Crestwood Equity Partners LP
Form 10-Q
August 04, 2016

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

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2016
OR
.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to .

(Exact name of registrant as specified in its charter)	Commission file number	State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)
Crestwood Equity Partners LP	001-34664	Delaware	43-1918951
Crestwood Midstream Partners LP	001-35377	Delaware	20-1647837

700 Louisiana Street, Suite 2550 Houston, Texas	77002
(Address of principal executive offices)	(Zip code)

(832) 519-2200
(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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.
Crestwood Equity Partners LP Yes x No o
Crestwood Midstream Partners LP Yes x No o

(Explanatory Note: Crestwood Midstream Partners LP is currently a voluntary filer and is not subject to the filing requirements of the Securities Exchange Act of 1934. Although not subject to these filing requirements, Crestwood Midstream Partners LP has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months.)

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 post such files).
Crestwood Equity Partners LP Yes x No o
Crestwood Midstream Partners LP Yes x No o

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

Crestwood Equity Partners LP	Large accelerated filer o	Accelerated filer x	Non-accelerated filer o	Smaller reporting company o
Crestwood Midstream Partners LP	Large accelerated filer o	Accelerated filer o	Non-accelerated filer x	Smaller reporting company o

Table of Contents

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Crestwood Equity Partners LP	Yes o	No x
Crestwood Midstream Partners LP	Yes o	No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date (July 29, 2016)

Crestwood Equity Partners LP	69,054,059
Crestwood Midstream Partners LP	None

Crestwood Midstream Partners LP, as a wholly-owned subsidiary of a reporting company, meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this report with the reduced disclosure format as permitted by such instruction.

CRESTWOOD EQUITY PARTNERS LP
CRESTWOOD MIDSTREAM PARTNERS LP
INDEX TO FORM 10-Q

Table of Contents

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CRESTWOOD EQUITY PARTNERS LP
CONSOLIDATED BALANCE SHEETS
(in millions, except unit information)

	June 30, 2016 (unaudited)	December 31, 2015
Assets		
Current assets:		
Cash	$ 0.9	$ 0.5
Accounts receivable	247.5	236.5
Inventory	43.5	44.5
Assets from price risk management activities	9.5	32.6
Assets held for sale	55.0	—
Prepaid expenses and other current assets	10.9	21.7
Total current assets	367.3	335.8
Property, plant and equipment	2,538.9	3,747.7
Less: accumulated depreciation and depletion	390.9	436.9
Property, plant and equipment, net	2,148.0	3,310.8
Intangible assets	946.8	975.8
Less: accumulated amortization	225.0	206.6
Intangible assets, net	721.8	769.2
Goodwill	249.5	1,085.5
Investment in unconsolidated affiliates (Note 4)	1,099.1	254.3
Other assets	7.7	7.2
Total assets	$ 4,593.4	$ 5,762.8
Liabilities and partners' capital		
Current liabilities:		
Accounts payable	$ 164.5	$ 144.1
Accrued expenses and other liabilities (Note 3)	101.2	105.6
Liabilities from price risk management activities	10.9	7.4
Current portion of long-term debt (Note 7)	0.9	1.1
Total current liabilities	277.5	258.2
Long-term debt, less current portion (Note 7)	1,581.6	2,501.8
Other long-term liabilities	45.1	47.5
Deferred income taxes	7.8	8.4
Commitments and contingencies (Note 10)		
Partners' capital (Note 9):		
Crestwood Equity Partners LP partners' capital (69,487,799 and 68,555,305 common and subordinated units issued and outstanding at June 30, 2016 and December 31, 2015)	1,948.1	2,227.6
Preferred units (63,559,359 and 60,718,245 units issued and outstanding at June 30, 2016 and December 31, 2015)	545.5	535.8
Total Crestwood Equity Partners LP partners' capital	2,493.6	2,763.4
Interest of non-controlling partners in subsidiaries	187.8	183.5
Total partners' capital	2,681.4	2,946.9

Total liabilities and partners' capital	$ 4,593.4	$ 5,762.8

See accompanying notes.

CRESTWOOD EQUITY PARTNERS LP
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except unit and per unit data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues:				
Product revenues:				
Gathering and processing	$199.1	$263.3	$361.6	$524.2
Marketing, supply and logistics	257.4	196.5	463.9	473.7
	456.5	459.8	825.5	997.9
Services revenues:				
Gathering and processing	69.7	82.4	145.4	170.8
Storage and transportation	53.8	68.5	113.2	136.1
Marketing, supply and logistics	21.2	29.7	52.4	66.1
Related party (Note 11)	0.7	1.1	1.4	2.1
	145.4	181.7	312.4	375.1
Total revenues	601.9	641.5	1,137.9	1,373.0
Costs of product/services sold (exclusive of items shown separately below):				
Product costs:				
Gathering and processing	221.9	285.3	397.3	543.5
Marketing, supply and logistics	210.0	147.1	376.0	389.3
Related party (Note 11)	4.4	7.7	8.7	16.0
	436.3	440.1	782.0	948.8
Service costs:				
Gathering and processing	—	0.1	0.1	0.3
Storage and transportation	1.9	5.3	4.8	10.6
Marketing, supply and logistics	11.8	14.0	26.5	29.5
	13.7	19.4	31.4	40.4
Total costs of products/services sold	450.0	459.5	813.4	989.2
Expenses:				
Operations and maintenance	45.0	43.9	86.8	94.5
General and administrative	28.9	30.6	51.9	58.1
Depreciation, amortization and accretion	64.4	74.8	126.7	149.0
	138.3	149.3	265.4	301.6
Other operating expenses:				
Loss on long-lived assets, net	(32.7)	(0.6)	(32.7)	(1.6)
Goodwill impairment	—	(281.0)	(109.7)	(281.0)
Operating loss	(19.1)	(248.9)	(83.3)	(200.4)

Table of Contents

CRESTWOOD EQUITY PARTNERS LP
CONSOLIDATED STATEMENTS OF OPERATIONS (continued)
(in millions, except unit and per unit data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Earnings from unconsolidated affiliates, net	6.2	5.0	12.7	8.4
Interest and debt expense, net	(34.3)	(35.4)	(70.4)	(69.0)
Gain (loss) on modification/extinguishment of debt	10.0	(17.1)	10.0	(17.1)
Other income, net	0.1	0.1	0.2	0.3
Loss before income taxes	(37.1)	(296.3)	(130.8)	(277.8)
Provision (benefit) for income taxes	—	(0.3)	—	0.1
Net loss	(37.1)	(296.0)	(130.8)	(277.9)
Net income (loss) attributable to non-controlling partners	6.0	(256.0)	11.9	(246.2)
Net loss attributable to Crestwood Equity Partners LP	(43.1)	(40.0)	(142.7)	(31.7)
Net income attributable to preferred units	8.1	—	9.7	—
Net loss attributable to partners	$(51.2)	$(40.0)	$(152.4)	$(31.7)
Subordinated unitholders' interest in net loss	$—	$(0.9)	$—	$(0.7)
Common unitholders' interest in net loss	$(51.2)	$(39.1)	$(152.4)	$(31.0)
Net loss per limited partner unit:				
Basic	$(0.74)	$(2.14)	$(2.21)	$(1.69)
Diluted	$(0.74)	$(2.14)	$(2.21)	$(1.70)
Weighted-average limited partners’ units outstanding (in thousands):				
Basic	69,044	18,284	68,978	18,282
Dilutive units	—	439	—	439
Diluted	69,044	18,723	68,978	18,721

See accompanying notes.

