HAYES JOHN A
Form 4
December 04, 2017

FORM 4

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

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL	
OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
HAYES JOHN A

(Last) (First) (Middle)

BALL CORPORATION, 10 LONGS PEAK DR.

(Street)

BROOMFIELD, CO 80021-2510

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
BALL Corp [BLL]

3. Date of Earliest Transaction (Month/Day/Year)
12/01/2017

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
CHAIRMAN, PRESIDENT & C.E.O..

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	12/01/2017		M (1)		15,090	A	$ 12.5275	423,062.9482	D	
Common Stock	12/01/2017		F (2)		9,571	D	$ 39.74	413,491.9482	D	
Common Stock								9,103.134	I	401(k) Plan (3)
Common Stock								161,344	I	JAH Irrevocable Trust (4)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amour Underlying Securit (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amo or Num of Sh
Stock Appreciation Rights (sars)	$ 12.5275	12/01/2017		M(5)			15,090	04/23/2009	04/23/2018	Common Stock	15,(

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
HAYES JOHN A BALL CORPORATION 10 LONGS PEAK DR. BROOMFIELD, CO 80021-2510	X		CHAIRMAN, PRESIDENT & C.E.O..	

Signatures

/s/ Janice L. Rodriguez, attorney-in-fact for Mr. Hayes	12/04/2017
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Common stock acquired upon the exercise of Stock Appreciation Rights (SARS)

(2) Shares utilized to pay for the cost of the SARs and the tax obligation resulting from the exercise of the SARs.

(3) Total number of 401(k) Plan shares acquired through periodic dividend reinvestment, participant's contributions and employer matching contributions.

(4) The reporting person expressly disclaims beneficial ownership of these securities.

(5) Exercise of Stock Appreciation Rights (SARS) pursuant to reporting person's February 10, 2017, 10b5-1 Plan.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. right:2px;padding-top:2px;padding-bottom:2px;">
)
2019
(650,000
)

—

(3,240,167
)

2,402,500

2020
—

—

231,548

3,660,000

March 31, 2017

Crude Oil

Natural Gas

Natural Gas
Liquids

Natural Gas
Basis Swaps
Year of Expiration
Net Short
Position
(Bbls)

Net (Short)
Long Position
(MMBtu)

Net (Short) Long
Position
(Bbls)

Net Long
Position
(MMBtu)
2017
(1,004,000
)

(48,928,700
)

(16,786,124
)

5,662,500

2018
(416,000
)

50,000

(156,537
)

3,192,500

2019
(40,000
)

—

(2,203
)

—

2020
(50,000
)

—

240,000

—

13. Partnership Equity and Distributions
Common Units — During the three months ended March 31, 2018 and 2017, we issued no common units pursuant to our 2014 equity distribution agreement. As of March 31, 2018, approximately $750 million of common units remained available for sale pursuant to our at-the-market program.
General Partner Interest and Incentive Distribution Rights - During the three months ended March 31, 2018 and in conjunction with the quarterly distribution, the Partnership distributed $40 million of incentive distribution rights ("IDR") givebacks to the IDR holders that were previously withheld under the amended Partnership agreement during 2017.

26

DCP MIDSTREAM, LP
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Three Months Ended March 31, 2018 and 2017 - (Continued)
(Unaudited)

The following table presents our cash distributions paid in 2018 and 2017:

Payment Date	Per Unit Distribution	Total Cash Distribution (millions)
February 14, 2018	$ 0.7800	$ 194
November 14, 2017	$ 0.7800	$ 155
August 14, 2017	$ 0.7800	$ 134
May 15, 2017	$ 0.7800	$ 135
February 14, 2017	$ 0.7800	$ 121

14. Net Income or Loss per Limited Partner Unit

Basic and diluted net income or loss per Limited Partner Unit ("LPU") is calculated by dividing net income or loss allocable to limited partners, by the weighted-average number of LPUs outstanding during the period. Diluted net income or loss per LPU is computed based on the weighted average number of units plus the effect of potential dilutive units outstanding during the period using the two-class method. Potential dilutive units include outstanding awards under the Partnership's Long Term Incentive Plans.

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

Environmental — The operation of pipelines, plants and other facilities for gathering, 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, 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) city, state and federal regulatory officials and through litigation, on hydraulic fracturing and the real or perceived environmental impacts of this technique, which indirectly presents some risk to our available supply of natural gas and the resulting supply of NGLs, (ii) federal regulatory agencies 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, 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.

DCP MIDSTREAM, LP
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Three Months Ended March 31, 2018 and 2017 - (Continued)
(Unaudited)

16. Business Segments

Our operations are organized into two reportable segments: (i) Gathering and Processing and (ii) Logistics and Marketing. 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 of the Notes to Consolidated Financial Statements in "Financial Statements and Supplementary Data" included as Item 8 in our Annual Report on Form 10-K for the year ended December 31, 2017 .

