dated November 4, 2011, among DCP LP Holdings, LLC, DCP Midstream GP, LP, DCP Midstream, LLC and DCP Midstream Partners, LP (attached as Exhibit 10.7 to DCP Midstream, LLC's Schedule 13D (File No. 005-81287) dated as of January 13, 2012).
2.10	*# Contribution Agreement, dated February 27, 2012, among DCP LP Holdings, LLC, DCP Midstream, LLC and DCP Midstream Partners, LP (attached as Exhibit 2.1 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on March 1, 2012).
2.11	* First Amendment to Contribution Agreement, dated March 30, 2012, among DCP LP Holdings, LLC, DCP Midstream, LLC and DCP Midstream Partners, LP (attached as Exhibit 2.1 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on April 5, 2012).
2.12	*# Contribution Agreement among DCP LP Holdings, LLC, DCP Midstream, LLC and DCP Midstream Partners, LP dated June 25, 2012 (attached as Exhibit 2.1 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on June 29, 2012).
2.13	*# Contribution Agreement, dated November 2, 2012, among DCP LP Holdings, LLC, DCP Midstream GP, LP, DCP Midstream, LLC, and DCP Midstream Partners, LP (attached as Exhibit 2.1 to DCP Midstream Partners LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on November 7, 2012).
2.14	*# Contribution Agreement dated February 27, 2013 among DCP LP Holdings, LLC, DCP Midstream, LLC and DCP Midstream Partners, LP (attached as Exhibit 2.1 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on February 27, 2013).
2.15	* First Amendment to Contribution Agreement, dated March 28, 2013, among DCP LP Holdings, LLC, DCP Midstream, LLC, and DCP Midstream Partners, LP (attached as Exhibit 2.1 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on April 3, 2013).
2.16	*# Purchase and Sale Agreement (O'Connor Plant) by and between DCP Midstream Partners, LP and DCP Midstream, LP dated August 5, 2013 (attached as Exhibit 2.1 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on August 6, 2013).
2.17	*# Purchase and Sale Agreement (Front Range Pipeline) by and among DCP Midstream Partners, LP and DCP Midstream, LP dated August 5, 2013 (attached as Exhibit 2.2 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on August 6, 2013).

Exhibit Number	Description
2.18	*# Purchase and Sale Agreement, dated February 25, 2014, by and between DCP Midstream, LP, as seller, and DCP Midstream Partners, LP, as buyer (attached as Exhibit 2.2 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on February 26, 2014).
2.19	*# Contribution Agreement, dated February 25, 2014, among DCP LP Holdings, LLC, DCP Midstream GP, LP, DCP Midstream, LLC, and DCP Midstream Partners, LP (attached as Exhibit 2.1 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on February 26, 2014).
2.20	* First Amendment to Contribution Agreement, dated February 27, 2014, among DCP LP Holdings, LLC, DCP Midstream GP, LP, DCP Midstream, LLC, and DCP Midstream Partners, LP (attached as Exhibit 2.1 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on February 28, 2014).
2.21	* Second Amendment to Contribution Agreement, dated March 28, 2014, among DCP LP Holdings, LLC, DCP Midstream GP, LP, DCP Midstream, LLC, and DCP Midstream Partners, LP (attached as Exhibit 2.1 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on April 2, 2014).
2.22	*# Contribution Agreement, dated December 30, 2016, by and among DCP Midstream, LLC, DCP Midstream Partners, LP and DCP Midstream Operating, LP (attached as Exhibit 2.1 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on January 6, 2017).
3.1	* Certificate of Limited Partnership of DCP Midstream Partners, LP dated August 5, 2005 (attached as Exhibit 3.1 to DCP Midstream Partners, LP's Registration Statement on Form S-1 (File No. 333-128378) filed with the SEC on September 16, 2005).
3.2	* Certificate of Amendment to Certificate of Limited Partnership of DCP Midstream Partners, LP dated January 11, 2017 (attached as Exhibit 3.1 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on January 17, 2017).
3.3	* Fifth Amended and Restated Agreement of Limited Partnership of DCP Midstream, LP dated November 6, 2019 (attached as Exhibit 3.1 to DCP Midstream, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on November 8, 2019).
4.1	* Indenture dated as of September 30, 2010 for the issuance of debt securities between DCP Midstream Operating, LP, as issuer, any Guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as trustee (attached as Exhibit 4.1 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on September 30, 2010).
4.2	* Second Supplemental Indenture dated as of March 13, 2012 to Indenture dated as of September 30, 2010 between DCP Midstream Operating, LP, as issuer, DCP Midstream Partners, LP, as guarantor, and the Bank of New York Mellon Trust Company, N.A., as trustee (attached as Exhibit 4.2 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on March 13, 2012).
4.3	* Third Supplemental Indenture dated as of June 14, 2012 to Indenture dated as of September 30, 2010 between DCP Midstream Operating, LP, as issuer, DCP Midstream Partners, LP, as guarantor, and the Bank of New York Mellon Trust Company, N.A., as trustee (attached as Exhibit 4.1 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on June 14, 2012).
4.4	* Fifth Supplemental Indenture dated as of March 14, 2013 to Indenture dated as of September 30, 2010 between DCP Midstream Operating, LP, as issuer, DCP Midstream Partners, LP, as guarantor, and the Bank of New York Mellon Trust Company, N.A., as trustee (attached as Exhibit 4.3 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on March 14, 2013).
4.5	* Sixth Supplemental Indenture dated as of March 13, 2014 to Indenture dated as of September 30, 2010 between DCP Midstream Operating, LP, as issuer, DCP Midstream Partners, LP, as guarantor, and the Bank of New York Mellon Trust Company, N.A., as trustee (attached as Exhibit 4.3 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on March 13, 2014).
4.6	* Seventh Supplemental Indenture dated as of July 17, 2018 to Indenture dated as of September 30, 2010 between DCP Midstream Operating, LP, as issuer, DCP Midstream, LP, as guarantor, and the Bank of New York Mellon Trust Company, N.A., as trustee (attached as Exhibit 4.3 to DCP Midstream, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on July 17, 2018).
4.7	* Eighth Supplemental Indenture dated as of May 10, 2019 to Indenture dated as of September 30, 2010 between DCP Midstream Operating, LP, as issuer, DCP Midstream, LP, as guarantor, and the Bank of New York Mellon Trust Company, N.A., as trustee (attached as Exhibit 4.3 to DCP Midstream, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on May 10, 2019).
4.8	* Indenture, dated as of August 16, 2000, by and between Duke Energy Field Services, LLC and The Chase Manhattan Bank (attached as Exhibit 4.1 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on January 6, 2017).

Exhibit Number	Description
4.9	* First Supplemental Indenture, dated August 16, 2000, by and between Duke Energy Field Services, LLC and The Chase Manhattan Bank (attached as Exhibit 4.1 to DCP Midstream, LLC's Current Report on Form 8-K (File No. 000-31095) filed with the SEC on August 16, 2000).
4.10	* Fifth Supplemental Indenture, dated as of October 27, 2006, by and between Duke Energy Field Services, LLC and The Bank of New York (as successor to JPMorgan Chase Bank, N.A., formerly known as The Chase Manhattan Bank) (attached as Exhibit 4.3 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on January 6, 2017).
4.11	* Sixth Supplemental Indenture, dated September 17, 2007, by and between DCP Midstream, LLC (formerly known as Duke Energy Field Services, LLC) and The Bank of New York (as successor to JPMorgan Chase Bank, N.A., formerly known as The Chase Manhattan Bank) (attached as Exhibit 4.4 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on January 6, 2017).
4.12	* Ninth Supplemental Indenture, dated March 11, 2010, by and between DCP Midstream, LLC (formerly known as Duke Energy Field Services, LLC) and The Bank of New York Mellon Trust Company, N.A. (as successor to The Bank of New York Mellon, as successor to JPMorgan Chase Bank, N.A., formerly known as The Chase Manhattan Bank) (attached as Exhibit 4.6 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on January 6, 2017).
4.13	* Tenth Supplemental Indenture, dated September 19, 2011, by and between DCP Midstream, LLC (formerly known as Duke Energy Field Services, LLC) and The Bank of New York Mellon Trust Company, N.A. (as successor to The Bank of New York Mellon, as successor to JPMorgan Chase Bank, N.A., formerly known as The Chase Manhattan Bank) (attached as Exhibit 4.7 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on January 6, 2017).
4.14	* Eleventh Supplemental Indenture, dated January 1, 2017, by and between DCP Midstream Operating, LP, DCP Midstream, LLC and The Bank of New York Mellon Trust Company, N.A. (as successor to The Bank of New York Mellon, as successor to JPMorgan Chase Bank, N.A., formerly known as The Chase Manhattan Bank) (attached as Exhibit 4.8 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on January 6, 2017).
4.15	* Twelfth Supplemental Indenture, dated January 1, 2017, by and among DCP Midstream Operating, LP (as successor to DCP Midstream, LLC (formerly known as Duke Energy Field Services, LLC)), DCP Midstream Partners, LP and The Bank of New York Mellon Trust Company, N.A. (as successor to The Bank of New York Mellon, as successor to JPMorgan Chase Bank, N.A., formerly known as The Chase Manhattan Bank) (attached as Exhibit 4.9 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on January 6, 2017).
4.16	* Indenture, dated as of May 21, 2013, by and between DCP Midstream Operating, LP (as issuer and successor to DCP Midstream, LLC) and the Bank of New York Mellon Trust Company, N.A (attached as Exhibit 4.10 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on January 6, 2017).
4.17	* First Supplemental Indenture, dated May 21, 2013, by and between DCP Midstream, LLC and the Bank of New York Mellon Trust Company, N.A (attached as Exhibit 4.11 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on January 6, 2017).
4.18	* Second Supplemental Indenture, dated January 1, 2017, by and between DCP Midstream Operating, LP, DCP Midstream, LLC and The Bank of New York Mellon Trust Company, N.A (attached as Exhibit 4.12 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on January 6, 2017).
4.19	* Form of Unit Certificate for 7.375% Series A Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units (attached as Exhibit 4.1 to DCP Midstream, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on November 20, 2017).
4.20	* Form of Unit Certificate for 7.875% Series B Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units (attached as Exhibit 4.1 to DCP Midstream, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on May 11, 2018).
4.21	* Form of Unit Certificate for 7.95% Series C Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units (attached as Exhibit 4.1 to DCP Midstream, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on October 4, 2018).
4.22	Description of Securities of DCP Midstream, LP.
10.1	* Amended and Restated Limited Liability Company Agreement of DCP Midstream GP, LLC dated December 7, 2005, as amended by Amendment No. 1 dated January 20, 2009 (attached as Exhibit 3.1 to DCP Midstream Partners, LP's Annual Report on Form 10-K (File No. 001-32678) filed with the SEC on March 5, 2009).