Table of Contents

CRESTWOOD EQUITY PARTNERS LP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net loss	$(37.1)	$(296.0)	$(130.8)	$(277.9)
Change in fair value of Suburban Propane Partners, L.P. units	0.5	(0.4)	1.3	(0.4)
Comprehensive loss	(36.6)	(296.4)	(129.5)	(278.3)
Comprehensive income (loss) attributable to non-controlling interest	6.0	(256.0)	11.9	(246.2)
Comprehensive loss attributable to Crestwood Equity Partners LP	$(42.6)	$(40.4)	$(141.4)	$(32.1)

See accompanying notes.

Table of Contents

CRESTWOOD EQUITY PARTNERS LP
CONSOLIDATED STATEMENT OF PARTNERS’ CAPITAL
(in millions)
(unaudited)

	Preferred		Partners'				
	Units	Capital	Common Units	Subordinated Units	Capital	Non-Controlling Partners	Total Partners’ Capital
Balance at December 31, 2015	60.7	$535.8	68.2	0.4	$2,227.6	$ 183.5	$ 2,946.9
Distributions to partners	2.8	—	—	—	(137.0)	(7.6)	(144.6)
Unit-based compensation charges	—	—	0.9	—	9.3	—	9.3
Taxes paid for unit-based compensation vesting	—	—	—	—	(0.6)	—	(0.6)
Change in fair value of Suburban units	—	—	—	—	1.3	—	1.3
Other	—	—	—	—	(0.1)	—	(0.1)
Net income (loss)	—	9.7	—	—	(152.4)	11.9	(130.8)
Balance at June 30, 2016	63.5	$545.5	69.1	0.4	$1,948.1	$ 187.8	$ 2,681.4

See accompanying notes.

Table of Contents

CRESTWOOD EQUITY PARTNERS LP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(unaudited)

	Six Months Ended June 30,	
	2016	2015
Operating activities		
Net loss	$(130.8)	$(277.9)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, amortization and accretion	126.7	149.0
Amortization of debt-related deferred costs, discounts and premiums	3.4	4.4
Market adjustment on interest rate swaps	—	(0.5)
Unit-based compensation charges	9.3	11.7
Loss on long-lived assets, net	32.7	1.6
Goodwill impairment	109.7	281.0
(Gain) loss on modification/extinguishment of debt	(10.0)	17.1
Earnings from unconsolidated affiliates, net, adjusted for cash distributions received	(0.8)	(2.1)
Deferred income taxes	(0.6)	(1.6)
Other	0.1	0.4
Changes in operating assets and liabilities	53.3	28.0
Net cash provided by operating activities	193.0	211.1
Investing activities		
Purchases of property, plant and equipment	(76.2)	(83.5)
Investment in unconsolidated affiliates	(5.5)	(28.0)
Capital distributions from unconsolidated affiliates	5.5	1.0
Net proceeds from sale of assets	942.0	2.1
Net cash provided by (used in) investing activities	865.8	(108.4)
Financing activities		
Proceeds from the issuance of long-term debt	1,078.8	2,154.6
Principal payments on long-term debt	(1,987.7)	(2,030.6)
Payments on capital leases	(0.9)	(1.2)
Payments for debt-related deferred costs	(3.3)	(11.7)
Financing fees paid for early debt redemption	—	(13.6)
Distributions to partners	(137.0)	(51.5)
Distributions paid to non-controlling partners	(7.6)	(152.4)
Taxes paid for unit-based compensation vesting	(0.6)	(3.7)
Other	(0.1)	(0.1)
Net cash used in financing activities	(1,058.4)	(110.2)
Net change in cash	0.4	(7.5)
Cash at beginning of period	0.5	8.8
Cash at end of period	$0.9	$1.3
Supplemental schedule of noncash investing and financing activities		
Net change to property, plant and equipment through accounts payable and accrued expenses	$(11.9)	$(11.3)

See accompanying notes.

Table of Contents

CRESTWOOD MIDSTREAM PARTNERS LP
CONSOLIDATED BALANCE SHEETS
(in millions)

	June 30, 2016 (unaudited)	December 31, 2015
Assets		
Current assets:		
Cash	$ 0.2	$ 0.1
Accounts receivable	244.3	236.5
Inventory	43.5	44.5
Assets from price risk management activities	9.5	32.6
Assets held for sale	55.0	—
Prepaid expenses and other current assets	10.3	19.9
Total current assets	362.8	333.6
Property, plant and equipment	2,869.0	4,077.7
Less: accumulated depreciation and depletion	513.1	552.0
Property, plant and equipment, net	2,355.9	3,525.7
Intangible assets	930.3	959.3
Less: accumulated amortization	214.6	197.9
Intangible assets, net	715.7	761.4
Goodwill	249.5	1,085.5
Investment in unconsolidated affiliates (Note 4)	1,099.1	254.3
Other assets	2.9	3.1
Total assets	$ 4,785.9	$ 5,963.6
Liabilities and partners' capital		
Current liabilities:		
Accounts payable	$ 161.8	$ 141.4
Accrued expenses and other liabilities (Note 3)	94.5	103.3
Liabilities from price risk management activities	10.9	7.4
Current portion of long-term debt (Note 7)	0.9	0.9
Total current liabilities	268.1	253.0
Long-term debt, less current portion (Note 7)	1,581.6	2,501.8
Other long-term liabilities	40.9	43.3
Deferred income taxes	0.7	0.4
Commitments and contingencies (Note 10)		
Partners' capital (Note 9):		
Partners' capital	2,706.8	2,981.6
Interest of non-controlling partners in subsidiary	187.8	183.5
Total partners' capital	2,894.6	3,165.1
Total liabilities and partners' capital	$ 4,785.9	$ 5,963.6

See accompanying notes.

10

Table of Contents

CRESTWOOD MIDSTREAM PARTNERS LP
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015[(1)]	2016	2015[(1)]
Revenues:				
Product revenues:				
Gathering and processing	$199.1	$263.3	$361.6	$524.2
Marketing, supply and logistics	257.4	196.5	463.9	473.7
	456.5	459.8	825.5	997.9
Service revenues:				
Gathering and processing	69.7	82.4	145.4	170.8
Storage and transportation	53.8	68.5	113.2	136.1
Marketing, supply and logistics	21.2	29.7	52.4	66.1
Related party (Note 11)	0.7	1.1	1.4	2.1
	145.4	181.7	312.4	375.1
Total revenues	601.9	641.5	1,137.9	1,373.0
Costs of product/services sold (exclusive of items shown separately below):				
Product costs:				
Gathering and processing	221.9	285.3	397.3	543.5
Marketing, supply and logistics	210.0	147.1	376.0	389.3
Related party (Note 11)	4.4	7.7	8.7	16.0
	436.3	440.1	782.0	948.8
Service costs:				
Gathering and processing	—	0.1	0.1	0.3
Storage and transportation	1.9	5.3	4.8	10.6
Marketing, supply and logistics	11.8	14.0	26.5	29.5
	13.7	19.4	31.4	40.4
Total costs of product/services sold	450.0	459.5	813.4	989.2
Expenses:				
Operations and maintenance	41.4	43.9	83.1	94.5
General and administrative	28.0	27.3	50.2	52.9
Depreciation, amortization and accretion	67.1	69.5	132.0	138.3
	136.5	140.7	265.3	285.7
Other operating expenses:				
Loss on long-lived assets, net	(32.7)	(0.7)	(32.7)	(1.5)
Goodwill impairment	—	(68.6)	(109.7)	(68.6)
Operating income (loss)	(17.3)	(28.0)	(83.2)	28.0

Table of Contents

CRESTWOOD MIDSTREAM PARTNERS LP
CONSOLIDATED STATEMENTS OF OPERATIONS (continued)
(in millions)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015[(1)]	2016	2015[(1)]
Earnings from unconsolidated affiliates, net	6.2	5.0	12.7	8.4
Interest and debt expense, net	(34.3)	(32.6)	(70.4)	(62.5)
Gain (loss) on modification/extinguishment of debt	10.0	(17.1)	10.0	(17.1)
Loss before income taxes	(35.4)	(72.7)	(130.9)	(43.2)
Provision for income taxes	0.2	0.1	—	0.5
Net loss	(35.6)	(72.8)	(130.9)	(43.7)
Net income attributable to non-controlling partners	6.0	5.7	11.9	11.3
Net loss attributable to Crestwood Midstream Partners LP	(41.6)	(78.5)	(142.8)	(55.0)
Net income attributable to Class A preferred units	—	7.5	—	16.7
Net loss attributable to partners	$(41.6)	$(86.0)	$(142.8)	$(71.7)

(1) Retrospectively adjusted to reflect the operations of Crestwood Operations LLC as discussed in Note 2.