Our Gathering and Processing segment consists of gathering, compressing, treating, processing natural gas, producing and fractionating NGLs, and recovering condensate. Our Logistics and Marketing segment includes transporting, trading, marketing, and storing natural gas and NGLs, fractionating NGLs, and wholesale propane logistics. 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:

Three Months Ended March 31, 2018:

	Gathering and Processing	Logistics and Marketing	Other	Eliminations	Total
	(millions)				
Total operating revenue	$1,286	$ 1,979	$—	$ (1,126)	$2,139
Gross margin (a)	$352	$ 18	$—	$ —	$370
Operating and maintenance expense	(148)	(11)	(3)	—	(162)
Depreciation and amortization expense	(84)	(3)	(7)	—	(94)
General and administrative expense	(4)	(3)	(52)	—	(59)
Other (expense) income	(3)	1	—	—	(2)
Earnings from unconsolidated affiliates	1	77	—	—	78
Interest expense	—	—	(67)	—	(67)
Income tax expense	—	—	(1)	—	(1)
Net income (loss)	$114	$ 79	$(130)	$ —	$63
Net income attributable to noncontrolling interests	(1)	—	—	—	(1)
Net income (loss) attributable to partners	$113	$ 79	$(130)	$ —	$62
Non-cash derivative mark-to-market (b)	$14	$ (43)	$—	$ —	$(29)
Capital expenditures	$120	$ 1	$3	$ —	$124
Investments in unconsolidated affiliates, net	$1	$ 59	$—	$ —	$60

28

DCP MIDSTREAM, LP
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Three Months Ended March 31, 2018 and 2017 - (Continued)
(Unaudited)

Three Months Ended March 31, 2017:

	Gathering and Processing	Logistics and Marketing	Other	Eliminations	Total
	(millions)				
Total operating revenue	$1,359	$ 1,927	$—	$ (1,165)	$2,121
Gross margin (a)	$376	$ 58	$—	$ —	$434
Operating and maintenance expense	(153)	(9)	(5)	—	(167)
Depreciation and amortization expense	(85)	(4)	(5)	—	(94)
General and administrative expense	(6)	(3)	(53)	—	(62)
Other expense	—	(9)	(1)	—	(10)
Earnings from unconsolidated affiliates	20	54	—	—	74
Interest expense	—	—	(73)	—	(73)
Income tax expense	—	—	(1)	—	(1)
Net income (loss)	$152	$ 87	$(138)	$ —	$101
Net income attributable to noncontrolling interests	—	—	—	—	—
Net income (loss) attributable to partners	$152	$ 87	$(138)	$ —	$101
Non-cash derivative mark-to-market (b)	$31	$ 5	$—	$ —	$36
Capital expenditures	$43	$ 1	$4	$ —	$48
Investments in unconsolidated affiliates, net	$—	$ 20	$—	$ —	$20

	March 31, 2018	December 31, 2017
	(millions)	
Segment long-term assets:		
Gathering and Processing	$8,988	$ 8,943
Logistics and Marketing	3,416	3,348
Other (c)	254	265
Total long-term assets	12,658	12,556
Current assets	1,020	1,322
Total assets	$13,678	$ 13,878

(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 Securities and Exchange Commission ("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.

29

DCP MIDSTREAM, LP
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Three Months Ended March 31, 2018 and 2017 - (Continued)
(Unaudited)

17. Supplemental Cash Flow Information

	Three Months Ended March 31,	
	2018	2017
	(millions)	
Cash paid for interest:		
Cash paid for interest, net of amounts capitalized	$84	$87
Non-cash investing and financing activities:		
Property, plant and equipment acquired with accounts payable and accrued liabilities	$54	$46
Issuance of common and general partner units	$—	$1,125
Deficit purchase price	$—	$3,097

30

18. Supplementary Information - Condensed 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 100% 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.

DCP MIDSTREAM, LP
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Three Months Ended March 31, 2018 and 2017 - (Continued)
(Unaudited)

	Condensed Consolidating Balance Sheet March 31, 2018				
	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
	(millions)				
ASSETS					
Current assets:					
Cash and cash equivalents	$—	$ —	$ 2	$ —	$ 2
Accounts receivable, net	—	—	819	—	819
Inventories	—	—	51	—	51
Other	—	—	148	—	148
Total current assets	—	—	1,020	—	1,020
Property, plant and equipment, net	—	—	9,040	—	9,040
Goodwill and intangible assets, net	—	—	335	—	335
Advances receivable — consolidated subsidiaries	2,701	1,785	—	(4,486)	—
Investments in consolidated subsidiaries	4,581	7,657	—	(12,238)	—
Investments in unconsolidated affiliates	—	—	3,105	—	3,105
Other long-term assets	—	—	178	—	178
Total assets	$7,282	$ 9,442	$ 13,678	$ (16,724)	$ 13,678
LIABILITIES AND EQUITY					
Accounts payable and other current liabilities	$—	$ 53	$ 1,220	$ —	$ 1,273
Current maturities of long-term debt	—	450	—	—	450
Advances payable — consolidated subsidiaries	—	—	4,486	(4,486)	—
Long-term debt	—	4,358	—	—	4,358
Other long-term liabilities	—	—	285	—	285
Total liabilities	—	4,861	5,991	(4,486)	6,366
Commitments and contingent liabilities					
Equity:					
Partners' equity:					
Net equity	7,282	4,585	7,662	(12,238)	7,291
Accumulated other comprehensive loss	—	(4)	(5)	—	(9)
Total partners' equity	7,282	4,581	7,657	(12,238)	7,282
Noncontrolling interests	—	—	30	—	30
Total equity	7,282	4,581	7,687	(12,238)	7,312
Total liabilities and equity	$7,282	$ 9,442	$ 13,678	$ (16,724)	$ 13,678