Exhibit Number	Description
10.2	* Amendment No. 2 to Amended and Restated Limited Liability Company Agreement of DCP Midstream GP, LLC dated February 14, 2013 (attached as Exhibit 3.1 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on February 21, 2013).
10.3	* Amendment No. 3 to Amended and Restated Limited Liability Company Agreement of DCP Midstream GP, LLC dated November 6, 2013 (attached as Exhibit 3.3 to DCP Midstream Partners, LP's Quarterly Report on Form 10-Q (File No. 001-32678) filed with the SEC on November 6, 2013).
10.4	* Amendment No. 4 to Amended and Restated Limited Liability Company Agreement of DCP Midstream GP, LLC dated December 30, 2016 (attached as Exhibit 10.4 to DCP Midstream, LP's Annual Report on Form 10-K (File No. 001-32678) filed with the SEC on February 15, 2017).
10.5	* First Amended and Restated Agreement of Limited Partnership of DCP Midstream GP, LP dated December 7, 2005 (attached as Exhibit 3.2 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on December 12, 2005).
10.6	*+ DCP Midstream Partners, LP 2012 Long-Term Incentive Plan (attached as Exhibit 10.26 to DCP Midstream Partners, LP's Annual Report on Form 10-K (File No. 001-32678) filed with the SEC on February 29, 2012).
10.7	*+ Form of Phantom Unit and DERs Grant for Directors under the DCP Midstream Partners, LP 2012 Long-Term Incentive Plan (attached as Exhibit 10.27 to DCP Midstream Partners, LP's Annual Report on Form 10-K (File No. 001-32678) filed with the SEC on February 29, 2012).
10.8	*+ Form of Performance Phantom Unit Grant Agreement and DERs Grant for Officers/Employees under the DCP Midstream Partners, LP 2012 Long-Term Incentive Plan (attached as Exhibit 10.28 to DCP Midstream Partners, LP's Annual Report on Form 10-K (File No. 001-32678) filed with the SEC on February 29, 2012).
10.9	*+ Form of Restricted Phantom Unit Grant Agreement and DERs Grant under the DCP Midstream Partners, LP 2012 Long-Term Incentive Plan (attached as Exhibit 10.29 to DCP Midstream Partners, LP's Annual Report on Form 10-K (File No. 001-32678) filed with the SEC on February 29, 2012).
10.10	*+ DCP Midstream Partners, LP 2016 Long-Term Incentive Plan (attached as Exhibit A to DCP Midstream Partners, LP's Definitive Proxy Statement on Schedule 14A (File No. 001-32678) filed with the SEC on March 15, 2016).
10.11	*+ DCP Services, LLC 2008 Long-Term Incentive Plan, as amended and restated effective March 1, 2017 (attached as Exhibit 10.3 to DCP Midstream, LP's Quarterly Report on Form 10-Q (File No. 001-32678) filed with the SEC on May 10, 2017).
10.12	*+ Form of Strategic Performance Unit Grant Agreement under the DCP Services, LLC 2008 Long-Term Incentive Plan.
10.13	*+ Form of Restricted Phantom Unit Grant Agreement under the DCP Services, LLC 2008 Long-Term Incentive Plan.
10.14	*+ DCP Midstream, LP Executive Deferred Compensation Plan (attached as Exhibit 10.18 to DCP Midstream, LP's Annual Report on Form 10-K (File No. 001-32678) filed with the SEC on February 15, 2017).
10.15	*+ DCP Midstream, LP Executive Deferred Compensation Plan Adoption Agreement (attached as Exhibit 10.19 to DCP Midstream, LP's Annual Report on Form 10-K (File No. 001-32678) filed with the SEC on February 15, 2017).
10.16	*+ DCP Services, LLC Executive Severance Plan.
10.17	*+ Amendment to the DCP Services, LLC Executive Severance Plan.
10.18	+ Separation Agreement between DCP Services, LLC and Brian Frederick dated December 11, 2019.
10.19	* Services and Employee Secondment Agreement, dated January 1, 2017, by and between DCP Services, LLC and DCP Midstream Partners, LP (attached as Exhibit 10.1 to DCP Midstream Partners, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on January 6, 2017).
10.20	* Second Amended and Restated Credit Agreement, dated as of December 6, 2017, by and among DCP Midstream Operating, LP, DCP Midstream, LP, Mizuho Bank, Ltd., as administrative agent, and the lenders party thereto (attached as Exhibit 10.1 to DCP Midstream, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on December 8, 2017).
10.21	* Receivables Financing Agreement, dated August 13, 2018, among DCP Receivables LLC, as borrower, the Partnership, as initial servicer, the lenders, LC participants and group agents that are parties thereto from time to time, PNC Bank National Association, as Administrative Agent and LC Bank and PNC Capital Markets LLC, as Structuring Agent (attached as Exhibit 10.1 to DCP Midstream, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on August 14, 2018).

Exhibit Number	Description
10.22	* Receivables Sale and Contribution Agreement, dated August 13, 2018, between the originators from time to time party thereto and DCP Receivables LLC (attached as Exhibit 10.2 to DCP Midstream, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on August 14, 2018).
10.23	* First Amendment to Receivables Financing Agreement, dated August 12, 2019, among DCP Receivables LLC, as borrower, DCP Midstream, LP, as initial servicer, the lenders, LC participants and group agents that are parties thereto from time to time, PNC Bank National Association, as Administrative Agent and LC Bank and PNC Capital Markets LLC, as Structuring Agent (attached as Exhibit 10.1 to DCP Midstream, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on August 12, 2019).
10.24	* Equity Restructuring Agreement, dated November 6, 2019, between DCP Midstream GP, LP and DCP Midstream, LP. (attached as Exhibit 10.1 to DCP Midstream, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on November 8, 2019).
10.25	* First Amendment to Second Amended and Restated Credit Agreement, dated as of December 9, 2019, by and among DCP Midstream Operating, LP, DCP Midstream, LP, Mizuho Bank, Ltd., as administrative agent, and the financial institutions party thereto (attached as Exhibit 10.2 to DCP Midstream, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on December 10, 2019).
10.26	* Second Amendment to Receivables Financing Agreement, dated December 23, 2019, among DCP Receivables LLC, as borrower, DCP Midstream, LP, as initial servicer, the lenders, LC participants and group agents that are parties thereto from time to time, PNC Bank National Association, as Administrative Agent and LC Bank and PNC Capital Markets LLC, as Structuring Agent (attached as Exhibit 10.3 to DCP Midstream, LP's Current Report on Form 8-K (File No. 001-32678) filed with the SEC on December 23, 2019).
21.1	List of Subsidiaries of DCP Midstream, LP.
23.1	Consent of Deloitte & Touche LLP on Consolidated Financial Statements of DCP Midstream, LP and the effectiveness of DCP Midstream, LP's internal control over financial reporting.
23.1	Consent of Deloitte & Touche LLP on Consolidated Financial Statements of DCP Sand Hills Pipeline, LLC and DCP Southern Hills Pipeline, LLC
23.3	Consent of Ernst & Young LLP on Consolidated Financial Statements of Discovery Producer Services LLC.
24.1	Power of Attorney (incorporated by reference to the signature page of this Annual Report on Form 10-K).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Financial statements from the Annual Report on Form 10-K of DCP Midstream, LP for the year ended December 31, 2019, formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Cash Flows, (v) the Consolidated Statements of Changes in Equity, and (vi) the Notes to the Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Such exhibit has heretofore been filed with the SEC as part of the filing indicated and is incorporated herein by reference.

+ Denotes management contract or compensatory plan or arrangement.

Pursuant to Item 601(b)(2) of Regulation S-K, the Partnership agrees to furnish supplementally a copy of any omitted schedule to the Securities and Exchange Commission upon request

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DCP Midstream, LP

By: DCP Midstream GP, LP
its General Partner

By: DCP Midstream GP, LLC
its General Partner

February 21, 2020

By: /s/ Wouter T. van Kempen

Name: Wouter T. van Kempen

Title: President and Chief Executive Officer
(Principal Executive Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints each of Wouter T. van Kempen and Sean P. O'Brien as his true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for him and in his name, place, and stead, in any and all capacities, to sign any and all amendments to this annual report, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title (Position with DCP Midstream GP, LLC)	Date
<u>/s/ Wouter T. van Kempen</u> Wouter T. van Kempen	Chief Executive Officer, President, Chairman of the Board and Director (Principal Executive Officer)	February 21, 2020
<u>/s/ Sean P. O'Brien</u> Sean P. O'Brien	Group Vice President and Chief Financial Officer (Principal Financial Officer)	February 21, 2020
<u>/s/ Richard A. Loving</u> Richard A. Loving	Chief Accounting Officer (Principal Accounting Officer)	February 21, 2020
<u>/s/ Allen C. Capps</u> Allen C. Capps	Director	February 21, 2020
<u>/s/ Fred J. Fowler</u> Fred J. Fowler	Director	February 21, 2020
<u>/s/ William F. Kimble</u> William F. Kimble	Director	February 21, 2020
<u>/s/ Mark Maki</u> Mark Maki	Director	February 21, 2020
<u>/s/ Brian Mandell</u> Brian Mandell	Director	February 21, 2020
<u>/s/ Bill Waycaster</u> Bill Waycaster	Director	February 21, 2020
<u>/s/ John Zuklic</u> John Zuklic	Director	February 21, 2020

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

As of December 31, 2019, DCP Midstream, LP has three classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): (1) our Common Units representing limited partnership interests; (2) our 7.875% Series B Fixed-to-Floating Rate Cumulative Redeemable Preferred Units; and (3) our 7.95% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Units.

The following description of our common units representing limited partnership interests (the "Common Units"), our 7.875% Series B Fixed-to-Floating Rate Cumulative Redeemable Preferred Units ("Series B Preferred Units"), and our 7.95% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Units ("Series C Preferred Units") is a summary and does not purport to be complete. It is subject to, and qualified in its entirety by, reference to our Fifth Amended and Restated Agreement of Limited Partnership (the "Partnership Agreement"), a copy of which is incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit is a part. Capitalized terms used herein that are not defined shall have the meaning ascribed to each such term in the Partnership Agreement. We encourage you to read our Partnership Agreement for additional information.

**Description of Common Units
Representing Limited Partnership Interests**

Number of Common Units

We have authorized the issuance of 208,329,928 Common Units, and as of February 20, 2020, we had 208,329,928 Common Units outstanding.

The Common Units

We currently have outstanding Common Units, which are limited partner interests in us. The holders of our Common Units are entitled to participate in partnership distributions and exercise the rights or privileges available to limited partners under the Partnership Agreement.

Our outstanding Common Units are listed on the NYSE under the symbol "DCP". Any additional common units we issue will also be listed on the NYSE.

Status as Limited Partner

By transfer of common units in accordance with our Partnership Agreement, each transferee of common units shall be admitted as a limited partner with respect to the common units transferred when such transfer and admission is reflected in our books and records.

A transferee will automatically become a substituted limited partner of our partnership for the transferred common units upon the recording of the transfer on our books and records. Our general partner will cause any transfers to be recorded on our books and records from time to time.

Voting Rights

The following is a summary of the unitholder vote required for the matters specified below. In voting their Common Units, our general partner, DCP Midstream GP, LP (our "general partner") and its affiliates will have no fiduciary duty or obligation whatsoever to us or the limited partners, including any duty to act in good faith or in the best interests of us or the limited partners.

Issuance of Additional Securities

Our Partnership Agreement authorizes us to issue an unlimited number of additional partnership securities for the consideration and on the terms and conditions determined by our general partner without the approval of the unitholders.

It is possible that we will fund acquisitions through the issuance of additional common units, subordinated units or other partnership securities. Holders of any additional common units that we issue in the future will be entitled to share equally in our distributions of available cash with the then-existing holders of common units. In addition, the issuance of additional common units or other partnership securities may dilute the value of the interests of the then-existing holders of common units in our net assets.

In accordance with Delaware law and the provisions of our Partnership Agreement, we may also issue additional partnership securities that, as determined by our general partner, may have special voting rights to which the common units are not entitled. In addition, our Partnership Agreement does not prohibit the issuance by our subsidiaries of equity securities, which may effectively rank senior to the common units.