See accompanying notes.

Table of Contents

CRESTWOOD MIDSTREAM PARTNERS LP
CONSOLIDATED STATEMENTS OF PARTNERS’ CAPITAL
(in millions)
(unaudited)

	Partners	Non-Controlling Partners	Total Partners’ Capital
Balance at December 31, 2015	$2,981.6	$ 183.5	$ 3,165.1
Distributions to partners	(140.6)	(7.6)	(148.2)
Unit-based compensation charges	9.3	—	9.3
Taxes paid for unit-based compensation vesting	(0.6)	—	(0.6)
Other	(0.1)	—	(0.1)
Net income (loss)	(142.8)	11.9	(130.9)
Balance at June 30, 2016	$2,706.8	$ 187.8	$ 2,894.6

See accompanying notes.

Table of Contents

CRESTWOOD MIDSTREAM PARTNERS LP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(unaudited)

	Six Months Ended June 30, 2016	2015[1]
Operating activities		
Net loss	$(130.9)	$(43.7)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, amortization and accretion	132.0	138.3
Amortization of debt-related deferred costs and premiums	3.4	3.9
Unit-based compensation charges	9.3	10.5
Goodwill impairment	109.7	68.6
Loss on long-lived assets	32.7	1.5
(Gain) loss on modification/extinguishment of debt	(10.0)	17.1
Earnings from unconsolidated affiliates, net, adjusted for cash distributions received	(0.8)	(2.1)
Deferred income taxes	0.2	0.3
Other	0.1	0.2
Changes in operating assets and liabilities	50.3	8.9
Net cash provided by operating activities	196.0	203.5
Investing activities		
Purchases of property, plant and equipment	(76.2)	(83.5)
Investment in unconsolidated affiliates	(5.5)	(27.8)
Capital distributions from unconsolidated affiliates	5.5	1.0
Net proceeds from sale of assets	942.0	2.1
Net cash provided by (used in) investing activities	865.8	(108.2)
Financing activities		
Proceeds from the issuance of long-term debt	1,078.8	1,865.1
Principal payments on long-term debt	(1,987.5)	(1,713.2)
Payments on capital leases	(0.9)	(1.2)
Payments for debt-related deferred costs	(3.3)	(11.7)
Financing fees paid for early debt redemption	—	(13.6)
Distributions to partners	(148.2)	(225.2)
Taxes paid for unit-based compensation vesting	(0.6)	(2.1)
Other	—	(0.2)
Net cash used in financing activities	(1,061.7)	(102.1)
Net change in cash	0.1	(6.8)
Cash at beginning of period	0.1	7.6
Cash at end of period	$0.2	$0.8
Supplemental schedule of non-cash investing and financing activities		
Net change to property, plant and equipment through accounts payable and accrued expenses	$(11.9)	$(11.3)

[1] Retrospectively adjusted to reflect the operations of Crestwood Operations LLC as discussed in Note 2.

See accompanying notes.

14

CRESTWOOD EQUITY PARTNERS LP
CRESTWOOD MIDSTREAM PARTNERS LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1 – Organization and Business Description

The accompanying notes to the consolidated financial statements apply to Crestwood Equity Partners LP and Crestwood Midstream Partners LP, unless otherwise indicated. References in this report to “we,” “us,” “our,” “ours,” “our company,” the “partnership,” the “Company,” "Crestwood Equity," “CEQP,” and similar terms refer to either Crestwood Equity Partners LP itself or Crestwood Equity Partners and its consolidated subsidiaries, as the context requires. Unless otherwise indicated, references to "Crestwood Midstream" and "CMLP" refer to Crestwood Midstream Partners LP and its consolidated subsidiaries.

The accompanying consolidated financial statements and related notes should be read in conjunction with our 2015 Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on February 29, 2016. The financial information as of June 30, 2016, and for the three and six months ended June 30, 2016 and 2015, is unaudited. The consolidated balance sheets as of December 31, 2015, were derived from the audited balance sheets filed in our 2015 Annual Report on Form 10-K.

Organization

Crestwood Equity is a publicly-traded (NYSE: CEQP) Delaware limited partnership that develops, acquires, owns or controls, and operates primarily fee-based assets and operations within the energy midstream sector. We provide broad-ranging infrastructure solutions across the value chain to service premier liquids-rich natural gas and crude oil shale plays across the United States. We own and operate a diversified portfolio of crude oil and natural gas gathering, processing, storage and transportation assets and connect fundamental energy supply with energy demand across North America. Crestwood Equity is a holding company and all of its consolidated operating assets are owned by or through its wholly-owned subsidiary, Crestwood Midstream, a Delaware limited partnership.

Description of Business

In conjunction with the Simplification Merger (as defined in Note 2), we modified our segments and our financial statements to reflect three operating and reporting segments: (i) gathering and processing operations; (ii) storage and transportation operations; and (iii) marketing, supply and logistics operations (formerly NGL and crude services operations). Consequently, the results of our Arrow operations are now reflected in our gathering and processing operations for all periods presented and our COLT and Powder River Basin Industrial Complex, LLC (PRBIC) operations are now reflected in our storage and transportation operations for all periods presented. These respective operations were previously included in our NGL and crude services operations. For a further description of our operating and reporting segments, see our 2015 Annual Report on Form 10-K.

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and include the accounts of all consolidated subsidiaries after the elimination of all intercompany accounts and transactions. In management's opinion, all necessary adjustments to fairly present our results of operations, financial position and cash flows for the periods presented have been made and all such adjustments are of a normal and recurring nature. Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with GAAP have been omitted pursuant to the rules and regulations of the SEC.

In May 2015, CEQP, Crestwood Midstream and certain of their affiliates entered into a definitive agreement under which Crestwood Midstream would merge with a wholly-owned subsidiary of CEQP, with Crestwood Midstream surviving as a wholly-owned subsidiary of CEQP (the Simplification Merger). In conjunction with the closing of the Simplification Merger on September 30, 2015, Crestwood Equity contributed 100% of its interest in Crestwood Operations LLC (Crestwood Operations) to Crestwood Midstream. As a result of this equity transaction, Crestwood Midstream controls the operating and financial decisions of Crestwood Operations. Crestwood Midstream accounted for this transaction as a reorganization of entities under common control and the accounting standards related to such transactions requires Crestwood Midstream to retroactively adjust Crestwood Midstream's historical results to reflect the operations of Crestwood Operations as being acquired on June 19, 2013, the date in which Crestwood Midstream and Crestwood Operations came under common control. Prior to the Simplification Merger, Crestwood Equity consolidated the results of Crestwood Operations in its financial statements and as such, this transaction had no impact on its historical financial statements.