DCP MIDSTREAM, LP
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Three Months Ended March 31, 2018 and 2017 - (Continued)
(Unaudited)

Condensed Consolidating Balance Sheet
December 31, 2017

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
	(millions)				
ASSETS					
Current assets:					
Cash and cash equivalents	$—	$ 155	$ 1	$ —	$ 156
Accounts receivable, net	—	—	981	—	981
Inventories	—	—	68	—	68
Other	—	—	117	—	117
Total current assets	—	155	1,167	—	1,322
Property, plant and equipment, net	—	—	8,983	—	8,983
Goodwill and intangible assets, net	—	—	337	—	337
Advances receivable — consolidated subsidiaries	2,895	1,614	—	(4,509)	—
Investments in consolidated subsidiaries	4,513	7,522	—	(12,035)	—
Investments in unconsolidated affiliates	—	—	3,050	—	3,050
Other long-term assets	—	—	186	—	186
Total assets	$7,408	$ 9,291	$ 13,723	$ (16,544)	$ 13,878
LIABILITIES AND EQUITY					
Accounts payable and other current liabilities	$—	$ 71	$ 1,417	$ —	$ 1,488
Advances payable — consolidated subsidiaries	—	—	4,509	(4,509)	—
Long-term debt	—	4,707	—	—	4,707
Other long-term liabilities	—	—	245	—	245
Total liabilities	—	4,778	6,171	(4,509)	6,440
Commitments and contingent liabilities					
Equity:					
Partners' equity:					
Net equity	7,408	4,517	7,527	(12,035)	7,417
Accumulated other comprehensive loss	—	(4)	(5)	—	(9)
Total partners' equity	7,408	4,513	7,522	(12,035)	7,408
Noncontrolling interests	—	—	30	—	30
Total equity	7,408	4,513	7,552	(12,035)	7,438
Total liabilities and equity	$7,408	$ 9,291	$ 13,723	$ (16,544)	$ 13,878

33

DCP MIDSTREAM, LP
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Three Months Ended March 31, 2018 and 2017 - (Continued)
(Unaudited)

	Condensed Consolidating Statement of Operations Three Months Ended March 31, 2018				
	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
	(millions)				
Operating revenues:					
Sales of natural gas, NGLs and condensate	$—	$ —	$ 2,069	$ —	$ 2,069
Transportation, processing and other	—	—	111	—	111
Trading and marketing losses, net	—	—	(41)	—	(41)
Total operating revenues	—	—	2,139	—	2,139
Operating costs and expenses:					
Purchases and related costs	—	—	1,769	—	1,769
Operating and maintenance expense	—	—	162	—	162
Depreciation and amortization expense	—	—	94	—	94
General and administrative expense	—	—	59	—	59
Other expense, net	—	—	2	—	2
Total operating costs and expenses	—	—	2,086	—	2,086
Operating income	—	—	53	—	53
Interest expense, net	—	(67)	—	—	(67)
Income from consolidated subsidiaries	62	129	—	(191)	—
Earnings from unconsolidated affiliates	—	—	78	—	78
Income before income taxes	62	62	131	(191)	64
Income tax expense	—	—	(1)	—	(1)
Net income	62	62	130	(191)	63
Net income attributable to noncontrolling interests	—	—	(1)	—	(1)
Net income attributable to partners	$62	$ 62	$ 129	$ (191)	$ 62

	Condensed Consolidating Statement of Comprehensive Income Three Months Ended March 31, 2018				
	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
	(millions)				
Net income	$62	$ 62	$ 130	$ (191)	$ 63
Other comprehensive income:					
Total other comprehensive income	—	—	—	—	—
Total comprehensive income	62	62	130	(191)	63
Total comprehensive income attributable to noncontrolling interests	—	—	(1)	—	(1)
Total comprehensive income attributable to partners	$62	$ 62	$ 129	$ (191)	$ 62

34

DCP MIDSTREAM, LP
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Three Months Ended March 31, 2018 and 2017 - (Continued)
(Unaudited)

Condensed Consolidating Statement of Operations
Three Months Ended March 31, 2017

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
	(millions)				
Operating revenues:					
Sales of natural gas, NGLs and condensate	$—	$ —	$ 1,933	$ —	$ 1,933
Transportation, processing and other	—	—	157	—	157
Trading and marketing losses, net	—	—	31	—	31
Total operating revenues	—	—	2,121	—	2,121
Operating costs and expenses:					
Purchases and related costs	—	—	1,687	—	1,687
Operating and maintenance expense	—	—	167	—	167
Depreciation and amortization expense	—	—	94	—	94
General and administrative expense	—	—	62	—	62
Other expense	—	—	10	—	10
Total operating costs and expenses	—	—	2,020	—	2,020
Operating income	—	—	101	—	101
Interest expense, net	—	(73)	—	—	(73)
Income from consolidated subsidiaries	101	174	—	(275)	—
Earnings from unconsolidated affiliates	—	—	74	—	74
Income before income taxes	101	101	175	(275)	102
Income tax expense	—	—	(1)	—	(1)
Net income	101	101	174	(275)	101
Net income attributable to noncontrolling interests	—	—	—	—	—
Net income attributable to partners	$101	$ 101	$ 174	$ (275)	$ 101

Condensed Consolidating Statement of Comprehensive Income
Three Months Ended March 31, 2017