Amendment of the Partnership Agreement

Amendments to our Partnership Agreement may be proposed only by or with the consent of our general partner. However, our general partner will have no duty or obligation to propose any amendment and may decline to do so free of any fiduciary duty or obligation whatsoever to us or the limited partners, including any duty to act in good faith or in the best interests of us or the limited partners. In order to adopt a proposed amendment, other than the amendments discussed below, our general partner is required to seek written approval of the holders of the number of units required to approve the amendment or call a meeting of the limited partners to consider and vote upon the proposed amendment. Except as described below, an amendment must be approved by at least a Unit Majority.

No amendment may be made that would:

- enlarge the obligations of any limited partner without its consent, unless approved by at least a majority of the type or class of limited partner interests so affected; or
- enlarge the obligations of, restrict in any way any action by or rights of, or reduce in any way the amounts distributable, reimbursable or otherwise payable by us to our general partner or any of its affiliates without the consent of our general partner, which consent may be given or withheld at its option.

The provision of our Partnership Agreement preventing the amendments having the effects described in any of the clauses above can be amended upon the approval of the holders of at least 90% of the outstanding units voting together as a single class (including units owned by our general partner and its affiliates), only if we obtain an opinion of counsel to the effect that such amendment will not affect the limited liability of any limited partner under the Delaware Revised Uniform Limited Partnership Act (the "Delaware Act"). As of December 31, 2019, our general partner and its affiliates owned approximately 57% of the outstanding common units.

Our general partner may generally make amendments to our Partnership Agreement without the approval of any limited partner or assignee to reflect:

- a change in our name, the location of our principal place of our business, our registered agent or our registered office;
 - the admission, substitution, withdrawal or removal of partners in accordance with our Partnership Agreement;
 - a change that our general partner determines to be necessary or appropriate to qualify or continue our qualification as a limited partnership or a partnership in which the limited partners have limited liability under the laws of any state or to ensure that neither we nor the operating partnership nor any of its subsidiaries will be treated as an association taxable as a corporation or otherwise taxed as an entity for federal income tax purposes;
 - an amendment that is necessary, in the opinion of our counsel, to prevent us or our general partner or its directors, officers, agents or trustees from, in any manner, being subjected to the provisions of the Investment Company Act of 1940, the Investment Advisors Act of 1940, or "plan asset" regulations adopted under the Employee Retirement Income Security Act of 1974, or ERISA, whether or not substantially similar to plan asset regulations currently applied or proposed by the U.S. Department of Labor;
 - an amendment expressly permitted in our Partnership Agreement to be made by our general partner acting alone;
 - an amendment effected, necessitated or contemplated by a merger agreement that has been approved under the terms of our Partnership Agreement;
 - an amendment that our general partner determines to be necessary or appropriate for the formation by us of, or our investment in, any corporation, partnership, or other entity, as otherwise permitted by our Partnership Agreement;
 - a change in our fiscal year or taxable year and related changes;
 - conversions into, mergers with or conveyances to another limited liability entity that is newly formed and has no assets, liabilities or operations at the time of the conversion, merger or conveyance other than those it receives by way of the conversion, merger or conveyance; or
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- any other amendments substantially similar to any of the matters described in the clauses above.

In addition, our general partner may make amendments to our Partnership Agreement without the approval of any limited partner if our general partner determines that those amendments:

- do not adversely affect the limited partners (or any particular class of limited partners) in any material respect;
- are necessary or appropriate to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state agency or judicial authority or contained in any federal or state statute;
- are necessary or appropriate to facilitate the trading of limited partner interests or to comply with any rule, regulation, guideline or requirement of any national securities exchange on which the limited partner interests are or will be listed or admitted to trading;
- are necessary or appropriate for any action taken by our general partner relating to splits or combinations of units under the provisions of our Partnership Agreement; or
- are required to effect the intent expressed in our original registration statement on Form S-1 (File No. 333-128378), filed with the SEC on September 16, 2005, as amended or supplemented, or the intent of the provisions of our Partnership Agreement or are otherwise contemplated by our Partnership Agreement.

Merger, Consolidation, Conversion, Sale or Other Disposition of Assets

A merger, consolidation or conversion of us requires the prior consent of our general partner. However, our general partner will have no duty or obligation to consent to any merger, consolidation or conversion and may decline to do so free of any fiduciary duty or obligation whatsoever to us or the limited partners, including any duty to act in good faith or in the best interest of us or the limited partners.

In addition, the Partnership Agreement generally prohibits our general partner, without the prior approval of the holders of a unit majority, from causing us to, among other things, sell, exchange or otherwise dispose of all or substantially all of our assets in a single transaction or a series of related transactions, including by way of merger, consolidation or other combination, or approving on our behalf the sale, exchange or other disposition of all or substantially all of the assets of our subsidiaries. Our general partner may, however, mortgage, pledge, hypothecate or grant a security interest in all or substantially all of our assets without that approval. Our general partner may also sell all or substantially all of our assets under a foreclosure or other realization upon those encumbrances without that approval. Finally, our general partner may consummate any merger without the prior approval of our unitholders if we are the surviving entity in the transaction, our general partner has received an opinion of counsel regarding limited liability and tax matters, the transaction would not result in a material amendment to the Partnership Agreement, each of our units will be an identical unit of our partnership following the transaction, and the partnership securities to be issued in connection with such merger or consolidation do not exceed 20% of our outstanding partnership securities immediately prior to the transaction.

If the conditions specified in the Partnership Agreement are satisfied, our general partner may convert us or any of our subsidiaries into a new limited liability entity or merge us or any of our subsidiaries into, or convey all of our assets to, a newly formed entity if the sole purpose of that conversion, merger or conveyance is to effect a mere change in our legal form into another limited liability entity, our general partner has received an opinion of counsel regarding limited liability and tax matters, and the governing instruments of the new entity provide the limited partners and the general partner with the same rights and obligations as contained in the Partnership Agreement. The unitholders are not entitled to dissenters' rights of appraisal under the Partnership Agreement or applicable Delaware law in the event of a conversion, merger or consolidation, a sale of substantially all of our assets or any other similar transaction or event.

Termination and Dissolution

We will continue as a limited partnership until terminated under our Partnership Agreement. We will dissolve upon:

- the election of our general partner to dissolve us, if approved by the holders of units representing a unit majority;
 - there being no limited partners, unless we are continued without dissolution in accordance with the Delaware Act;
 - the entry of a decree of judicial dissolution of our partnership; or
 - the withdrawal or removal of our general partner or any other event that results in its ceasing to be our general partner other than by reason of a transfer of its general partner interest in accordance with our Partnership Agreement or withdrawal or removal following approval and admission of a successor.
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Upon a dissolution under the last clause above, the holders of a unit majority may also elect, within specific time limitations, to continue our business on the same terms and conditions described in our Partnership Agreement by appointing as a successor general partner an entity approved by the holders of units representing a unit majority, subject to our receipt of an opinion of counsel to the effect that:

- the action would not result in the loss of limited liability of any limited partner; and
- neither our partnership, our operating partnership, nor any of our other subsidiaries, would be treated as an association taxable as a corporation or otherwise be taxable as an entity for federal income tax purposes upon the exercise of that right to continue.

Liquidation and Distribution of Proceeds

Upon our dissolution, unless we are continued as a new limited partnership, the liquidator authorized to wind up our affairs will act with all of the powers of our general partner that are necessary or appropriate to liquidate our assets and apply the proceeds of the liquidation. The liquidator may defer liquidation or distribution of our assets for a reasonable period of time or distribute assets to our partners. The liquidator may distribute our assets, in whole or in part, in kind if it determines that a sale would be impractical or would cause undue loss to our partners.

Withdrawal or Removal of the General Partner

Our general partner may withdraw as general partner without obtaining approval of any unitholder by giving 90 days' written notice, provided that such withdrawal will not constitute a violation of our Partnership Agreement.

In addition, the Partnership Agreement permits our general partner in some instances to sell or otherwise transfer all of its general partner interest in us without the approval of the unitholders.

Upon withdrawal of our general partner under any circumstances, other than as a result of a transfer by our general partner of all or a part of its general partner interest in us, the holders of a unit majority, voting as a single class, may select a successor to the withdrawing general partner. If a successor is not elected, or is elected but an opinion of counsel regarding limited liability and tax matters cannot be obtained, we will be dissolved, wound up and liquidated, unless within a specified period after that withdrawal, the holders of a unit majority agree in writing to continue our business and to appoint a successor general partner.

Our general partner may not be removed unless that removal is approved by the vote of the holders of not less than 66 $\frac{2}{3}$ % of the outstanding units, voting together as a single class, including units held by our general partner and its affiliates, and we receive an opinion of counsel regarding limited liability and tax matters. Any removal of our general partner is also subject to the approval of a successor general partner by the vote of a unit majority. The ownership of more than 33 $\frac{1}{3}$ % of the outstanding units by our general partner and its affiliates would give them the ability to prevent our general partner's removal.

In the event of removal of a general partner under circumstances where cause exists or withdrawal of a general partner where that withdrawal violates our Partnership Agreement, a successor general partner will have the option to purchase the general partner interest of the departing general partner for a cash payment equal to the fair market value of that interest. Under all other circumstances where a general partner withdraws or is removed by the limited partners, the departing general partner will have the option to require the successor general partner to purchase the general partner interest of the departing general partner for fair market value. In each case, this fair market value will be determined by agreement between the departing general partner and the successor general partner. If no agreement is reached, an independent investment banking firm or other independent expert selected by the departing general partner and the successor general partner will determine the fair market value. Or, if the departing general partner and the successor general partner cannot agree upon an expert, then an expert chosen by agreement of the experts selected by each of them will determine the fair market value.

If the option described above is not exercised by either the departing general partner or the successor general partner, the departing general partner's general partner interest will automatically convert into common units equal to the fair market value of those interests as determined by an investment banking firm or other independent expert selected in the manner described in the preceding paragraph.

In addition, we will be required to reimburse the departing general partner for all amounts due the departing general partner, including, without limitation, all employee-related liabilities, including severance liabilities, incurred for the termination of any employees employed by the departing general partner or its affiliates for our benefit.

Transfer of General Partner Interest

Our general partner and its affiliates may at any time, transfer the general partner interest to one or more persons, without unitholder approval.

Transfer of Ownership Interests in the General Partner

At any time, DCP Midstream, LLC and its affiliates may sell or transfer all or part of their partnership interests in our general partner, or their membership interest in DCP Midstream GP, LLC, the general partner of our general partner, to an affiliate or third party without the approval of our unitholders.

Change of Management Provisions

Our Partnership Agreement contains specific provisions that are intended to discourage a person or group from attempting to remove DCP Midstream GP, LP as our general partner or otherwise change our management. If any person or group other than our general partner and its affiliates acquires beneficial ownership of 20% or more of any class of units, that person or group will lose voting rights with respect to all of its units. This loss of voting rights does not apply to any person or group that acquires the units from our general partner or its affiliates and any transferees of that person or group approved by our general partner or to any person or group who acquires the units with the prior approval of the board of directors of our general partner (the "Board of Directors").

Limited Call Right

If at any time our general partner and its affiliates own more than 80% of the then-issued and outstanding limited partner interests of any class, our general partner will have the right, which it may assign in whole or in part to any of its affiliates or to us, to acquire all, but not less than all, of the limited partner interests of the class held by unaffiliated persons as of a record date to be selected by our general partner, on at least 10 but not more than 60 days' notice. The purchase price in the event of this purchase is the greater of:

- the highest cash price paid by either of our general partner or any of its affiliates for any limited partner interests of the class purchased within the 90 days preceding the date on which our general partner first mails notice of its election to purchase those limited partner interests; and
- the current market price as of the date three days before the date the notice is mailed.