Beginning in the third quarter of 2015, we changed our income statement to classify the revenues associated with the products to which we take title as product revenues in our consolidated statement of operations. As such, we reclassified our historical consolidated statements of operations for the three and six months ended June 30, 2015 to reflect this change. We classify all other revenues as service revenues in our consolidated statement of operations.

Significant Accounting Policies

There were no material changes in our significant accounting policies from those described in our 2015 Annual Report on Form 10-K. Below is an update of certain of our accounting policies.

Principles of Consolidation

We consolidate entities when we have the ability to control or direct the operating and financial decisions of the entity or when we have a significant interest in the entity that give us the ability to direct the activities that are significant to that entity. The determination to consolidate or apply the equity method of accounting to an entity can also require us to evaluate whether the entity is considered a variable interest entity. This evaluation, along with the determination of our ability to control, direct or exert significant influence over an entity involves the use of judgment. We apply the equity method of accounting where we can exert significant influence over, but do not control or direct the policies, decisions or activities of an entity. We use the cost method of accounting where we are unable to exert significant influence over the entity.

In April 2016, our wholly-owned subsidiary, Crestwood Pipeline and Storage Northeast LLC (Crestwood Northeast) and Con Edison Gas Pipeline and Storage Northeast, LLC (CEGP), a wholly-owned subsidiary of Consolidated Edison, Inc. (Con Edison), entered into a definitive agreement to form a joint venture, Stagecoach Gas Services LLC (Stagecoach Gas), to own and further develop our existing natural gas pipeline and storage business located in southern New York and northern Pennsylvania (the NE S&T assets) and our 37.5 mile intrastate natural gas pipeline located in New York which is owned by Crestwood Pipeline East LLC (Pipeline East). On June 3, 2016, we contributed to Stagecoach Gas the entities owning the NE S&T assets, CEGP contributed $945 million to Stagecoach Gas in exchange for a 50% equity interest in Stagecoach Gas, and Stagecoach Gas distributed to Crestwood Northeast the net cash proceeds received from CEGP. Our NE S&T assets were previously included in our storage and transportation segment.

Effective June 3, 2016, we deconsolidated the NE S&T assets as a result of the contribution of these assets to Stagecoach Gas as described above and began accounting for our 50% equity interest in Stagecoach Gas under the equity method of accounting and recorded our Pipeline East assets as assets held for sale as of June 30, 2016. See

Notes 3 and 4 for a further discussion of our investment in Stagecoach Gas and our assets held for sale. The deconsolidation of our NE S&T assets resulted in a decrease of $1,094.6 million in property, plant and equipment, net, $8.5 million of intangible assets, net and $10.9 million of other assets and liabilities, net as of June 30, 2016. For a discussion of decreases in goodwill associated with the joint venture transactions, see "Goodwill" below.

Property, Plant and Equipment

Property, plant and equipment is recorded at its original cost of construction or, upon acquisition, at the fair value of the assets acquired. The accounting predecessor of Crestwood Equity acquired the accounting predecessor of Crestwood Midstream in October 2010, and accordingly recorded its acquisition of Crestwood Midstream's property, plant and equipment related to its gathering and processing assets in the Barnett Shale at fair value on that date. The resulting increase to Crestwood Midstream's property, plant and equipment was not pushed down by Crestwood Equity to Crestwood Midstream's balance sheet, as permitted by GAAP.

Table of Contents

We evaluate our long-lived assets for impairment whenever events or changes in circumstances indicate that the amount of an asset may not be recoverable. If such events or changes in circumstances are present, a loss is recognized if the carrying value of the asset is in excess of the sum of the undiscounted cash flows expected to result from the use of the asset and its eventual disposition. During 2015, Crestwood Equity recorded a $354.4 million impairment of its property, plant and equipment related to its gathering and processing assets in the Barnett Shale. Crestwood Midstream did not record an impairment of its property, plant and equipment related to its gathering and processing assets in the Barnett Shale as the sum of the undiscounted cash flows expected to result from the use of the assets and their eventual disposition exceeded the carrying value of the property, plant and equipment by over 30%. As a result, Crestwood Midstream's property, plant and equipment exceeds Crestwood Equity's property, plant and equipment related to its gathering and processing assets in the Barnett Shale as of June 30, 2016 and December 31, 2015.

Assets Held for Sale

We classify assets (or groups of assets) to be disposed of as held for sale when specific criteria have been met. Assets classified as held for sale are recorded at the lower of the carrying value or the estimated fair value less cost to sell of those assets . We cease depreciation and amortization of the assets in the period they are considered held for sale.

Goodwill

Our goodwill represents the excess of the amount we paid for a business over the fair value of the net identifiable assets acquired. We evaluate goodwill for impairment annually on December 31, and whenever events indicate that it is more likely than not that the fair value of a reporting unit could be less than its carrying amount. This evaluation requires us to compare the fair value of each of our reporting units to its carrying value (including goodwill). If the fair value exceeds the carrying amount, goodwill of the reporting unit is not considered impaired.

We estimate the fair value of our reporting units based on a number of factors, including discount rates, projected cash flows, and the potential value we would receive if we sold the reporting unit. We also compare the total fair value of our reporting units to our overall enterprise value, which considers the market value for our common and preferred units. Estimating projected cash flows requires us to make certain assumptions as it relates to the future operating performance of each of our reporting units (which includes assumptions, among others, about estimating future operating margins and related future growth in those margins, contracting efforts and the cost and timing of facility expansions) and assumptions related to our customers, such as their future capital and operating plans and their financial condition. When considering operating performance, various factors are considered such as current and changing economic conditions and the commodity price environment, among others. Due to the imprecise nature of these projections and assumptions, actual results can and often do, differ from our estimates. If the assumptions embodied in the projections prove inaccurate, we could incur a future impairment charge. In addition, the use of the income approach to determine the fair value of our reporting units (see further discussion of the use of the income approach below) could result in a different fair value if we had utilized a market approach, or a combination thereof.

We acquired substantially all of our reporting units in 2013, 2012 and 2011, which required us to record the assets, liabilities and goodwill of each of those reporting units at fair value on the date they were acquired. As a result, any level of decrease in the forecasted cash flows of these businesses or increases in the discount rates utilized to value those businesses from their respective acquisition dates would likely result in the fair value of the reporting unit falling below the carrying value of the reporting unit, and could result in an assessment of whether that reporting unit's goodwill is impaired.

Commodity prices have continued to decline since 2014, and that decline has adversely impacted forecasted cash flows, discount rates and stock/unit prices for most companies in the midstream industry, including us. In particular, due to the significant, sustained decrease in the market price of our common units during the first quarter of 2016, we evaluated the carrying value of our reporting units and determined it was more likely than not that the goodwill associated with several of our reporting units was impaired as of March 31, 2016. As a result of further analysis of the fair value of our reporting units, we recorded goodwill impairments on several of our reporting units during the first quarter of 2016. We did not record any goodwill impairments during the three months ended June 30, 2016.