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
	(millions)				
Net income	$101	$ 101	$ 174	$ (275)	$ 101
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	102	102	174	(276)	102
Total comprehensive income attributable to noncontrolling interests	—	—	—	—	—
Total comprehensive income attributable to partners	$102	$ 102	$ 174	$ (276)	$ 102

35

Explanation of Responses:

DCP MIDSTREAM, LP
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Three Months Ended March 31, 2018 and 2017 - (Continued)
(Unaudited)

Condensed Consolidating Statement of Cash Flows
Three Months Ended March 31, 2018

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
	(millions)				
OPERATING ACTIVITIES					
Net cash (used in) provided by operating activities	$ —	$ (84)	$ 206	$ —	$ 122
INVESTING ACTIVITIES:					
Intercompany transfers	194	(171)	—	(23)	—
Capital expenditures	—	—	(124)	—	(124)
Investments in unconsolidated affiliates	—	—	(60)	—	(60)
Proceeds from sale of assets	—	—	3	—	3
Net cash provided by (used in) investing activities	194	(171)	(181)	(23)	(181)
FINANCING ACTIVITIES:					
Intercompany transfers	—	—	(23)	23	—
Proceeds from long-term debt	—	635	—	—	635
Payments of long-term debt	—	(535)	—	—	(535)
Distributions to limited partners and general partner	(194)	—	—	—	(194)
Distributions to noncontrolling interests	—	—	(1)	—	(1)
Net cash (used in) provided by financing activities	(194)	100	(24)	23	(95)
Net change in cash and cash equivalents	—	(155)	1	—	(154)
Cash and cash equivalents, beginning of period	—	155	1	—	156
Cash and cash equivalents, end of period	$ —	$ —	$ 2	$ —	$ 2

36

DCP MIDSTREAM, LP
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Three Months Ended March 31, 2018 and 2017 - (Continued)
(Unaudited)

	Condensed Consolidating Statements of Cash Flows Three Months Ended March 31, 2017				
	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
	(millions)				
OPERATING ACTIVITIES					
Net cash (used in) provided by operating activities	$ —	$ (87)	$ 231	$ —	$ 144
INVESTING ACTIVITIES:					
Intercompany transfers	121	458	—	(579)	—
Capital expenditures	—	—	(48)	—	(48)
Investments in unconsolidated affiliates, net	—	—	(20)	—	(20)
Net cash provided by (used in) investing activities	121	458	(68)	(579)	(68)
FINANCING ACTIVITIES:					
Intercompany transfers	—	—	(579)	579	—
Payments of long-term debt	—	(195)	—	—	(195)
Net change in advances to predecessor from DCP Midstream, LLC	—	—	418	—	418
Distributions to limited partners and general partner	(121)	—	—	—	(121)
Distributions to noncontrolling interests	—	—	(2)	—	(2)
Other	—	(1)	—	—	(1)
Net cash (used in) provided by financing activities	(121)	(196)	(163)	579	99
Net change in cash and cash equivalents	—	175	—	—	175
Cash and cash equivalents, beginning of period	—	—	1	—	1
Cash and cash equivalents, end of period	$ —	$ 175	$ 1	$ —	$ 176

19. Subsequent Events

On April 24, 2018, 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 May 15, 2018 to unitholders of record on May 8, 2018.

On the same date, we announced that the board of directors of the General Partner declared a quarterly distribution on our Preferred Series A units of $41.9965 per Preferred Series A unit. The distribution will be paid on June 15, 2018 to unitholders of record on June 1, 2018.

Item 2. 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 condensed consolidated financial statements and notes included elsewhere in this Quarterly Report on Form 10-Q and the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2017.

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) Gathering and Processing and (ii) Logistics and Marketing. Our Gathering and Processing segment consists of gathering, compressing, treating, and processing natural gas, producing and fractionating NGLs, and recovering condensate. Our Logistics and Marketing segment includes transporting, trading, marketing and storing natural gas and NGLs, fractionating NGLs and wholesale propane logistics.

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 portion of commodity price risk on an overall Partnership basis by growing our fee based assets and by executing on our hedging program, in which we hedge commodity prices associated with a portion of our expected natural gas, NGL and condensate equity volumes in our Gathering and Processing segment. Various factors impact both commodity prices and volumes, and as indicated in Item 3. "Quantitative and Qualitative Disclosures about Market Risk", we have sensitivities to certain cash and non-cash changes in commodity prices. Drilling activity levels vary by geographic area; we will continue to target our strategy in geographic areas where we expect producer drilling activity.

In the long-term, our belief is that commodity prices will continue to be at levels which support growth in 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.

NGL prices are impacted by the 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. We believe this will cause increased demand over time, which should provide support for the increasing supply of ethane. As these facilities commence operations, ethane prices could remain weak with supply in excess of demand. 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 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, nine have investment grade credit ratings while the remainder do not.

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 hedging program.

38

- 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.