As a result of our general partner's right to purchase outstanding limited partner interests, a holder of limited partner interests may have its limited partner interests purchased at a price that may be lower than market prices at various times prior to such purchase or lower than a unitholder may anticipate the market price to be in the future. The U.S. federal income tax consequences to a unitholder of the exercise of this call right are the same as a sale by that unitholder of its common units in the market.

Meetings; Voting

Except as described below regarding a person or group owning 20% or more of any class of units then outstanding, record holders of units on the record date will be entitled to notice of, and to vote at, meetings of our limited partners and to act upon matters for which approvals may be solicited.

Our general partner does not anticipate that any meeting of unitholders will be called in the foreseeable future. Any action that is required or permitted to be taken by the unitholders may be taken either at a meeting of the unitholders or without a meeting if consents in writing describing the action so taken are signed by holders of the number of units necessary to authorize or take that action at a meeting. Meetings of the unitholders may be called by our general partner or by unitholders owning at least 20% of the outstanding units of the class for which a meeting is proposed. Unitholders may vote either in person or by proxy at meetings. The holders of a majority of the outstanding units of the class or classes for which a meeting has been called represented in person or by proxy will constitute a quorum unless any action by the unitholders requires approval by holders of a greater percentage of the units, in which case the quorum will be the greater percentage.

Each record holder of common units has a vote according to its percentage interest in us, although additional limited partner interests having special voting rights may be issued in the future. However, if at any time any person or group, other

than our general partner and its affiliates, or a direct or subsequently approved transferee of our general partner or its affiliates, acquires, in the aggregate, beneficial ownership of 20% or more of any class of units then outstanding, that person or group will lose voting rights on all of its units and the units may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of unitholders, calculating required votes, determining the presence of a quorum or for other similar purposes. Common units held in nominee or street name account will be voted by the broker or other nominee in accordance with the instruction of the beneficial owner unless the arrangement between the beneficial owner and its nominee provides otherwise.

Any notice, demand, request, report or proxy material required or permitted to be given or made to record holders of common units under our Partnership Agreement will be delivered to the record holder by us or by the transfer agent.

Distributions of Available Cash

Our Partnership Agreement requires that, within 45 days after the end of each quarter, we distribute all of our Available Cash (defined below) to unitholders of record on the applicable record date, as determined by our general partner.

“Available Cash” for any quarter, consists of all cash and cash equivalents on the date of determination of available cash for that quarter:

- less the amount of cash reserves established by our general partner to:
 - provide for the proper conduct of our business, including reserves for future capital expenditures and anticipated credit needs;
 - comply with applicable law or any debt instrument or other agreement or obligation;
 - provide funds to make payments on the Preferred Units; or
 - provide funds for distributions to our common unitholders for any one or more of the next four quarters.
- plus, if our general partner so determines, all or a portion of cash and cash equivalents on hand on the date of determination of Available Cash for the quarter.

There is no guarantee that we will maintain our current distribution on the units in any quarter. Even if our cash distribution policy is not modified or revoked, the amount of distributions paid under our policy and the decision to make any distribution is determined by our general partner, taking into consideration the terms of our Partnership Agreement.

Description of 7.875% Series B Fixed-to-Floating Rate Cumulative Redeemable Preferred Units

Number of Series B Units

We have authorized the issuance of 6,450,000 Series B Units, and as of February 20, 2020, we had 6,450,000 Series B Units outstanding.

The Series B Units

The Series B Preferred Units are a series of preferred units. We may, without notice to or consent of the holders of the then-outstanding Series B Preferred Units, authorize and issue additional Series B Preferred Units and Junior Securities.

The holders of our Series B Preferred Units are entitled to receive, to the extent permitted by law, such distributions as may from time to time be declared by our general partner. Upon any liquidation, dissolution or winding up of our affairs, whether voluntary or involuntary, the holders of our Series B Preferred Units are entitled to receive distributions of our assets, after we have satisfied or made provision for our outstanding indebtedness and other obligations and after payment to the holders of any class or series of limited partner interests (including the Series B Preferred Units) having preferential rights to receive distributions of our assets over each such class of limited partner interests.

The Series B Preferred Units are fully paid and generally nonassessable. Each Series B Preferred Unit generally has a fixed liquidation preference of \$25.00 per Series B Preferred Unit (subject to adjustment for any splits, combinations or similar adjustment to the Series B Preferred Units) plus an amount equal to accumulated and unpaid distributions thereon to, but not including, the date fixed for payment, whether or not declared.

The Series B Preferred Units represent perpetual equity interests in us and, unlike our indebtedness, will not give rise to a claim for payment of a principal amount at a particular date. As such, the Series B Preferred Units rank junior to all of our current and future indebtedness and other liabilities with respect to assets available to satisfy claims against us. The rights of the holders of Series B Preferred Units to receive the liquidation preference will be subject to the proportional rights of holders of Parity Securities.

Except as described below, the Series B Preferred Units are not convertible into our common units or any other securities and do not have exchange rights and are not entitled or subject to any preemptive or similar rights. The Series B Preferred Units are not be subject to mandatory redemption or to any sinking fund requirements. The Series B Preferred Units are subject to redemption, in whole or in part, at our option commencing on June 15, 2023 or upon the occurrence of a Ratings Event.

Our outstanding Series B Preferred Units are listed on the NYSE under the symbol "DCP PRB". Any additional common units we issue will also be listed on the NYSE.

Ranking

The Series B Preferred Units, with respect to distributions and amounts payable upon the liquidation or dissolution of our affairs, rank:

- senior to the Junior Securities (including our Common Units);
- on parity with any Parity Securities;
- junior to any Senior Securities; and
- junior to all of our existing and future indebtedness and other liabilities with respect to assets available to satisfy claims against us.

Under our Partnership Agreement, we may issue Junior Securities from time to time in one or more series without the consent of the holders of the Series B Preferred Units. The Board of Directors has the authority to determine the preferences, powers, qualifications, limitations, restrictions and special or relative rights or privileges, if any, of any such series before the issuance of any units of that series. The Board of Directors will also determine the number of units constituting each series of securities.

Liquidation Rights

Any liquidation will be made in accordance with capital accounts. The holders of outstanding Series B Preferred Units will be specially allocated items of our gross income and gain in a manner designed to achieve, in the event of any liquidation, dissolution or winding up of our affairs, whether voluntary or involuntary, a liquidation preference of \$25.00 per Series B Preferred Unit. If the amount of our gross income and gain available to be specially allocated to the Series B Preferred Units is not sufficient to cause the capital account of a Series B Preferred Unit to equal the liquidation preference of a Series B Preferred Unit, then the amount that a holder of a Series B Preferred Unit would receive upon liquidation may be less than the Series B Preferred Unit liquidation preference. Any accumulated and unpaid distributions on the Series B Preferred Units and Parity Securities will be paid prior to any distributions in liquidation made in accordance with capital accounts. The rights of the holders of Series B Preferred Units to receive the liquidation preference will be subject to the proportional rights of holders of Parity Securities in liquidation.

Voting Rights

The Series B Preferred Units will have no voting rights except as set forth below or as otherwise provided by Delaware law.

Unless we have received the affirmative vote or consent of the holders of at least two-thirds of the outstanding Series B Preferred Units, voting as a separate class, we may not adopt any amendment to our Partnership Agreement that has a material adverse effect on the terms of the Series B Preferred Units.

In addition, unless we have received the affirmative vote or consent of the holders of at least two-thirds of the outstanding Series B Preferred Units, voting as a class together with holders of any other Parity Securities upon which like voting rights have been conferred and are exercisable, we may not:

- create or issue any Parity Securities if the cumulative distributions payable on then outstanding Series B Preferred Units or Parity Securities are in arrears;
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- create or issue any Senior Securities; or
- make distributions to our common unitholders out of capital surplus.

On any matter described above in which the holders of the Series B Preferred Units are entitled to vote as a class, such holders will be entitled to one vote per Series B Preferred Unit. The Series B Preferred Units held by us or any of our subsidiaries or controlled affiliates will not be entitled to vote.

Distributions

General

Holders of Series B Preferred Units will be entitled to receive, when, as and if declared by our general partner out of legally available funds for such purpose, cumulative cash distributions.

Distribution Rate

Distributions on Series B Preferred Units are cumulative from the date of original issue and are payable quarterly in arrears on each Distribution Payment Date, when, as and if declared by our general partner out of legally available funds for such purpose.

The initial distribution rate for the Series B Preferred Units from and including the date of original issue to, but not including, June 15, 2023, is 7.875% per annum of the \$25.00 liquidation preference per unit (equal to \$1.9688 per unit per annum). On and after June 15, 2023, distributions on the Series B Preferred Units will accumulate at a percentage of the \$25.00 liquidation preference equal to an annual floating rate of the three-month LIBOR plus a spread of 4.919%.

Distribution Payment Dates

The distribution payment dates for the Series B Preferred Units (each, a “Series B Distribution Payment Dates”) are the 15th day of March, June, September and December of each year. Distributions will accumulate in each such distribution period from and including the preceding Series B Distribution Payment Date or the initial issue date, as the case may be, to but excluding the applicable Series B Distribution Payment Date for such distribution period, and distributions will accrue on accumulated distributions at the applicable distribution rate.

Change of Control

Optional Redemption Upon a Series B Change of Control Triggering Event

Upon the occurrence of a Series B Change of Control Triggering Event (as defined below), we may, at our option, redeem the Series B Preferred Units in whole or in part within 120 days after the first date on which such Series B Change of Control Triggering Event occurred (a “Series B Change of Control Redemption Period”), by paying the liquidation preference of \$25.00 per Series B Preferred Unit, plus all accumulated and unpaid distributions to, but not including, the redemption date, whether or not declared. If, prior to the Series B Change of Control Conversion Date (as defined below), we exercise our right to redeem the Series B Preferred Units as described in the immediately preceding sentence, holders of the Series B Preferred Units we have elected to redeem will not have the conversion right described below under “—Conversion Right Upon a Series B Change of Control Triggering Event.”

“Series B Change of Control” means the occurrence of either of the following after the original issue date of the Series B Preferred Units:

- the direct or indirect lease, sale, transfer, conveyance or other disposition (other than by way of merger, consolidation or business combination), in one or a series of related transactions, of all or substantially all of the properties or assets of us and our subsidiaries taken as a whole to any “person” (as that term is used in Section 13(d)(3) of the Exchange Act); or
 - the consummation of any transaction (including, without limitation, any merger, consolidation or business combination), the result of which is that any person (as defined above), other than us, our general partner, DCP Midstream, LLC, and Phillips 66 and Enbridge Inc. and their respective subsidiaries, becomes the beneficial owner, directly or indirectly, of more than 50% of the voting interests of us, our general partner, or DCP Midstream, LLC, measured by voting power rather than percentage of interests.
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“Series B Change of Control Triggering Event” means the occurrence of a Series B Change of Control that is accompanied or followed by either a downgrade by one or more gradations (including both gradations within ratings categories and between ratings categories) or withdrawal of the rating of the Series B Preferred Units within the Ratings Decline Period (in any combination) by all three Named Rating Agencies, as a result of which the rating of the Series B Preferred Units on any day during such Ratings Decline Period is below the rating by all three Named Rating Agencies in effect immediately preceding the first public announcement of the Series B Change of Control (or occurrence thereof if such Series B Change of Control occurs prior to public announcement).