Table of Contents

The following table summarizes the goodwill of our various reporting units (in millions):

	Goodwill at December 31, 2015	Goodwill Impairments during the Six Months Ended June 30, 2016	Deconsolidation of NE S&T Assets at June 30, 2016	Goodwill at June 30, 2016
Gathering and Processing				
Marcellus	$ 8.6	$ 8.6	$ —	$ —
Arrow	45.9	—	—	45.9
Storage and Transportation				
Northeast Storage and Transportation	726.3	—	726.3	—
COLT	44.9	13.7	—	31.2
Marketing, Supply and Logistics			—	
Supply and Logistics	167.2	65.5	—	101.7
Storage and Terminals	50.5	14.1	—	36.4
US Salt	12.6	—	—	12.6
Trucking	29.5	7.8	—	21.7
Total	$ 1,085.5	$ 109.7	$ 726.3	$ 249.5

The goodwill impairments recorded during the first quarter of 2016 primarily resulted from increasing the discount rates utilized in determining the fair value of the reporting units for certain of those reporting units considering the significant, sustained decrease in the market price of our common units and the continued decrease in commodity prices and its impact on the midstream industry and our customers. Our COLT, Supply and Logistics, Storage and Terminals and Trucking reporting units also experienced impairments during 2015 based on the impact that the prolonged low commodity price environment is expected to have on the demand for future services provided by these operations. Despite increases in the operating results of these reporting units from 2013 to 2015, in light of our modified expectations, we revised our cash flow forecasts for these operations at December 31, 2015 in light of our current view that these operations will not grow as fast or as significantly in the future as originally forecasted in 2013 when the assets were acquired.

The remaining goodwill related to these reporting units represented the fair value of the goodwill, which is a Level 3 fair value measurement. We utilized the income approach to determine the fair value of our reporting units given the limited availability of comparable market-based transactions as of March 31, 2016 and December 31, 2015, and we utilized discount rates ranging from 10% to 19% in applying the income approach to determine the fair value of our reporting units with goodwill as of March 31, 2016.

During the three months ended June 30, 2015, Crestwood Midstream recorded goodwill impairments of $8.3 million, $28.4 million and $31.9 million related to its Fayetteville, West Coast and Watkins Glen reporting units, respectively. The impairment of the Fayetteville and West Coast goodwill primarily resulted from increasing the discount rate utilized in determining the fair value of the reporting units from 9% to 10%, considering the decrease in commodity prices and its impact on the midstream industry and Crestwood Midstream's customers in those areas. The impairment of the Watkins Glen goodwill primarily resulted from increasing the discount rate utilized in determining the fair value of the reporting unit from 10.5% to 13.3% and delays and uncertainties in the permitting of the proposed storage facility.

In addition to the above goodwill impairments recorded during the three months ended June 30, 2015, Crestwood Equity recorded a goodwill impairment of its Barnett reporting unit of approximately $212.4 million. The impairment primarily resulted from increasing the discount rate utilized in determining the fair value of the reporting unit from 9% to 11%, considering the recent actions of its primary customer in the Barnett Shale, Quicksilver, related to its filing for protection under Chapter 11 of the U.S. Bankruptcy Code in March 2015.

Deferred Financing Costs

Deferred financing costs represent costs associated with obtaining long-term financing and are amortized over the term of the related debt using a method which approximates the effective interest method and has a weighted average life of six years. Effective January 1, 2016, we adopted the provisions of Accounting Standards Update (ASU) 2015-03, Interest - Imputation of

Table of Contents

Interest (Subtopic 835-30), which requires us to classify our net deferred financing costs of $37.6 million and $40.9 million as a reduction of long-term debt on our consolidated balance sheets at June 30, 2016 and December 31, 2015. Such costs were previously reflected as intangible assets on our consolidated balance sheets.

New Accounting Pronouncements Issued But Not Yet Adopted

As of June 30, 2016, the following accounting standards had not yet been adopted by us:

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, Revenue from Contracts with Customers, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance. We expect to adopt the provisions of this standard effective January 1, 2018 and are currently evaluating the method by which we will adopt the standard and the impact that this standard will have on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which revises the accounting for leases by requiring certain leases to be recognized as assets and liabilities on the balance sheet, and requiring companies to disclose additional information about their leasing arrangements. We expect to adopt the provisions of this standard effective January 1, 2019 and are currently evaluating the impact that this standard will have on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718):Improvements to Employee Share-Based Payment Accounting, which is intended to improve the accounting for employee share-based payments. The ASU simplifies several aspects of the accounting for share-based payment award transactions, including the classification of awards as either equity or liabilities and presentation on the statement of cash flows. We expect to adopt the provisions of this standard effective January 1, 2017 and are currently evaluating the impact that this standard may have on our consolidated financial statements.

Note 3 – Certain Balance Sheet Information

Assets Held for Sale

In conjunction with the contribution agreement related to Stagecoach Gas, we agreed to contribute our wholly-owned subsidiary, Pipeline East, to Stagecoach Gas, CEGP has agreed to contribute approximately $30 million to Stagecoach Gas, and Stagecoach Gas will distribute to us the net cash proceeds received from CEGP. We classified the property, plant and equipment and goodwill to be contributed to Stagecoach Gas as assets held for sale on our consolidated balance sheet at their fair value at June 30, 2016. The fair value is based on the consideration to be received from the contribution of Pipeline East to Stagecoach Gas and the forecasted discounted cash flows to be received from our investment in Stagecoach Gas, which is a Level 3 fair value measurement. The sale is contingent upon New York State regulatory approval and satisfaction of certain other closing conditions, which we believe is probable at June 30, 2016.

Table of Contents

Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consisted of the following at June 30, 2016 and December 31, 2015 (in millions):

	CEQP		CMLP	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Accrued expenses	$35.5	$ 46.4	$33.8	$ 44.1
Accrued property taxes	12.3	4.8	7.3	4.8
Accrued product purchases payable	2.8	1.5	2.8	1.5
Tax payable	0.6	0.5	0.6	0.5
Interest payable	23.2	26.2	23.2	26.2
Accrued additions to property, plant and equipment	2.9	10.4	2.9	10.4
Capital leases	1.3	1.6	1.3	1.6
Deferred revenue	22.6	14.2	22.6	14.2
Total accrued expenses and other liabilities	$101.2	$ 105.6	$94.5	$ 103.3

Note 4 - Investments in Unconsolidated Affiliates

Stagecoach Gas Services LLC. In April 2016, Crestwood Northeast and CEGP entered into a definitive agreement to form the Stagecoach JV to own and further develop our NE S&T assets. Pursuant to the contribution agreement, we contributed to Stagecoach Gas the entities owning the NE S&T assets, CEGP contributed $945 million to Stagecoach Gas in exchange for a 50% equity interest in Stagecoach Gas, and Stagecoach Gas distributed to Crestwood Northeast the cash proceeds received (net of approximately $3 million of cash transferred to the joint venture) from CEGP. Effective June 3, 2016, we deconsolidated the NE S&T assets as a result of this transaction and began accounting for our 50% equity interest in Stagecoach Gas under the equity method of accounting, and we reflected our investment at $844 million, which represented the fair value of our proportionate share of the assets at June 3, 2016 and is based on the forecasted discounted cash flows of the investment (which is a Level 3 fair value measurement). We recognized a loss on the deconsolidation of the NE S&T assets of approximately $32.9 million. See our 2015 Annual Report on Form 10-K for a description of our NE S&T assets.

Table of Contents

Net Investments and Earnings

Our net investments in and earnings from our unconsolidated affiliates are as follows (in millions, unless otherwise stated):

	Ownership Percentage		Investment		Earnings (Loss) from Unconsolidated Affiliates			
	June 30,		June 30,	December 31,	Three Months Ended June 30,		Six Months Ended June 30,	
	2016		2016	2015	2016	2015	2016	2015
Stagecoach Gas Services LLC[1]	50.00	%	$846.3	$ —	$2.3	$—	$2.3	$—
Jackalope Gas Gathering Services, L.L.C.[2]	50.00	% [3]	201.3	202.4	5.9	1.1	11.0	3.6
Tres Palacios Holdings LLC[4]	50.01	%	36.7	36.8	(2.3)	0.6	(1.5)	1.5
Powder River Basin Industrial Complex, LLC[5]	50.01	%	14.8	15.1	0.3	3.3	0.9	3.3
Total			$1,099.1	$ 254.3	$6.2	$5.0	$12.7	$8.4

(1) As of June 30, 2016, our equity in the underlying net assets of Stagecoach Gas exceeded our investment balance by approximately $50.8 million. Our Stagecoach Gas investment is included in our storage and transportation segment.