During 2018, our strategic objectives will continue to focus on maintaining stable 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 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 Gathering and Processing Segment, we are constructing a 200 MMcf/d natural gas processing plant, the Mewbourn 3 plant, and further expanding our Grand Parkway gathering system, both of which are located in the DJ Basin and expected to be in service in August 2018.
- Our 200 MMcf/d O'Connor 2 plant and associated gathering infrastructure, located in the DJ Basin, is also approved and expected to be in service in the second quarter of 2019. We are further expanding capacity at O'Connor 2 by an additional 100 MMcf/d by placing additional plant bypass infrastructure in service. Engineering and permitting are underway, and we are purchasing equipment for the construction of the plant.
- We approved the construction of Plant 12, a 1.0 Bcf/d natural gas processing plant in the DJ Basin. Plant 12 and associated gathering infrastructure is expected to be in service in 2020.
- We are extending the Southern Hills pipeline into the DJ Basin via the White Cliffs pipeline, adding 90 MBls/d out of the DJ Basin, expandable to 120 MBls/d. Expected completion is in the fourth quarter of 2019.
- We are participating in the Front Range 100 MBls/d and Texas Express 90 MBls/d expansions adding NGL takeaway from the DJ Basin. Both expansions are expected to go into service in the second quarter of 2019. We own 33% of Front Range and 10% of Texas Express.
- Within our Logistics and Marketing segment, we increased capacity of our Sand Hills pipeline from 365 MBbls/d to 400 MBbls/d through operational optimization with no incremental capital. Further expansion on Sand Hills includes a partial looping of the pipeline and the addition of pump stations. This expansion is expected to be in service by the end of this year. Capacity is expected to increase 25 MBbls/d to 425 MBbls/d by the end of Q3 2018 and then ramp up to 485 MBbls/d by the end of 2018.
- We have a 25% interest in the joint development of the Gulf Coast Express pipeline project, or the "GCX project". The approximately $1.75 billion GCX project is designed to transport approximately 2 Bcf/d of natural gas, and is close to fully subscribed. The natural gas takeaway pipeline is expected to be in service in the fourth quarter of 2019.
- We are jointly developing the Cheyenne Connector pipeline (“Cheyenne Connector”) with Tallgrass Energy Partners, LP (operator), and Western Gas Partners, LP and hold an option to invest in this project at a later date. Cheyenne Connector will provide gas takeaway for the DJ Basin, connecting to the Rockies Express Pipeline's Cheyenne Hub where it can then be delivered to numerous demand markets across the country. It will have an initial capacity of at least 600 MMcf/day and is expected to be in service in the third quarter of 2019, subject to certain conditions, including required approvals from the Federal Energy Regulatory Commission.

We incur capital expenditures for our consolidated entities and our unconsolidated affiliates. Our 2018 plan includes maintenance capital expenditures of between $100 million and $120 million, and expansion capital expenditures between $650 million and $750 million associated with approved projects. Expansion capital expenditures include the construction of the O'Connor 2 plant and Mewbourn 3 plant in our DJ Basin system, as well as the capacity expansion of the Sand Hills pipeline and the construction of the Gulf Coast Express pipeline, which are shown as an investment in unconsolidated affiliates in our condensed consolidated statements of cash flows.

Our 2018 earnings from unconsolidated affiliates and distributions from unconsolidated affiliates from our investment in Discovery in our Gathering and Processing segment are forecasted to be lower than 2017 by approximately $60 million to $70 million. Approximately $30 million to $40 million of this decrease is associated with significant volume declines from two offshore wells and an additional $30 million is associated with a contractual dispute with certain producers regarding demand charges, which is being challenged by Discovery.

For an in-depth discussion of factors that may significantly affect our results, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Factors That May Significantly Affect Our Results” included as Item 7 in our current report on the December 31, 2017 Form 10-K.

Recent Events

On March 15, 2018, FERC announced a revised policy prohibiting FERC-jurisdictional natural gas and liquids pipelines owned by master limited partnerships from including an allowance for income taxes in the cost of service used to calculate tariff rates. We do not expect these FERC policy revisions to have a material impact on our results of operations, financial position or cash flows.

We announced a quarterly distribution of $0.78 per common unit for the first quarter of 2018. This distribution per common unit remains unchanged from the previous quarter and the first quarter of 2017.

We announced a quarterly distribution of $41.9965 per Preferred Series A limited partnership unit for the first half of 2018.

Results of Operations

Consolidated Overview

The following table and discussion is a summary of our condensed consolidated results of operations for the three months ended March 31, 2018 and 2017. The results of operations by segment are discussed in further detail following this consolidated overview discussion.

	Three Months Ended March 31,		Variance 2018 vs. 2017	
	2018	2017	Increase (Decrease)	Percent
	(millions, except operating data)			
Operating revenues (a):				
Gathering and Processing	$1,286	$1,359	$(73)	(5)%
Logistics and Marketing	1,979	1,927	52	3%
Inter-segment eliminations	(1,126)	(1,165)	39	3%
Total operating revenues	2,139	2,121	18	1%
Purchases and related costs				
Gathering and Processing	(934)	(983)	(49)	(5)%
Logistics and Marketing	(1,961)	(1,869)	92	5%
Inter-segment eliminations	1,126	1,165	39	3%
Total purchases	(1,769)	(1,687)	82	5%
Operating and maintenance expense	(162)	(167)	(5)	(3)%
Depreciation and amortization expense	(94)	(94)	—	—%
General and administrative expense	(59)	(62)	(3)	(5)%
Other expense, net	(2)	(10)	8	*
Earnings from unconsolidated affiliates (b)	78	74	4	5%
Interest expense	(67)	(73)	(6)	(8)%
Income tax expense	(1)	(1)	—	—%
Net income attributable to noncontrolling interests	(1)	—	1	*
Net income attributable to partners	$62	$101	$(39)	*
Other data:				
Gross margin (c):				
Gathering and Processing	$352	$376	$(24)	(6)%
Logistics and Marketing	18	58	(40)	(69)%
Total gross margin	$370	$434	$(64)	(15)%
Non-cash commodity derivative mark-to-market	$(29)	$36	$(65)	*
Natural gas wellhead (MMcf/d) (d)	4,467	4,580	(113)	(2)%
NGL gross production (MBbls/d) (d)	384	352	32	9%
NGL pipelines throughput (MBbls/d) (d)	519	427	92	22%

* Percentage change is not meaningful.