Conversion Right Upon a Series B Change of Control Triggering Event

Upon the occurrence of a Series B Change of Control Triggering Event, each holder of Series B Preferred Units will have the right (unless we have provided notice of our election to redeem Series B Preferred Units as described above under “—Optional Redemption upon a Series B Change of Control Triggering Event” or below under “—Redemption”) to convert some or all of the Series B Preferred Units held by such holder on the Series B Change of Control Conversion Date into a number of our common units per Series B Preferred Unit to be converted equal (the “Common Unit Conversion Consideration”) to the lesser of:

- the quotient obtained by dividing (i) the sum of the \$25.00 liquidation preference plus the amount of any accumulated and unpaid distributions to, but not including, the Series B Change of Control Conversion Date (unless the Series B Change of Control Conversion Date is after a record date for a Series B Preferred Unit distribution payment and prior to the corresponding Series B Preferred Unit distribution payment date, in which case no additional amount for such accumulated and unpaid distribution will be included in this sum) by (ii) the Common Unit Price (as defined below), and
- 1.3426, which is the quotient obtained by dividing (i) the \$25.00 liquidation preference by (ii) one-half of the closing price of the common units on the NYSE on the trading day immediately preceding the date of this prospectus,

subject, in each case, to certain adjustments and to provisions for (i) the payment of any Series B Alternative Conversion Consideration (as defined below) and (ii) splits, combinations and distributions in the form of equity issuances, each as described in greater detail in our Partnership Agreement.

In the case of a Series B Change of Control pursuant to which our common units will be converted into cash, securities or other property or assets (including any combination thereof), a holder of Series B Preferred Units electing to exercise its Series B Change of Control Conversion Right (as defined below) will receive upon conversion of such Series B Preferred Units elected by such holder the kind and amount of such consideration that such holder would have owned or been entitled to receive upon the Series B Change of Control had such holder held a number of our common units equal to the Common Unit Conversion Consideration immediately prior to the effective time of the Series B Change of Control, which we refer to as the “Series B Alternative Conversion Consideration”; provided, however, that if the holders of our common units have the opportunity to elect the form of consideration to be received in the Series B Change of Control, the consideration that the holders of Series B Preferred Units electing to exercise their Series B Change of Control Conversion Right will receive will be the form and proportion of the aggregate consideration elected by the holders of our common units who participate in the determination (based on the weighted average of elections) and will be subject to any limitations to which all holders of our common units are subject, including, without limitation, pro rata reductions applicable to any portion of the consideration payable in the Series B Change of Control. We will not issue fractional common units upon the conversion of the Series B Preferred Units. Instead, we will pay the cash value of such fractional units.

If we provide a redemption notice, whether pursuant to our special optional redemption right in connection with a Series B Change of Control Triggering Event as described under “—Optional Redemption upon a Change of Control Triggering Event” or our optional redemption rights as described below under “—Redemption,” holders of Series B Preferred Units will not have any right to convert the Series B Preferred Units that we have elected to redeem and any Series B Preferred Units subsequently selected for redemption that have been tendered for conversion pursuant to the Series B Change of Control Conversion Right will be redeemed on the related redemption date instead of converted on the Series B Change of Control Conversion Date.

Holders of Series B Preferred Units that choose to exercise their Series B Change of Control Conversion Right will be required prior to the close of business on the third Business Day preceding the Series B Change of Control Conversion Date, to notify us of the number of Series B Preferred Units to be converted and otherwise to comply with any applicable procedures contained in the notice described above or otherwise required by the Securities Depository for effecting the conversion.

Redemption

Early Optional Redemption upon a Ratings Event

At any time prior to June 15, 2023, within 120 days after the conclusion of any review or appeal process instituted by us following the occurrence of a Ratings Event, we may, at our option, redeem the Series B Preferred Units in whole, but not in part, at a redemption price in cash per Series B Preferred Unit equal to \$25.50 (102% of the liquidation preference of \$25.00) plus an amount equal to all accumulated and unpaid distributions thereon to, but not including, the date fixed for redemption, whether or not declared.

Optional Redemption on or after June 15, 2023

Any time on or after June 15, 2023, we may redeem, at our option, in whole or in part, the Series B Preferred Units at a redemption price in cash equal to \$25.00 per Series B Preferred Unit plus an amount equal to all accumulated and unpaid distributions thereon to, but not including, the date of redemption, whether or not declared. We may undertake multiple partial redemptions. Any such redemption is subject to compliance with the provisions of our revolving credit facility and any other agreements governing our outstanding indebtedness.

We may also redeem the Series B Preferred Units under the terms set forth under “—Change of Control—Optional Redemption Upon a Series B Change of Control Triggering Event.”

No Sinking Fund

The Series B Preferred Units will not have the benefit of any sinking fund.

No Fiduciary Duty

We, our general partner, and DCP Midstream GP, LLC, which is the general partner of our general partner, and the officers and directors of the foregoing entities, will not owe any fiduciary duties to holders of the Series B Preferred Units other than a contractual duty of good faith and fair dealing pursuant to our Partnership Agreement.

Description of 7.95% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Units

Number of Series C Units

We have authorized the issuance of 4,400,000 Series C Units, and as of February 20, 2020, we had 4,400,000 Series C Units outstanding.

The Series C Units

The Series C Preferred Units are a series of preferred units. We may, without notice to or consent of the holders of the then-outstanding Series C Preferred Units, authorize and issue additional Series C Preferred Units and Junior Securities.

The holders of our Series C Preferred Units are entitled to receive, to the extent permitted by law, such distributions as may from time to time be declared by our general partner. Upon any liquidation, dissolution or winding up of our affairs, whether voluntary or involuntary, the holders of our Series C Preferred Units are entitled to receive distributions of our assets, after we have satisfied or made provision for our outstanding indebtedness and other obligations and after payment to the holders of any class or series of limited partner interests (including the Series C Preferred Units) having preferential rights to receive distributions of our assets over each such class of limited partner interests.

The Series C Preferred Units are fully paid and generally nonassessable. Each Series C Preferred Unit generally has a fixed liquidation preference of \$25.00 per Series C Preferred Unit (subject to adjustment for any splits, combinations or similar adjustment to the Series C Preferred Units) plus an amount equal to accumulated and unpaid distributions thereon to, but not including, the date fixed for payment, whether or not declared.

The Series C Preferred Units represent perpetual equity interests in us and, unlike our indebtedness, will not give rise to a claim for payment of a principal amount at a particular date. As such, the Series C Preferred Units rank junior to all of our current and future indebtedness and other liabilities with respect to assets available to satisfy claims against us. The rights of the holders of Series C Preferred Units to receive the liquidation preference will be subject to the proportional rights of holders of Parity Securities.

Except as described below in “—Change of Control—Conversion Right Upon a Series B Change of Control Triggering Event,” the Series C Preferred Units are not convertible into our common units or any other securities, do not have exchange rights and are not entitled, or subject, to any preemptive or similar rights. The Series C Preferred Units are not subject to mandatory redemption or to any sinking fund requirements. The Series C Preferred Units are subject to redemption, in whole or in part, at our option commencing on October 15, 2023 or upon the occurrence of a Ratings Event.

Our outstanding Series C Preferred Units are listed on the NYSE under the symbol “DCP PRC”. Any additional common units we issue will also be listed on the NYSE.

Ranking

The Series C Preferred Units will, with respect to the payment of distributions and amounts payable upon the liquidation or dissolution of our affairs, rank:

- senior to the Junior Securities (including our common units);
- on parity with any Parity Securities;
- junior to any Senior Securities; and
- junior to all of our existing and future indebtedness and other liabilities with respect to assets available to satisfy claims against us.

Under our Partnership Agreement, we may issue Junior Securities from time to time in one or more series without the consent of the holders of the Series C Preferred Units. The Board of Directors has the authority to determine the preferences, powers, qualifications, limitations, restrictions and special or relative rights or privileges, if any, of any such series before the issuance of any units of that series. The Board of Directors will also determine the number of units constituting each series of securities. Our ability to issue any Parity Securities in certain circumstances or Senior Securities is limited as described under “—Voting Rights.”

Parity Securities with respect to the Series C Preferred Units may include classes of our securities that have different distribution rates, mechanics, periods, payment dates and record dates than our Series C Preferred Units.

Liquidation Rights

Any liquidation will be made in accordance with capital accounts. The holders of outstanding Series C Preferred Units will be specially allocated items of our gross income and gain in a manner designed to achieve, in the event of any liquidation, dissolution or winding up of our affairs, whether voluntary or involuntary, a liquidation preference of \$25.00 per Series C Preferred Unit. If the amount of our gross income and gain available to be specially allocated to the Series C Preferred Units is not sufficient to cause the capital account of a Series C Preferred Unit to equal the liquidation preference of a Series C Preferred Unit, then the amount that a holder of a Series C Preferred Unit would receive upon liquidation may be less than the Series C Preferred Unit liquidation preference. Any accumulated and unpaid distributions on the Series C Preferred Units and Parity Securities will be paid prior to any distributions in liquidation made in accordance with capital accounts. The rights of the holders of Series C Preferred Units to receive the liquidation preference will be subject to the proportional rights of holders of Parity Securities in liquidation.

Voting Rights

The Series C Preferred Units will have no voting rights except as set forth below or as otherwise provided by Delaware law.

Unless we have received the affirmative vote or consent of the holders of at least two-thirds of the outstanding Series C Preferred Units, voting as a separate class, we may not adopt any amendment to our Partnership Agreement that has a material adverse effect on the terms of the Series C Preferred Units.

In addition, unless we have received the affirmative vote or consent of the holders of at least two-thirds of the outstanding Series C Preferred Units, voting as a class together with holders of any other Parity Securities upon which like voting rights have been conferred and are exercisable, we may not:

- create or issue any Parity Securities if the cumulative distributions payable on then outstanding Series C Preferred Units or Parity Securities are in arrears;
- create or issue any Senior Securities; or
- make distributions to our common unitholders out of capital surplus.

On any matter described above in which the holders of the Series C Preferred Units are entitled to vote as a class, such holders will be entitled to one vote per Series C Preferred Unit. The Series C Preferred Units held by us or any of our subsidiaries or controlled affiliates will not be entitled to vote.

Distributions

General

Holders of Series C Preferred Units will be entitled to receive, when, as and if declared by our general partner out of legally available funds for such purpose, cumulative cash distributions.

Distribution Rate

Distributions on Series C Preferred Units are cumulative from the date of original issue and are payable quarterly in arrears on each Distribution Payment Date, when, as and if declared by our general partner out of legally available funds for such purpose.

The initial distribution rate for the Series C Preferred Units from and including the date of original issue to, but not including, October 15, 2023 is 7.95% per annum of the \$25.00 liquidation preference per unit (equal to \$1.9875 per unit per annum). On and after October 15, 2023, distributions on the Series C Preferred Units will accumulate at a percentage of the \$25.00 liquidation preference equal to an annual floating rate of the three-month LIBOR plus a spread of 4.882%.

Distribution Payment Dates

The distribution payment dates for the Series C Preferred Units (each, a “C Distribution Payment Date”) are the 15th day of January, April, July and October of each year. Distributions accumulate in each such distribution period from and including the preceding C Distribution Payment Date or the initial issue date, as the case may be, to but excluding the applicable C Distribution Payment Date for such distribution period, and distributions will accrue on accumulated distributions at the applicable distribution rate.

Change of Control

Optional Redemption Upon a Series C Change of Control Triggering Event

Upon the occurrence of a Series C Change of Control Triggering Event (as defined below), we may, at our option, redeem the Series C Preferred Units in whole or in part during the Series C Change of Control Redemption Period, by paying the liquidation preference of \$25.00 per Series C Preferred Unit, plus all accumulated and unpaid distributions to, but not including, the redemption date, whether or not declared. If, prior to the Series C Change of Control Conversion Date (as defined below), we exercise our right to redeem the Series C Preferred Units as described in the immediately preceding sentence, holders of the Series C Preferred Units we have elected to redeem will not have the conversion right described below under “—Conversion Right Upon a Series C Change of Control Triggering Event.”