(2) As of June 30, 2016, our equity in the underlying net assets of Jackalope Gas Gathering Services, L.L.C. (Jackalope) exceeded our investment balance by approximately $0.8 million. We amortize this amount over 20 years, which represents the life of Jackalope's gathering agreement with Chesapeake Energy Corporation (Chesapeake), and we reflect the amortization as an increase in our earnings from unconsolidated affiliates. We recorded amortization of less than $0.1 million for both the three and six months ended June 30, 2016 and $0.7 million and $1.5 million for the three and six months ended June 30, 2015. Our Jackalope investment is included in our gathering and processing segment.

(3) Excludes non-controlling interests related to our investment in Jackalope. See Note 9 for a further discussion of our non-controlling interest related to our investment in Jackalope.

(4) As of June 30, 2016, our equity in the underlying net assets of Tres Palacios Holdings LLC (Tres Holdings) exceeded our investment balance by approximately $28.5 million. We amortize this amount over the life of the Tres Palacios Gas Storage LLC (Tres Palacios) sublease agreement, and we reflect the amortization as an increase in our earnings from unconsolidated affiliates. We recorded amortization of $0.3 million for the three months ended June 30, 2016 and 2015, and $0.6 million for the six months ended June 30, 2016 and 2015. Our Tres Holdings investment is included in our storage and transportation segment.

(5) As of June 30, 2016, our equity in the underlying net assets of PRBIC exceeded our investment balance by approximately $22.6 million. We amortize a portion of this amount over the life of PRBIC's property, plant and equipment and its agreement with Chesapeake, and we reflect the amortization as an increase in our earnings from unconsolidated affiliates. Approximately $10.6 million of this excess amount relates to goodwill and, as such, is not subject to amortization. We recorded amortization of approximately $0.4 million and $0.8 million for the three and six months ended June 30, 2016. During the three and six months ended June 30, 2015, we recorded additional equity earnings of approximately $3.2 million related to a gain associated with the adjustment of our member's capital account by our equity investee. Our PRBIC investment is included in our storage and transportation segment.

Distributions and Contributions

Stagecoach Gas. Stagecoach Gas is required, within 30 days following the end of each quarter, to distribute 65% and 35% of its available cash (as defined in its limited liability company agreement) to CEQP and us, respectively.

Because our ownership and distribution percentages differ, we determine the equity earnings from Stagecoach Gas using the Hypothetical Liquidation at Book Value (HLBV) method. Under the HLBV method, a calculation is prepared at each balance sheet date to determine the amount that we would receive if Stagecoach Gas were to liquidate all of its assets, as valued in accordance with GAAP, and distribute that cash to the members. The difference between the calculated liquidation distribution amounts at the beginning and the end of the reporting period, after adjusting for capital contributions and distributions, is our share of the earnings or losses from the equity investment for the period, which approximates how earnings are allocated under the terms of the limited liability company agreement. In July 2016, we received a cash distribution of approximately $3.7 million from Stagecoach Gas.

Jackalope. Jackalope is required, within 30 days following the end of each quarter, to make quarterly distributions of its available cash to its members based on their respective ownership percentage. During the six months ended June 30, 2016 and 2015, we received cash distributions of approximately $12.1 million and $4.5 million from Jackalope. During the six months ended June 30, 2015, we contributed approximately $17.9 million to Jackalope.

Tres Holdings. Tres Holdings is required, within 30 days following the end of each quarter, to make quarterly distributions of its available cash (as defined in its limited liability company agreement) to its members based on their respective ownership percentage. During the six months ended June 30, 2016 and 2015, we received cash distributions of approximately $4.1 million and $2.1 million from Tres Holdings. In July 2016, we received a cash distribution of approximately $2.1 million from Tres

Table of Contents

Holdings. During the six months ended June 30, 2016 and 2015, we contributed approximately $5.5 million and $5.7 million to Tres Holdings.

PRBIC. PRBIC is required to make quarterly distributions of its available cash to its members based on their respective ownership percentage. During the six months ended June 30, 2016 and 2015, we received cash distributions of approximately $1.2 million and $0.7 million from PRBIC. In July 2016, we received a cash distribution of approximately $0.4 million from PRBIC. During the six months ended June 30, 2015, we contributed approximately $4.2 million to PRBIC.

Note 5 – Risk Management

We are exposed to certain market risks related to our ongoing business operations. These risks include exposure to changing commodity prices. We utilize derivative instruments to manage our exposure to fluctuations in commodity prices, which is discussed below. Additional information related to our derivatives is discussed in Note 6.

Commodity Derivative Instruments and Price Risk Management

Risk Management Activities

We sell NGLs to energy related businesses and may use a variety of financial and other instruments including forward contracts involving physical delivery of NGLs, heating oil and crude oil. We periodically enter into offsetting positions to economically hedge against the exposure our customer contracts create. Certain of these contracts and positions are derivative instruments. We do not designate any of our commodity-based derivatives as hedging instruments for accounting purposes. Our commodity-based derivatives are reflected at fair value in the consolidated balance sheets, and changes in the fair value of these derivatives that impact the consolidated statements of operations are reflected in costs of product/services sold. During the three and six months ended June 30, 2016, the impact to the statement of operations related to our commodity-based derivatives reflected in costs of product/services sold was a gain of $1.3 million and $2.0 million. During the three and six months ended June 30, 2015, the impact to the statement of operations related to our commodity-based derivatives reflected in costs of product/services sold was a gain of $2.9 million and $5.3 million. We attempt to balance our contractual portfolio in terms of notional amounts and timing of performance and delivery obligations. This balance in the contractual portfolio significantly reduces the volatility in costs of product/services sold related to these instruments.

Commodity Price and Credit Risk

Notional Amounts and Terms

The notional amounts and terms of our derivative financial instruments include the following at June 30, 2016 and December 31, 2015 (in millions):

	June 30, 2016		December 31, 2015	
	Fixed Price Payor	Fixed Price Receiver	Fixed Price Payor	Fixed Price Receiver
Propane, crude and heating oil (barrels)	12.4	13.8	9.1	10.9

Notional amounts reflect the volume of transactions, but do not represent the amounts exchanged by the parties to the financial instruments. Accordingly, notional amounts do not reflect our monetary exposure to market or credit risks.

All contracts subject to price risk had a maturity of 34 months or less; however, 82% of the contracted volumes will be delivered or settled within 12 months.

Table of Contents

Credit Risk

Inherent in our contractual portfolio are certain credit risks. Credit risk is the risk of loss from nonperformance by suppliers, customers or financial counterparties to a contract. We take an active role in managing credit risk and have established control procedures, which are reviewed on an ongoing basis. We attempt to minimize credit risk exposure through credit policies and periodic monitoring procedures as well as through customer deposits, letters of credit and entering into netting agreements that allow for offsetting counterparty receivable and payable balances for certain financial transactions, as deemed appropriate. The counterparties associated with our assets from price risk management activities as of June 30, 2016 and December 31, 2015 were energy marketers and propane retailers, resellers and dealers.