(a) Operating revenues include the impact of trading and marketing gains (losses), net.

(b) Earnings for Discovery, Sand Hills, Southern Hills, Front Range, Mont Belvieu 1 and Texas Express include the amortization of the net difference between the carrying amount of the investments and the underlying equity of the entities.

41

(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.

Three Months Ended March 31, 2018 vs. Three Months Ended March 31, 2017

Total Operating Revenues — Total operating revenues increased $18 million in 2018 compared to 2017 primarily as a result of the following:

- $52 million increase for our Logistics and Marketing segment primarily due to higher NGL and crude prices, partially offset by unfavorable commodity derivative activity, lower gas and NGL sales volumes which impacts both sales and purchases and the implementation of ASC 606;
- $39 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 gas and NGL sales volumes and lower natural gas prices and the implementation of ASC 606;

These increases were partially offset by:

- $73 million decrease for our Gathering and Processing segment due to the sale of our Douglas gathering system in June 2017, a producer settlement in our North region, lower natural gas prices, lower gas and NGL sales volumes across certain regions due to weather impacting operations and other operational factors impacting both sales and purchases, unfavorable commodity derivative activity and the implementation of ASC 606. These decreases were partially offset by higher gas and NGL sales volumes due to growth projects primarily related to our DJ Basin system in the North region, increased drilling activity in our Eagle Ford system in the South region and better operational performance in our Midcontinent region.

Total Purchases — Total purchases increased $82 million in 2018 compared to 2017 primarily as a result of the following:

- $92 million increase for our Logistics and Marketing segment for the reasons discussed above;
- $39 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 gas and NGL sales volumes and lower natural gas prices and the implementation of ASC 606;

These increases were partially offset by:

- $49 million decrease for our Gathering and Processing segment for the reasons discussed above.

Operating and Maintenance Expense — Operating and maintenance expense decreased in 2018 compared to 2017 primarily as a result of decreased base operating costs resulting from cost savings initiatives and the sale of our Douglas gathering system in June 2017.

General and Administrative Expense - General and administrative expense decreased in 2018 compared to 2017, primarily as a result of cost savings initiatives.

Other expense — Other expense in 2018 primarily represents the write-off of property, plant and equipment associated with asset rationalization. Other expense in 2017 primarily represents the write-off of property, plant and equipment associated with the expiration of a lease.

Earnings from Unconsolidated Affiliates — Earnings from unconsolidated affiliates increased in 2018 compared to 2017 primarily as a result of the expansion and volume ramp up of the Sand Hills NGL pipeline in our Logistics and Marketing segment partially offset by a decrease from Discovery in our Gathering and Processing segment primarily due to lower production volumes from two offshore wells at Discovery. We expect continued volume declines from these wells to impact future earnings.

Interest Expense - Interest expense decreased in 2018 compared to 2017 as a result of higher capitalized interest and lower average outstanding debt balances.

42

Net Income Attributable to Partners — Net income attributable to partners decreased in 2018 compared to 2017 for the reasons discussed above.

Gross Margin — Gross margin decreased $64 million in 2018 compared to 2017 primarily as a result of the following:

- $40 million decrease for our Logistics and Marketing segment primarily related to unfavorable commodity derivative activity, lower margins on wholesale propane and the expiration of a contract and lower NGL marketing margins, partially offset by higher gas marketing due to favorable commodity spreads.
- $24 million decrease for our Gathering and Processing segment primarily related to unfavorable commodity derivative activity, the sale of our Douglas gathering system in June 2017, a producer settlement in 2017 in our North region and lower volumes across certain regions due to weather impacting operations and other operational factors. These decreases were partially offset by increased volume from increased drilling activity in our Eagle Ford system in the South region, growth projects primarily related to our DJ Basin system in the North region and better operational performance in the Midcontinent region.

Supplemental Information on Unconsolidated Affiliates

The following table presents financial information related to unconsolidated affiliates:

Earnings from investments in unconsolidated affiliates were as follows:

	Three Months Ended March 31, 2018	2017
	(Millions)	
DCP Sand Hills Pipeline, LLC	$ 48	$ 31
DCP Southern Hills Pipeline, LLC	13	11
Front Range Pipeline LLC	5	4
Texas Express Pipeline LLC	2	2
Mont Belvieu Enterprise Fractionator	4	3
Mont Belvieu 1 Fractionator	4	1
Discovery Producer Services LLC	1	20
Other	1	2
Total earnings from unconsolidated affiliates	$ 78	$ 74

Distributions received from unconsolidated affiliates were as follows:

	Three Months Ended March 31, 2018	2017
	(Millions)	
DCP Sand Hills Pipeline, LLC	$ 49	$ 27
DCP Southern Hills Pipeline, LLC	16	12