“Series C Change of Control” means the occurrence of either of the following after the original issue date of the Series C Preferred Units:

- the direct or indirect lease, sale, transfer, conveyance or other disposition (other than by way of merger, consolidation or business combination), in one or a series of related transactions, of all or substantially all of the properties or assets of us and our subsidiaries taken as a whole to any “person” (as that term is used in Section 13(d)(3) of the Exchange Act); or
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- the consummation of any transaction (including, without limitation, any merger, consolidation or business combination), the result of which is that any person (as defined above), other than us, our general partner, DCP Midstream, LLC, and Phillips 66 and Enbridge Inc. and their respective subsidiaries, becomes the beneficial owner, directly or indirectly, of more than 50% of the voting interests of us, our general partner, or DCP Midstream, LLC, measured by voting power rather than percentage of interests.

“Series C Change of Control Triggering Event” means the occurrence of a Series C Change of Control that is accompanied or followed by either a downgrade by one or more gradations (including both gradations within ratings categories and between ratings categories) or withdrawal of the rating of the Series C Preferred Units within the Ratings Decline Period (in any combination) by all three Named Rating Agencies, as a result of which the rating of the Series C Preferred Units on any day during such Ratings Decline Period is below the rating by all three Named Rating Agencies in effect immediately preceding the first public announcement of the Series C Change of Control (or occurrence thereof if such Series C Change of Control occurs prior to public announcement).

Conversion Right Upon a Series C Change of Control Triggering Event

Upon the occurrence of a Series C Change of Control Triggering Event, each holder of Series C Preferred Units will have the right (unless we have provided notice of our election to redeem Series C Preferred Units as described above under “—Optional Redemption upon a Change of Control Triggering Event” or below under “—Redemption”) to convert some or all of the Series C Preferred Units held by such holder on the Series C Change of Control Conversion Date into a number of our common units per Series C Preferred Unit to be converted equal (the “Common Unit Conversion Consideration”) to the lesser of:

- the quotient obtained by dividing (i) the sum of the \$25.00 liquidation preference plus the amount of any accumulated and unpaid distributions to, but not including, the Series C Change of Control Conversion Date (unless the Series C Change of Control Conversion Date is after a record date for a Series C Preferred Unit distribution payment and prior to the corresponding Series C Preferred Unit distribution payment date, in which case no additional amount for such accumulated and unpaid distribution will be included in this sum) by (ii) the Common Unit Price (as defined below), and
- 1.2225, which is the quotient obtained by dividing (i) the \$25.00 liquidation preference by (ii) one-half of the closing price of our common units on the NYSE on the trading day immediately preceding the date of this prospectus supplement,

subject, in each case, to certain adjustments and to provisions for (i) the payment of any Series C Alternative Conversion Consideration (as defined below) and (ii) splits, combinations and distributions in the form of equity issuances, each as described in greater detail in our Partnership Agreement.

In the case of a Series C Change of Control pursuant to which our common units will be converted into cash, securities or other property or assets (including any combination thereof), a holder of Series C Preferred Units electing to exercise its Series C Change of Control Conversion Right (as defined below) will receive upon conversion of such Series C Preferred Units elected by such holder the kind and amount of such consideration that such holder would have owned or been entitled to receive upon the Series C Change of Control had such holder held a number of our common units equal to the Common Unit Conversion Consideration immediately prior to the effective time of the Series C Change of Control, which we refer to as the “Series C Alternative Conversion Consideration”; provided, however, that if the holders of our common units have the opportunity to elect the form of consideration to be received in the Series C Change of Control, the consideration that the holders of Series C Preferred Units electing to exercise their Series C Change of Control Conversion Right will receive will be the form and proportion of the aggregate consideration elected by the holders of our common units who participate in the determination (based on the weighted average of elections) and will be subject to any limitations to which all holders of our common units are subject, including, without limitation, pro rata reductions applicable to any portion of the consideration payable in the Series C Change of Control. We will not issue fractional common units upon the conversion of the Series C Preferred Units. Instead, we will pay the cash value of such fractional units.

If we provide a redemption notice, whether pursuant to our special optional redemption right in connection with a Series C Change of Control Triggering Event as described under “—Optional Redemption upon a Change of Control Triggering Event” or our optional redemption rights as described below under “—Redemption,” holders of Series C Preferred Units will not have any right to convert the Series C Preferred Units that we have elected to redeem and any Series C Preferred Units subsequently selected for redemption that have been tendered for conversion pursuant to the Series C Change of Control Conversion Right will be redeemed on the related redemption date instead of converted on the Series C Change of Control Conversion Date.

Holders of Series C Preferred Units that choose to exercise their Series C Change of Control Conversion Right will be required prior to the close of business on the third Business Day preceding the Series C Change of Control Conversion Date, to notify us of the number of Series C Preferred Units to be converted and otherwise to comply with any applicable procedures contained in the notice described above or otherwise required by the Securities Depository for effecting the conversion.

Redemption

Early Optional Redemption upon a Ratings Event

At any time prior to October 15, 2023, within 120 days after the conclusion of any review or appeal process instituted by us following the occurrence of a Ratings Event, we may, at our option, redeem the Series C Preferred Units in whole, but not in part, at a redemption price in cash per Series C Preferred Unit equal to \$25.50 (102% of the liquidation preference of \$25.00) plus an amount equal to all accumulated and unpaid distributions thereon to, but not including, the date fixed for redemption, whether or not declared.

Optional Redemption on or after October 15, 2023

Any time on or after October 15, 2023, we may redeem, at our option, in whole or in part, the Series C Preferred Units at a redemption price in cash equal to \$25.00 per Series C Preferred Unit plus an amount equal to all accumulated and unpaid distributions thereon to, but not including, the date of redemption, whether or not declared. We may undertake multiple partial redemptions. Any such redemption is subject to compliance with the provisions of our revolving credit facility and any other agreements governing our outstanding indebtedness.

We may also redeem the Series C Preferred Units under the terms set forth under “—Change of Control—Optional Redemption Upon a Series C Change of Control Triggering Event.”

No Sinking Fund

The Series C Preferred Units will not have the benefit of any sinking fund.

No Fiduciary Duty

We, our general partner, and DCP Midstream GP, LLC, which is the general partner of our general partner, and the officers and directors of the foregoing entities, will not owe any fiduciary duties to holders of the Series C Preferred Units other than a contractual duty of good faith and fair dealing pursuant to our Partnership Agreement.

CONFIDENTIAL SEPARATION AGREEMENT, WAIVER AND RELEASE

YOU ARE ADVISED TO CONSULT WITH AN ATTORNEY BEFORE EXECUTING THIS AGREEMENT

This Confidential Separation Agreement, Waiver, and Release (the "Agreement") is a contract between Brian Frederick ("Employee") and DCP Services, LLC (the "Company" and together with the Employee, the "Parties"). Employee and the Company wish to separate on an amicable basis. Employee's termination date is December 31, 2019 (the "Termination Date").

THEREFORE, in consideration of the foregoing and this Agreement's mutual promises, the sufficiency of which is acknowledged, the Parties agree as follows:

TERMINATION FROM EMPLOYMENT AND PAYMENT OF WAGES AND COMPENSATION THROUGH THE TERMINATION DATE.

- (1) **Payment of Wages and Compensation.** The Company has or will pay Employee's wages and compensation earned through the Termination Date (i) including the 2019 short term incentive payment which will be made at the same payout percentage as approved by the Board for the Company; (ii) the 2017 long term incentive payment and related unpaid Dividend Equivalent Rights ("DERs") which will be made at the same percentage as approved by the Board for 2017 Strategic Performance Units ("SPUs") and full vesting of the 2017 Restricted Performance Units ("RPU's"); and (iii) any accrued and unused vacation pay accrued through the Termination Date, less, in each case, any previously agreed upon or lawfully authorized deductions or offsets.
- (2) **No Other Consideration Due.** Employee acknowledges and agrees that except as expressly set forth in this Agreement, Employee is entitled to no other wages, vacation pay, sick pay, bonuses, incentive pay, benefits or other compensation. Employee also acknowledges and agrees that without signing this Agreement, Employee would not be entitled to the consideration from the Company as described in Section 2 below.

CONSIDERATION FROM THE COMPANY.

- (1) **Separation Payment.** The Company will pay Employee severance pay in the amount of **\$603,330.00** (the "Separation Payment"), less applicable taxes and withholdings and any lawfully authorized deductions or offsets, provided Employee has signed this Agreement within the Consideration Period in Section 5(b) below, Employee does not timely revoke the Agreement pursuant to Section 5(c) below, Employee has returned all Company property and information as required by Section 3(g) below, and Employee complies with all other terms of this Agreement, including, but not limited to, all confidentiality, non-disparagement and non-solicitation provisions of this Agreement (collectively, "Payment Conditions"). The Separation Payment will be delivered to the Employee's last known address within twenty-one (21) business days after the Effective Date (as defined below in Section 5(c)).
- (2) **Outplacement Services.** If Employee complies with the Payment Conditions, Employee shall receive reimbursement up to a maximum of \$25,000 for the actual cost of executive level outplacement assistance or reimbursement of tuition for a seminar or classes on Corporate Boards at an accredited college, which outplacement service or tuition assistance can be utilized by Employee at any time through December 31, 2020, provided Employee shall submit invoices and evidence of payment to DCP and DCP shall reimburse Employee within 30 days of receipt of such documentation.
- (3) **Other Employee Benefits.** Except for those benefits and programs described in this Agreement or as otherwise required by applicable law, Employee's participation (if any) in and rights (if any) under any Company employee benefit plan or program will be governed by the terms and conditions of such plans and programs and applicable law, which plans, programs, terms and conditions may be amended, modified, suspended or terminated by the Company at any time for any or no reason.

If Employee complies with Payment Conditions, Employee's termination of employment under this release will be considered a qualifying layoff under the DCP Services, LLC 2008 Long-Term Incentive Plan

(effective January 1, 2008) and any successor plans (provided Employee is a participant in such plan as of the Termination Date) and the terms and conditions thereof will continue to govern. Due to the qualified layoff, Employee will become fully vested in the time-vested RPU units issued in 2018 and 2019 and contingently vest in any SPUs issued in 2018 and 2019 on a prorated basis through the Termination Date as defined in the applicable grant agreements. Any payment of time vested RPUs will occur at the same time as the Separation Payment provided under Section 2(a) above and any payment of SPUs, including DERs, will occur after the performance period ends and company performance is assessed in accordance with the terms of the applicable grant agreements.

If Employee complies with Payment Conditions, the Company will credit Employee's Executive Deferred Compensation Plan account with the 2019 make-whole match and retirement contributions in January 2020.