Certain of our derivative instruments have credit limits that require us to post collateral. The amount of collateral required to be posted is a function of the net liability position of the derivative as well as our established credit limit with the respective counterparty. If our credit rating were to change, the counterparties could require us to post additional collateral. The amount of additional collateral that would be required to be posted would vary depending on the extent of change in our credit rating as well as the requirements of the individual counterparty. The aggregate fair value of all commodity derivative instruments with credit-risk-related contingent features that were in a liability position at June 30, 2016 and December 31, 2015 was $5.5 million and $3.3 million. At June 30, 2016 and December 31, 2015, we posted less than $0.1 million of collateral for our commodity derivative instruments with credit-risk-related contingent features. In addition, at June 30, 2016 and December 31, 2015, we had a New York Mercantile Exchange (NYMEX) related net derivative liability position of $9.3 million and $20.8 million, for which we posted $6.1 million and $26.7 million of cash collateral in the normal course of business. At June 30, 2016 and December 31, 2015, we also received collateral of $5.0 million and $16.8 million in the normal course of business. All collateral amounts have been netted against the asset or liability with the respective counterparty and are reflected in our consolidated balance sheets as assets and liabilities from price risk management activities.

Note 6 – Fair Value Measurements

The accounting standards for fair value measurement establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are as follows:

- Level 1—Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as exchange-traded derivatives, listed equities and US government treasury securities.

- Level 2—Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Instruments in this category include non-exchange-traded derivatives such as over the counter (OTC) forwards, options and physical exchanges.

- Level 3—Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management’s best estimate of fair value.

Cash and Cash Equivalents, Accounts Receivable and Accounts Payable

As of June 30, 2016 and December 31, 2015, the carrying amounts of cash, accounts receivable and accounts payable represent fair value based on the short-term nature of these instruments.

Table of Contents

Credit Facility

The fair value of the amount outstanding under our CMLP credit facility approximates its carrying amount as of June 30, 2016 and December 31, 2015, due primarily to the variable nature of the interest rate of the instrument, which is considered a Level 2 fair value measurement.

Senior Notes

We estimate the fair value of our senior notes primarily based on quoted market prices for the same or similar issuances (representing a Level 2 fair value measurement). The following table reflects the carrying value and fair value of our CMLP senior notes (in millions):

	June 30, 2016		December 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Crestwood Midstream 2020 Senior Notes	$340.8	$319.9	$503.3	$382.3
Crestwood Midstream 2022 Senior Notes	$436.4	$400.8	$600.0	$437.4
Crestwood Midstream 2023 Senior Notes	$700.0	$645.8	$700.0	$491.8

Financial Assets and Liabilities

As of June 30, 2016 and December 31, 2015, we held certain assets and liabilities that are required to be measured at fair value on a recurring basis, which include our derivative instruments related to heating oil, crude oil, and NGLs. Our derivative instruments consist of forwards, swaps, futures, physical exchanges and options.

Certain of our derivative instruments are traded on the NYMEX. These instruments have been categorized as Level 1.

Our derivative instruments also include OTC contracts, which are not traded on a public exchange. The fair values of these derivative instruments are determined based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets. These instruments have been categorized as Level 2.

Our OTC options are valued based on the Black Scholes option pricing model that considers time value and volatility of the underlying commodity. The inputs utilized in the model are based on publicly available information as well as broker quotes. These options have been categorized as Level 2.

Our financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

Table of Contents

The following tables set forth by level within the fair value hierarchy, our financial instruments that were accounted for at fair value on a recurring basis at June 30, 2016 and December 31, 2015 (in millions):

	June 30, 2016 Fair Value of Derivatives						
	Level 1	Level 2	Level 3	Gross Fair Value	Contract Netting[(1)]	Collateral/Margin Received or Paid	Recorded in Balance Sheet
Assets							
Assets from price risk management	$0.2	$ 44.0	$ —	$ 44.2	$ (28.9)	$ (5.8)	$ 9.5
Suburban Propane Partners, L.P. units[(2)]	4.7	—	—	4.7	—	—	4.7
Total assets at fair value	$4.9	$ 44.0	$ —	$ 48.9	$ (28.9)	$ (5.8)	$ 14.2
Liabilities							
Liabilities from price risk management	$0.2	$ 37.5	$ —	$ 37.7	$ (28.9)	$ 2.1	$ 10.9
Total liabilities at fair value	$0.2	$ 37.5	$ —	$ 37.7	$ (28.9)	$ 2.1	$ 10.9

	December 31, 2015 Fair Value of Derivatives						
	Level 1	Level 2	Level 3	Gross Fair Value	Contract Netting[(1)]	Collateral/Margin Received or Paid	Recorded in Balance Sheet
Assets							
Assets from price risk management	$0.5	$ 57.8	$ —	$ 58.3	$ (13.7)	$ (12.0)	$ 32.6
Suburban Propane Partners, L.P. units[(2)]	3.4	—	—	3.4	—	—	3.4
Total assets at fair value	$3.9	$ 57.8	$ —	$ 61.7	$ (13.7)	$ (12.0)	$ 36.0
Liabilities							
Liabilities from price risk management	$0.2	$ 41.3	$ —	$ 41.5	$ (13.7)	$ (20.4)	$ 7.4
Total liabilities at fair value	$0.2	$ 41.3	$ —	$ 41.5	$ (13.7)	$ (20.4)	$ 7.4

(1) Amounts represent the impact of legally enforceable master netting agreements that allow us to settle positive and negative positions as well as cash collateral held or placed with the same counterparties.
(2) Amount is reflected in other assets on CEQP's consolidated balance sheets.

Table of Contents

Note 7 – Long-Term Debt

Long-term debt consisted of the following at June 30, 2016 and December 31, 2015 (in millions):

	June 30, 2016	December 31, 2015
Credit Facility	$139.0	$ 735.0
2020 Senior Notes	338.8	500.0
Fair value adjustment of 2020 Senior Notes	2.0	3.3
2022 Senior Notes	436.4	600.0
2023 Senior Notes	700.0	700.0
Other	3.9	5.3
Less: deferred financing costs, net	37.6	40.9
Total Crestwood Midstream debt	1,582.5	2,502.7
Other	—	0.2
Total Crestwood Equity debt	1,582.5	2,502.9
Less: current portion	0.9	1.1
Total long-term debt, less current portion	$1,581.6	$ 2,501.8

Crestwood Midstream Credit Facility

In conjunction with the contribution agreement with CEGP, Crestwood Midstream amended its credit facility during the second quarter of 2016 to, among other things, (i) facilitate the closing of the joint venture and make investments in the joint venture thereafter, and (ii) implement our liability management plan with the net cash proceeds received from Stagecoach Gas, including the repurchase of Crestwood Midstream's senior notes with the borrowings under its credit facility.

At June 30, 2016, Crestwood Midstream had $613.9 million of available capacity under its credit facility considering the most restrictive debt covenants in its credit agreement. At June 30, 2016 and December 31, 2015, Crestwood Midstream's outstanding standby letters of credit were $62.1 million and $62.2 million. Borrowings under the CMLP credit facility accrue interest at prime or Eurodollar based rates plus applicable spreads, which resulted in interest rates between 3.21% and 5.25% at June 30, 2016 and 2.70% and 5.00% at December 31, 2015. The weighted-average interest rate as of June 30, 2016 and December 31, 2015 was 3.30% and 2.70%.

Crestwood Midstream is required under its credit agreement to maintain a net debt to consolidated EBITDA ratio (as defined in its credit agreement) of not more than 5.50 to 1.0, a consolidated EBITDA to consolidated interest expense ratio (as defined in its credit agreement) of not less than 2.50 to 1.0, and a senior secured leverage ratio (as defined in its credit agreement) of not more than 3.75 to 1.0. At June 30, 2016, the net debt to consolidated EBITDA was approximately 3.99 to 1.0, the consolidated EBITDA to consolidated interest expense was approximately 3.82 to 1.0, and the senior secured leverage ratio was 0.34 to 1.0.