Front Range Pipeline LLC	6	2
Texas Express Pipeline LLC	5	3
Mont Belvieu Enterprise Fractionator	3	4
Mont Belvieu 1 Fractionator	3	1
Discovery Producer Services LLC	8	25
Other	1	2
Total distributions from unconsolidated affiliates	$ 91	$ 76

43

Results of Operations — Gathering and Processing Segment
Operating Data

Regions	Plants	Approximate Gathering and Transmission Systems (Miles)	Approximate Net Nameplate Plant Capacity (MMcf/d) (a)	Three Months Ended March 31, 2018 Natural Gas Wellhead Volume (MMcf/d) (a)	NGL Production (MBbls/d) (a)
North	13	4,000	1,260	1,206	85
Permian	15	16,500	1,390	872	102
Midcontinent	12	29,000	1,765	1,194	102
South	20	7,500	3,295	1,195	95
Total	60	57,000	7,710	4,467	384

(a) For entities not wholly-owned by us, includes our share, based on our ownership percentage, of the wellhead volume and NGL production.

44

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

	Three Months Ended March 31,		Variance 2018 vs. 2017	
	2018	2017	Increase (Decrease)	Percent
	(millions, except operating data)			
Operating revenues:				
Sales of natural gas, NGLs and condensate	$1,186	$1,197	$(11)	(1)%
Transportation, processing and other	97	140	(43)	(31)%
Trading and marketing gains, net	3	22	(19)	*
Total operating revenues	1,286	1,359	(73)	(5)%
Purchases and related costs	(934)	(983)	(49)	(5)%
Operating and maintenance expense	(148)	(153)	(5)	(3)%
Depreciation and amortization expense	(84)	(85)	(1)	(1)%
General and administrative expense	(4)	(6)	(2)	(33)%
Other expense, net	(3)	—	(3)	*
Earnings from unconsolidated affiliates (a)	1	20	(19)	(95)%
Segment net income	114	152	(38)	(25)%
Segment net income attributable to noncontrolling interests	(1)	—	1	*
Segment net income attributable to partners	$113	$152	$(39)	(26)%
Other data:				
Segment gross margin (b)	$352	$376	$(24)	(6)%
Non-cash commodity derivative mark-to-market	$14	$31	$(17)	(55)%
Natural gas wellhead (MMcf/d) (c)	4,467	4,580	(113)	(2)%
NGL gross production (MBbls/d) (c)	384	352	32	9%

* 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.

Three Months Ended March 31, 2018 vs. Three Months Ended March 31, 2017

Total Operating Revenues — Total operating revenues decreased $73 million in 2018 compared to 2017, primarily as a result of the following:

- $43 million decrease in transportation, processing and other primarily related to the implementation of ASC 606;
- $35 million decrease attributable to lower natural gas prices, which impacted both sales and purchases, before the impact of derivative activity;
- $19 million decrease primarily as a result of lower volumes across certain regions due to weather impacting operations and other operational factors; and
- $19 million decrease as a result of commodity derivative activity attributable to a decrease in unrealized commodity derivative gains of $17 million and a $2 million increase in realized cash settlement losses due to movements in forward prices of commodities in 2018;

These decreases were partially offset by:

- $43 million increase primarily as a result of higher volumes due to growth projects primarily related to our DJ Basin system in the North region, increased drilling activity in our Eagle Ford system in the South region and better operational performance in our Midcontinent region, partially offset by the sale of our Douglas gathering system in June 2017, a producer settlement in our North region and $31 million due to the implementation of ASC 606;

Purchases and Related Costs — Purchases and related costs decreased $49 million in 2018 compared to 2017 as a result of decreased gas and NGL sales volumes in certain regions and lower natural gas prices, partially offset by higher volumes in our South and North regions.

Operating and Maintenance Expense — Operating and maintenance expense decreased in 2018 compared to 2017 primarily as a result of decreased base operating costs resulting from cost savings initiatives and the sale of our Douglas gathering system in June 2017 in our North region.

General and Administrative Expense — General and administrative expense decreased in 2018 compared to 2017 primarily as a result of cost savings initiatives.

Other Expense — Other expense in 2018 represents the write-off of property, plant and equipment associated with asset rationalization.

Earnings from Unconsolidated Affiliates — Earnings from unconsolidated affiliates decreased in 2018 compared to 2017 primarily due to lower production volumes from two offshore wells at Discovery. We expect continued volume declines from these wells to impact future earnings.

Segment Gross Margin — Segment gross margin decreased $24 million in 2018 compared to 2017, primarily as a result of the following:

- $19 million decrease as a result of commodity derivative activity as discussed above;
- $18 million decrease primarily as a result of the sale of our Douglas gathering system in June 2017 and a producer settlement in our North region; and
- $9 million decrease primarily as a result of lower volumes across certain regions due to weather impacting operations and other operational factors;

These decreases were partially offset by:

- $21 million increase as a result of increased volume from increased drilling activity in our Eagle Ford system in the South region, growth projects primarily related to our DJ Basin system in the North region and better operational performance in the Midcontinent region; and
- $1 million increase as a result of higher commodity prices.

46

Total Wellhead — Natural gas wellhead decreased in 2018 compared to 2017 reflecting lower volumes primarily from (i) lower volumes associated with weather impacts within certain regions and (ii) the sale of our Douglas gathering system within our North region, partially offset by (iii) general volume increases due to maximizing capacity utilization and growth projects within the North region and (iv) general volume increases due to increased drilling activity in the South region.