- (4) Unemployment. The Company will not contest Employee's claim to unemployment compensation. The Company may state what Employee is receiving or has received as severance and other consideration under this Agreement.
- (5) Insurance Coverage Eligibility.
 - (a) Employee's eligibility to participate in any of Company's Medical, Dental, and Vision benefit plans will terminate on the Termination Date.
 - (b) Employee may elect to participate in Medical, Dental, and Vision benefits in conjunction with continued insurance coverage available to Employee under the provisions of the Consolidated Omnibus Budget Reconciliation Act ("COBRA"). COBRA coverage for the Employee generally continues for eighteen (18) months or until Employee becomes covered under another group health plan (the "COBRA Period"). Employee will be mailed a COBRA packet at Employee's last known address. Such packet will contain additional information about the Employee's COBRA rights and responsibilities. Employee must be otherwise eligible for COBRA coverage, and positively elect COBRA in order to take advantage of COBRA coverage. If Employee elects COBRA coverage and complies with the Payment Conditions, the Company will pay the monthly amount towards the cost of COBRA coverage such that the cost of Employee's health care coverage in place as of the Termination Date **will continue at active rates for 18 month(s)** or until the earliest of the following occurs: (1) Employee becomes eligible to receive group health insurance from another employer's group health plan or a spouse's employer plan, (2) COBRA coverage is terminated for any reason, or (3) the expiration of the applicable maximum COBRA Period for the Employee. If Employee is entitled to Medicare, the COBRA plan pays secondary to Medicare; therefore, Employee should enroll in Medicare Parts A and B in order to get full benefits under COBRA. If Employee is identified as a highly compensated individual, the payments will be made on an after-tax basis and such payments will be grossed up for applicable tax withholding. If Employee continues COBRA coverage after payments under this Section 2(e)(ii) terminate, Employee shall pay the full cost of COBRA coverage for the remainder of the COBRA Period or for so long as Employee desires to continue eligible COBRA coverage. Employee shall inform the Company about the terms and conditions of any employment after the Termination Date and the corresponding benefits available from such employment as well as any available coverage under a spouse's employer plan within ten (10) days of attaining eligibility to enroll in such coverage.
- (6) Dependent Care or Medical Flexible Spending Account, Other Insurance Coverage.
 - (a) Any active Dependent Care or Medical Flexible Spending Account participation will cease on the Termination Date except, with respect to the Medical Flexible Spending Account, to the extent COBRA is available and elected by the Employee and participation is continued.
 - (b) Any group long-term disability insurance coverage, Group Life and Accidental Death and Dismemberment Insurance Coverage will cease on the Termination Date. Conversion of any employee and spouse life insurance to an individual whole life policy or policies or porting the coverages to a term life policy or policies (at Employee's expense) must be accompanied by an application submitted by Employee to the carrier within 31 days of the termination of insurance

coverage. Employee will be mailed a packet containing documents to convert or port employee and spouse life insurance policies.

- (c) Any Critical Illness, Accident or Hospital Indemnity voluntary coverage will cease on the Termination Date. Employee may elect to continue coverage at Employee's expense. Employee will be mailed a packet containing documents to continue coverage and initiate direct billing.
- (d) Any Group Legal voluntary coverage will cease on the Termination Date. Employee must contact carrier directly at 1-800-GET-MET8 within 30 days of Termination Date to continue coverage.

EMPLOYEE'S AGREEMENTS.

- (1) Release of All Claims. The term "Releasee" or "Releasees" shall be construed as broadly as possible and includes: the Company and each of the Company's divisions, subsidiaries, owner companies, successors and affiliates, and their former or current agents, joint venture members, stockholders, directors, officers, employees, and all other persons acting by, through, under or in concert with any of them. In exchange for the Company's consideration, Employee fully releases and discharges the Releasees from all claims, actions and causes of action of any kind, known or unknown, which Employee may presently have or claim to have against any Releasee including, but not limited to, all contract claims; all wrongful discharge or employment claims; all tort claims; all claims arising under the United States or any state constitution; all claims arising under any civil rights or employment laws or regulations (whether federal, state or local); any federal or state whistleblower laws or statutes; any claims based on Company policies or agreements, including severance policies or agreements to provide notice; and any claims to attorneys' fees or costs. Without limiting the foregoing, the waiver and release of claims includes, but is not limited to, all claims under the Equal Pay Act, Age Discrimination in Employment Act (ADEA), Older Workers Benefit Protection Act (OWBPA), Rehabilitation Act, Americans with Disabilities Act, Title VII of the Civil Rights Act of 1964, Family and Medical Leave Act, Fair Labor Standards Act, Fair Credit Reporting Act, Worker Adjustment Retraining and Notification Act, Sarbanes-Oxley Act, Immigration Reform and Control Act, Occupational Safety and Health Act, and the National Labor Relations Act. Notwithstanding the foregoing, Employee does not waive or release workers' compensation claims or claims for unemployment benefits. Employee agrees that while nothing in this Agreement shall limit Employee's right to file a future charge with any federal, state, or local governmental agency relating to Employee's employment with Company and/or participate in a future action relating to such employment, whether brought by an agency or by another on Employee's behalf, Employee expressly waives by this Agreement the right to recover monetary damages and any other relief from Company personal to Employee if such charge or lawsuit is pursued. By entering into this Agreement, Employee is not waiving any rights or claims that may arise after the termination date.
- (2) Filed and Non-Assignment of Claims. Employee has not filed any charge or claim or any part or portion thereof. Employee has not assigned or transferred any claim or any part or portion thereof.
- (3) Representations. Employee represents and warrants that Employee was permitted by the Company to take all leave to which Employee was entitled, Employee was properly classified as exempt from overtime (if Employee was so classified), Employee has been properly paid for all time worked while employed by the Company and Employee has received all benefits to which Employee was or is entitled. Employee represents and warrants that Employee knows of no facts and has no reason to believe that Employee's rights under the Fair Labor Standards Act, the Family and Medical Leave Act, or Colorado Wage Payment Act (or any other state wage payment law) have been violated.
- (4) SEC Filing. Employee acknowledges that the Severance Payment and other compensation under this Agreement is required to be disclosed as a named executive officer of the Company pursuant to the rules and regulations of the Securities & Exchange Commission ("SEC"). If Employee is asked about the terms of this Agreement, Employee may state only that Employee and the Company have separated the employment relationship on an amicable basis and as disclosed in any filing to the SEC.
- (5) Confidential Information. Employee acknowledges that if Employee signed an agreement with Company restricting Employee's post-employment activities in any way, such agreement remains in effect, and nothing in this Agreement is intended to or does limit in any way the restrictions set forth in such agreement. In the

course of Employee's employment with the Company, Employee has received Confidential Information concerning the Company. "Confidential Information" means all scientific, technical, financial, marketing, product, employee and business information of the Company, which is of a confidential, trade secret or proprietary character and which has been developed by the Company or by Employee (alone or with others) or to which Employee has had access during employment. Some examples of Confidential Information include, but are not limited to: (1) inventions, discoveries, concepts and ideas (whether patentable or not) relating to the markets, products and services or potential markets, products and services of the Company; (2) the terms of any agreements, draft agreements or other legal documents; (3) information concerning employees, including salary information; (4) scientific or technological information related to the Company's markets, products and services, including but not limited to formulas and processes; (5) the Company's software and computer programs and interface programs and improvements thereto and access codes and passwords, electronic codes or other coding; (6) the Company's technology, research, trade secrets and know-how; (7) the Company's sales techniques, product development, projections, sales records, contract terms, business plans, sales tools, and product and service pricing information; (8) the Company's customer lists or names and addresses and other information concerning customers and potential customers, including information concerning customer requirements, customer contacts and decision-makers and decision-making processes, customer budgeting processes, customer business processes and information processing techniques, customer marketing strategies and business plans; (9) the Company's marketing strategies, product and market development strategies, strategic business plans and market information; and (10) financial analysis, financial data and reports, financial projections, profits, margins, and all other financial information. Confidential Information does not include information that is or becomes known to the general public through lawful means. Employee agrees that all such information is the sole property of the Company. Employee shall maintain all such information in the strictest confidence and will not, directly or indirectly, intentionally or inadvertently, use, publish, or otherwise disclose to any person or entity whatsoever, any Confidential Information, regardless of its form, without the prior written consent of Employer. Employee shall take reasonable precautions to protect the inadvertent disclosure of such information. All duties and obligations set forth in this section shall be in addition to those which exist under statute and at common law, and shall be in addition to any existing and continuing obligations arising under any agreements or documents executed by Employee during Employee's employment with the Company. Notwithstanding the foregoing, Employee understands that, in accordance with the Defend Trade Secrets Act of 2016, an individual cannot be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (1) is made in confidence to a federal, state, or local government official (either directly or indirectly), or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law, or (2) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Employee understands that an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in a court proceeding, if the individual files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to a court order.

- (6) Injunctive and Other Relief. If Employee breaches or threatens to breach the Employee's obligations in this Agreement, the Company will be irreparably harmed and it therefore has the right to injunctive relief, in addition to any other relief or damages allowed by law. If the Company has reason to seek injunctive or other legal relief to enforce this Agreement, it may suspend or terminate any Separation Payment or other consideration otherwise payable to Employee at that time, and may seek recovery of any Separation Payment or other consideration paid to Employee at that time. If the Separation Payment or other consideration to be paid is suspended, terminated or recovered, the Employee's release of claims under this Agreement will remain in full force and effect.
- (7) Return of Company Property. Employee has returned (and has not retained any copies in any form) all Company documents and information (including all Confidential Information and any other information stored on personally owned computer hard drives, floppy disks or other format), and any vehicles, badges, pagers, cell phones, computers, equipment, or other property belonging to the Company. Employee certifies by signing this Agreement that Employee has returned to the Company all versions of source codes, plans, designs and other Company intellectual property in Employee's possession, and that Employee has destroyed and not retained any source codes or other Company intellectual property on Employee's home computer or in any other form.

- (8) Non-Solicitation. Employee shall not, for a period of twelve (12) months after the Termination Date, directly or indirectly, solicit, encourage, or take any other action which is intended to induce any employee of the Company to terminate his or her employment with the Company in favor of any other employer, person or entity, or interfere in any way with an employee's relationship with the Company.
- (9) Non-Disparagement. Employee agrees that he will not criticize, denigrate or otherwise disparage the Company or any other Releasee and their respective executives and members of the Board of Directors. The Company or any other Releasee agrees that executives will not criticize, denigrate or otherwise disparage the Employee.
- (10) Report of Misconduct. Employee has had the opportunity to notify appropriate personnel within the Company of any violation or potential violation of any laws or regulations or any other misconduct by the Company or any of its management personnel or other representatives in the course of their duties on behalf of the Company. To the extent Employee is aware of any such misconduct, Employee has reported it to appropriate Company personnel. If Employee subsequently becomes aware of any such misconduct, Employee will notify the ethics hotline operated by My Safe Workplace (1-866-334-8816) or the General Auditor.
- (11) Cooperation. Employee acknowledges and agrees that the Employee will cooperate and be reasonably available to the Company in connection with any administrative, judicial, or other legal proceedings in which the Company becomes involved. This cooperation will include, without limitation, assisting the Company and the Company's lawyers in preparing for, and responding to, administrative proceedings, depositions, discovery responses, and subpoenas (including, without limitation, document location, review, and production), court proceedings, or other legal proceedings. In any such administrative, judicial, or other legal proceeding, Employee shall testify truthfully.

DENIAL OF ANY LIABILITY.

The Company denies any liability to Employee. The Parties agree that this Agreement may not be used as evidence; does not constitute an adjudication or finding on the merits; and is not, and shall not be construed as, an admission by the Company of a breach of any contract or agreement; a violation of the Company's policies and procedures; or a violation of any state or federal laws or regulations. After execution (including signatures by both Employee and the Company), this Agreement may be introduced in evidence to enforce its terms.

OPPORTUNITY TO CONFER – OLDER WORKERS' BENEFIT PROTECTION ACT NOTICES.