NGL Gross Production — NGL gross production increased in 2018 compared to 2017 primarily as a result of (i) ethane recoveries in the Midcontinent and Permian regions, and (ii) general volume increases due to increased drilling activity in the South region.

Results of Operations — Logistics and Marketing Segment

Operating Data

				Three Months Ended March 31, 2018	
System	Approximate System Length (Miles)	Fractionators	Approximate Throughput Capacity (MBbls/d) (a)	Pipeline Throughput (MBbls/d) (a)	Fractionator Throughput (MBbls/d) (a)
Sand Hills pipeline	1,300	—	252	239	—
Southern Hills pipeline	950	—	117	75	—
Front Range pipeline	450	—	50	38	—
Texas Express pipeline	600	—	28	15	—
Other NGL pipelines (a)	1,200	—	241	152	—
Mont Belvieu fractionators	—	2	60	—	62
Total	4,500	2	748	519	62

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

47

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

	Three Months Ended March 31,		Variance 2018 vs. 2017	
	2018	2017	Increase (Decrease)	Percent
	(millions, except operating data)			
Operating revenues:				
Sales of natural gas and NGLs	$2,009	$1,901	$108	6 %
Transportation, processing and other	14	17	(3)	(18)%
Trading and marketing (losses) gains, net	(44)	9	(53)	*
Total operating revenues	1,979	1,927	52	3 %
Purchases and related costs	(1,961)	(1,869)	92	5 %
Operating and maintenance expense	(11)	(9)	2	22 %
Depreciation and amortization expense	(3)	(4)	(1)	(25)%
General and administrative expense	(3)	(3)	—	— %
Other income (expense)	1	(9)	(10)	*
Earnings from unconsolidated affiliates (a)	77	54	23	43 %
Segment net income attributable to partners	$79	$87	$(8)	(9)%
Other data:				
Segment gross margin (b)	$18	$58	$(40)	(69)%
Non-cash commodity derivative mark-to-market	$(43)	$5	$(48)	*
NGL pipelines throughput (MBbls/d) (c)	519	427	92	22 %

(a) Earnings from unconsolidated affiliates for Sand Hills, Southern Hills, Front Range, Mont Belvieu 1 and Texas Express include the amortization of the net difference between the carrying amount of our 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.

Three Months Ended March 31, 2018 vs. Three Months Ended March 31, 2017

Total Operating Revenues — Total operating revenues increased $52 million in 2018 compared to 2017, primarily as a result of the following:

- $110 million increase as a result of higher NGL and crude prices, which impacted both sales and purchases, before the impact of derivative activity;

These increases were partially offset by:

- $53 million decrease as a result of commodity derivative activity attributable to an increase in unrealized commodity derivative losses of $48 million and a $5 million increase in realized cash settlement losses due to movements in forward prices of commodities in 2018;
- $3 million decrease in transportation, processing and other primarily related to the expiration of a commercial arrangement in our wholesale propane business, and;
- $2 million decrease attributable to lower gas and NGL sales volumes, which impacted both sales and purchases, and the implementation of ASC 606.

Purchases and related costs — Purchases and related costs increased $92 million in 2018 compared to 2017, primarily as a result of higher NGL and crude prices, partially offset by lower gas and NGL sales volumes and the implementation of ASC 606.

Other Income (Expense) — Other expense in 2017 represents the write-off of property, plant and equipment associated with the expiration of a lease.

Earnings from Unconsolidated Affiliates — Earnings from unconsolidated affiliates increased in 2018 compared to 2017 primarily as a result of higher throughput volumes on Sand Hills due to ongoing capacity expansions.

Segment Gross Margin — Segment gross margin decreased $40 million in 2018 compared to 2017, primarily as a result of the following:

- $53 million decrease as a result of commodity derivative activity discussed above;
- $4 million decrease as a result of lower margins and the expiration of a commercial arrangement in our wholesale propane business, and;
- $1 million decrease as a result of lower NGL marketing margins;

These decreases are partially offset by;

- $18 million increase in gas marketing due to favorable commodity spreads.

NGL Pipelines Throughput — NGL pipelines throughput increased in 2018 compared to 2017 primarily as a result of higher throughput volumes on Sand Hills due to ongoing capacity expansions on the Sand Hills pipeline.

49

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;
- issuances of additional common units, preferred units or other securities;
- borrowings under term loans or other credit facilities; and
- letters of credit.

We anticipate our more significant uses of resources to include:

- quarterly distributions to our common unitholders and General Partner, and semiannual 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, further impact our credit ratings, raise our financing costs, as well as impact our compliance with our financial covenant requirements under the Credit Agreement and the indentures governing our notes.

Credit Agreement — As of March 31, 2018, we had $100 million of outstanding borrowings on the revolving credit facility under the Credit Agreement. We had unused borrowing capacity of $1,275 million, net of $25 million of letters of credit, under the Credit Agreement and the financial covenants set forth in the Credit Agreement limit the Partnership's ability to incur incremental debt by this amount as of March 31, 2018. Our cost of borrowing under the Credit Agreement is determined by a ratings-based pricing grid. As of May 4, 2018, we had approximately $1,060 million of unused borrowing capacity under the Credit Agreement, net of outstanding borrowings of $315 million on the revolving credit facility and $25 million of letters of credit.

Issuance of Units