- (1) Opportunity to Confer. The Company advises Employee to confer with an attorney of Employee's own choosing before entering into this Agreement. Employee represents that Employee has had a full opportunity to confer with an attorney and, if Employee has not done so, Employee has knowingly and voluntarily waived the right to confer with an attorney before entering into this Agreement.
- (2) Opportunity to Consider. Employee may take up to forty-five (45) days (the "Consideration Period") to consider whether to execute this Agreement. If Employee signs this Agreement prior to the expiration of the Consideration Period, Employee represents that Employee fully understands that Employee has been given the Consideration Period to consider whether to enter into this Agreement and has knowingly and voluntarily waived that opportunity.
- (3) Opportunity to Revoke and Effective Date. Employee has the opportunity to revoke this Agreement within seven (7) days after signing it ("Revocation Period"), by delivering a written revocation to the attention of the office of the Group Vice President and Chief Human Resources Officer, DCP Services, LLC, 370 17th Street, Suite 2500, Denver, CO 80202. If this Agreement is timely revoked by Employee, it will be revoked in its entirety. This Agreement shall become effective on the eighth day after the Revocation Period has passed without revocation (the "Effective Date"), assuming Employee timely executed the Agreement.

COMPLETE AGREEMENT.

This Agreement, together with the DCP Services, LLC Executive Severance Plan, is an integrated document. It constitutes and contains the entire agreement and understanding between the Parties, and supersedes and replaces all prior negotiations and all agreements concerning the subject matters hereof, except as otherwise expressly stated in this Agreement.

SEVERABILITY OF INVALID PROVISIONS.

The provisions of this Agreement are severable. If any provision of this Agreement or its application is held invalid, the invalidity shall not affect other provisions or applications of this Agreement that can be given effect without the invalid provisions or application.

VENUE/CHOICE OF LAW/ATTORNEYS' FEES/ WAIVER OF RIGHT TO TRIAL BY JURY.

This Agreement has been negotiated within the State of Colorado and the rights and obligations of the Parties to this Agreement shall be construed and enforced in accordance with, and governed by, the laws of the State of Colorado without regard to any jurisdiction's principles of conflict of laws. Any legal suit, action or proceeding arising out of or relating to this Agreement shall be instituted in the federal courts of the United States of America or the courts of the State of Colorado in each case located in the City of Denver and County of Denver, and each party irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action or proceeding. The parties irrevocably and unconditionally waive any objection to the laying of venue of any suit, action or proceeding in such courts and irrevocably waive and agree not to plead or claim in any such court that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Each party acknowledges and agrees that any controversy which may arise out of or relate to this Agreement is likely to involve complicated and difficult issues and, therefore, each such party irrevocably and unconditionally waives any right it may have to a trial by jury in respect of any legal action arising out of or relating to this Agreement. In any action brought to enforce this Agreement, the substantially prevailing party shall be awarded its, his or her reasonable legal fees (including but not limited to attorney, paralegal and expert fees and costs), to the maximum extent permitted by law.

NO WAIVER OF BREACH.

No waiver of any breach of any term or provision of this Agreement shall be binding unless in writing and signed by the party waiving the breach. No waiver of any breach of any term or provision of this Agreement shall be construed to be, nor shall be, a waiver of any other breach of this Agreement.

KNOWING AND VOLUNTARY WAIVER.

Employee has carefully read and fully understands all of the provisions of this Agreement. Employee knowingly and voluntarily enters into this Agreement.

FURTHER ASSURANCES.

The Parties agree to cooperate fully and to execute any and all supplementary documents and to take all additional actions that may be necessary or appropriate to give full force to the terms of this Agreement.

HEADINGS NOT BINDING/COUNTERPARTS/ORIGINALS AND COPIES.

The use of headings in this Agreement is only for ease of reference and the headings have no effect and are not to be considered part of or terms of this Agreement. This Agreement may be executed in counterparts. A photocopy or facsimile copy of this Agreement shall be as effective as an original.

EMPLOYEE HAS CAREFULLY READ AND FULLY UNDERSTANDS ALL THE PROVISIONS OF THIS AGREEMENT. EMPLOYEE REPRESENTS THAT EMPLOYEE IS ENTERING INTO THIS AGREEMENT VOLUNTARILY AND THAT THE CONSIDERATION EMPLOYEE RECEIVES IN EXCHANGE FOR EXECUTING THIS AGREEMENT IS GREATER THAN THAT TO WHICH EMPLOYEE WOULD BE ENTITLED IN THE ABSENCE OF THIS AGREEMENT. EMPLOYEE REPRESENTS THAT EMPLOYEE IS NOT RELYING ON ANY REPRESENTATION OR UNDERSTANDING NOT STATED IN THIS AGREEMENT. USE OF THE

TERM "EMPLOYEE" IN THIS DOCUMENT DOES NOT INDICATE, CREATE, OR IMPLY AN EMPLOYER-EMPLOYEE RELATIONSHIP AFTER THE TERMINATION DATE.

/s/ Brian S. Frederick December 11, 2019

Date

Employee Address:

DCP SERVICES, LLC

Name: /s/ Tamara Bray

Date: _____

Title: GVP, CHRO

Date: December 11, 2019

Date: December 11, 2019

SUBSIDIARIES OF DCP MIDSTREAM, LP

Entity	Jurisdiction of Organization
Centana Intrastate Pipeline, LLC	Delaware
Cimarron River Pipeline, LLC	Delaware
Collbran Valley Gas Gathering, LLC (75%)	Colorado
Dauphin Island Gathering Partners	Texas
DCP Assets Holding GP, LLC	Delaware
DCP Assets Holding, LP	Delaware
DCP Black Lake Holdings, LP	Delaware
DCP Chesapeake LLC	Texas
DCP Cheyenne Connector, LLC	Delaware
DCP Dauphin Island, LLC	Delaware
DCP East Texas Gathering, LLC	Delaware
DCP GCX Pipeline LLC	Delaware
DCP Grands Lacs LLC	Michigan
DCP Guadalupe Pipeline, LLC	Delaware
DCP Hinshaw Pipeline, LLC	Delaware
DCP Intrastate Network, LLC	Delaware
DCP Litchfield LLC	Michigan
DCP LP Holdings, LLC	Delaware
DCP Lucerne 2 Plant LLC	Delaware
DCP Michigan Holdings LLC	Delaware
DCP Michigan Pipeline & Processing LLC	Michigan
DCP Midstream Holding, LLC	Delaware
DCP Midstream Marketing, LLC	Delaware
DCP Midstream Operating, LLC	Delaware
DCP Midstream Operating, LP	Delaware
DCP Mobile Bay Processing, LLC	Delaware
DCP New Mexico Development, LLC	Delaware
DCP NGL Operating, LLC	Delaware
DCP NGL Services, LLC	Delaware
DCP Operating Company, LP	Delaware
DCP Partners Colorado LLC	Delaware
DCP Partners Logistics, LLC	Delaware
DCP Partners MB I LLC	Delaware
DCP Partners MB II LLC	Delaware
DCP Pipeline Holding LLC	Delaware
DCP Raptor Pipeline, LLC	Delaware
DCP Receivables LLC	Delaware
DCP Saginaw Bay Lateral LLC	Delaware
DCP South Central Texas LLC	Delaware
DCP Sweeny LLC	Delaware
DCP Technology Ventures LLC	Delaware
DCP Tolar Holdings LLC	Delaware
DCP Wattenberg Pipeline LLC	Delaware
DCP Wyoming Assets LLC	Delaware
DCP Zia Plant LLC	Delaware
EasTrans, LLC	Delaware

Exhibit 21.1

Fuels Cotton Valley Gathering, LLC	Delaware
Jackson Pipeline Company (75%)	Michigan
Marysville Hydrocarbons Holdings, LLC	Delaware
Marysville Hydrocarbons LLC	Delaware
National Helium, LLC	Delaware
Saginaw Bay Lateral Michigan Limited Partnership (46%)	Michigan
Wilbreeze Pipeline, LLC	Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-142271 and 333-211905 on Form S-8 and Registration Statement Nos. 333-221419, 333-219927, and 333-182642 on Form S-3 of our reports dated February 21, 2020, relating to the financial statements of DCP Midstream, LP (the “Partnership”) and the effectiveness of the Partnership’s internal control over financial reporting, appearing in this Annual Report on Form 10-K for the year ended December 31, 2019.

/s/ Deloitte & Touche LLP

Denver, Colorado
February 21, 2020

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the following Registration Statements of our reports dated February 7, 2020, relating to the financial statements of DCP Sand Hills Pipeline, LLC as of December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, and the financial statements of DCP Southern Hills Pipeline, LLC as of December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, appearing in this Annual Report on Form 10-K of DCP Midstream, LP for the year ended December 31, 2019:

- Registration Statement Nos. 333-142271 and 333-211905 on Form S-8 of DCP Midstream, LP, and
- Registration Statement Nos. 333-221419, 333-219927, and 333-182642 on Form S-3 of DCP Midstream, LP.

/s/ Deloitte & Touche LLP

Denver, Colorado
February 21, 2020

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

1. Registration Statement (Form S-3 No. 333-182642) of DCP Midstream, LP (the “Partnership”),
2. Registration Statement (Form S-3 No. 333-219927) of the Partnership,
3. Registration Statement (Form S-3 No. 333-221419) of the Partnership,
4. Registration Statement (Form S-8 No. 333-142271) pertaining to the Partnership’s Long-Term Incentive Plan, and
5. Registration Statement (Form S-8 No. 333-211905) pertaining to the Partnership’s Long-Term Incentive Plan;

of our report dated February 14, 2020, with respect to the consolidated financial statements of Discovery Producer Services LLC, included in this Annual Report (Form 10-K) of the Partnership for the year ended December 31, 2019.

/s/ Ernst & Young LLP

Tulsa, Oklahoma
February 14, 2020

**Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Wouter T. van Kempen, certify that:

1. I have reviewed this annual report on Form 10-K of DCP Midstream, LP for the year ended December 31, 2019;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2020

/s/ Wouter T. van Kempen

Wouter T. van Kempen

President and Chief Executive Officer

(Principal Executive Officer)

DCP Midstream GP, LLC, general partner of

DCP Midstream GP, LP, general partner of

DCP Midstream, LP

**Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Sean P. O'Brien, certify that:

1. I have reviewed this annual report on Form 10-K of DCP Midstream, LP for the year ended December 31, 2019;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2020

/s/ Sean P. O'Brien

Sean P. O'Brien

Group Vice President and Chief Financial Officer

(Principal Financial Officer)

DCP Midstream GP, LLC, general partner of

DCP Midstream GP, LP, general partner of

DCP Midstream, LP

**Certification of President and Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906
of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)**

The undersigned, the President and Chief Executive Officer of DCP Midstream GP, LLC, general partner of DCP Midstream GP, LP, general partner of DCP Midstream, LP (the "Partnership"), hereby certifies that, to his knowledge on the date hereof:

- (a) the annual report on Form 10-K of the Partnership for the year ended December 31, 2019, filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

/s/ Wouter T. van Kempen

Wouter T. van Kempen

President and Chief Executive Officer

(Principal Executive Officer)

February 21, 2020

A signed original of this written statement required by Section 906 has been provided to the Partnership and will be retained by the Partnership and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification of Group Vice President and Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906
of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)**

The undersigned, the Group Vice President and Chief Financial Officer of DCP Midstream GP, LLC, general partner of DCP Midstream GP, LP, general partner of DCP Midstream, LP (the "Partnership"), hereby certifies that, to his knowledge on the date hereof:

- (a) the annual report on Form 10-K of the Partnership for the year ended December 31, 2019, filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

/s/ Sean P. O'Brien

Sean P. O'Brien
Group Vice President and Chief Financial Officer
(Principal Financial Officer)
February 21, 2020

A signed original of this written statement required by Section 906 has been provided to the Partnership and will be retained by the Partnership and furnished to the Securities and Exchange Commission or its staff upon request.