Crestwood Midstream Senior Notes

In June 2016, Crestwood Midstream paid approximately $312.9 million to purchase and cancel approximately $161.2 million and $163.6 million of the principal amounts outstanding under its 2020 Senior Notes and 2022 Senior Notes, respectively, utilizing a portion of the proceeds received from Stagecoach Gas, as further discussed in Note 2. Crestwood Midstream recognized a gain on extinguishment of debt of approximately $10.0 million in conjunction with the early tender of these notes. Crestwood Midstream also paid $4.5 million and $2.6 million of accrued interest on the 2020 Senior Notes and 2022 Senior Notes, respectively, on the date they were tendered.

In March 2016, Crestwood Midstream filed a registration statement with the SEC under which it plans to offer to exchange $700.0 million of its 6.25% 2023 Senior Notes for any and all outstanding notes. The exchange offer was declared effective by the SEC on June 15, 2016 and closed on July 13, 2016. The terms of the exchange notes are substantially identical to the terms of the 2023 Senior Notes, except that the exchange notes are freely tradable. Crestwood Midstream issued the 2023 Senior Notes in March 2015. The net proceeds from the original offering of approximately $688.3 million were used to pay down borrowings under Crestwood Midstream's credit facility and for general partnership purposes.

Table of Contents

At June 30, 2016, Crestwood Midstream was in compliance with all of its debt covenants applicable to the CMLP credit facility and its senior notes.

Note 8 - Earnings Per Limited Partner Unit

Our net income (loss) attributable to Crestwood Equity Partners is allocated to the subordinated and limited partner unitholders based on their ownership percentage after giving effect to net income attributable to the Class A preferred units. We calculate basic net income per limited partner unit using the two-class method. Diluted net income per limited partner unit is computed using the treasury stock method, which considers the impact to net income attributable to Crestwood Equity Partners and limited partner units from the potential issuance of limited partner units.

We exclude potentially dilutive securities from the determination of diluted earnings per unit (as well as their related income statement impacts) when their impact on net income attributable to Crestwood Equity Partners per limited partner unit is anti-dilutive. During the three and six months ended June 30, 2016, we excluded a weighted-average of 6,355,936 and 6,284,885 common units (representing preferred units), a weighted-average of 438,789 common units in both periods (representing subordinated units), and a weighted-average of 8,438,849 common units in both periods (representing Crestwood Niobrara's preferred units). See Note 9 for additional information regarding the potential conversion of our preferred units and Crestwood Niobrara's preferred units to common units. There were no units excluded from our dilutive earnings per unit as we did not have any anti-dilutive units for the three and six months ended June 30, 2015 .

Note 9 – Partners’ Capital

Distributions

Crestwood Equity

Limited Partners. A summary of CEQP's limited partner quarterly cash distributions for the six months ended June 30, 2016 and 2015 is presented below:

Record Date	Payment Date	Per Unit Rate	Cash Distributions (in millions)
2016			
February 5, 2016	February 12, 2016	$1.375	$ 95.6
May 6, 2016	May 13, 2016	0.60	41.4
			$ 137.0
2015			
February 6, 2015	February 13, 2015	$1.375	$ 25.8
May 8, 2015	May 15, 2015	1.375	25.7
			$ 51.5

On July 21, 2016, we declared a distribution of $0.60 per limited partner unit to be paid on August 12, 2016, to unitholders of record on August 5, 2016 with respect to the second quarter of 2016.

Preferred Unit Holders. In conjunction with the closing of the Simplification Merger, the CMLP Class A Preferred Units were exchanged for new preferred units of the Company (the Preferred Units) with substantially similar terms and conditions to those of the CMLP Preferred Units. We are required to make quarterly distributions to our preferred unitholders. During the six months ended June 30, 2016, we issued 2,841,114 Preferred Units to our preferred unitholders in lieu of paying cash distributions of $25.9 million. On July 21, 2016, the board of directors of our general partner authorized the issuance of 1,470,029 Preferred Units to our preferred unit holders for the quarter ended June 30, 2016 in lieu of paying a cash distribution of $13.4 million.

On June 9, 2016, Crestwood Equity filed a shelf registration statement with the SEC under which holders of the Preferred Units may sell the common units into which the Preferred Units are convertible. The registration statement became effective on June 15, 2016. Crestwood Equity registered 7,290,552 common units under the registration statement.

Table of Contents

Crestwood Midstream

Prior to the Simplification Merger, the Company indirectly owned a non-economic general partnership interest in Crestwood Midstream and 100% of its incentive distribution rights (IDRs). Crestwood Midstream was also a publicly-traded limited partnership with common units listed on the NYSE. However, as a result of Crestwood Midstream's completion of the Simplification Merger on September 30, 2015, its common units ceased to be listed on the NYSE, the IDRs were eliminated and Crestwood Midstream became a wholly-owned subsidiary of the Company.

During the six months ended June 30, 2016 and 2015, Crestwood Midstream paid cash distributions of $140.6 million and $51.9 million to Crestwood Equity. During the six months ended June 30, 2015, Crestwood Midstream paid a cash distribution to its general partner (representing IDRs and distributions related to common units held by the general partner) of approximately $20.9 million.

Limited Partners. The following table presents quarterly cash distributions paid to Crestwood Midstream's limited partners (excluding distributions paid to its general partner on its common units held) during the six months ended June 30, 2015.

Record Date	Payment Date	Per Unit Rate	Cash Distributions (in millions)
February 6, 2015	February 13, 2015	$0.41	$ 74.3
May 8, 2015	May 15, 2015	0.41	74.3
			$ 148.6

Non-Controlling Partners

Crestwood Midstream Class A Preferred Units

As discussed above, in conjunction with the closing of the Simplification Merger, the CMLP Class A Preferred Units were exchanged for new preferred units of Crestwood Equity. Prior to the Simplification Merger, Crestwood Equity classified the CMLP Class A Preferred Units as a component of Interest of Non-Controlling Partners on its consolidated balance sheet.

Crestwood Niobrara Preferred Interest

Crestwood Niobrara issued a preferred interest to a subsidiary of General Electric Capital Corporation and GE Structured Finance, Inc. (collectively, GE) in conjunction with the acquisition of its investment in Jackalope, which is reflected as non-controlling interest in our consolidated financial statements.

Net Income (Loss) Attributable to Non-Controlling Partners

The components of net income (loss) attributable to non-controlling partners for the three and six months ended June 30, 2016 and 2015, are as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Crestwood Niobrara preferred interests	$6.0	$5.7	$11.9	$11.3

CMLP net income attributable to non-controlling partners	6.0	5.7	11.9	11.3
Crestwood Midstream limited partner interests	—	(269.2)	—	(274.2)
Crestwood Midstream Class A preferred units	—	7.5	—	16.7
CEQP net income (loss) attributable to non-controlling partners	$6.0	$(256.0)	$11.9	$(246.2)

Distributions to Non-Controlling Partners

Crestwood Midstream Limited Partners. As discussed above, Crestwood Midstream paid cash distributions to its limited partners (excluding distributions to its general partner and distributions on the limited partner units that were owned by Crestwood Equity) of $148.6 million during the six months ended June 30, 2015.

Table of Contents

Crestwood Midstream Class A Preferred Unit Holders. During the six months ended June 30, 2015, Crestwood Midstream issued 838,228 Class A Preferred Units to its preferred unit holders in lieu of paying cash distributions of $21.0 million.

Crestwood Niobrara Preferred Unit Holders. During the six months ended June 30, 2016 and 2015, Crestwood Niobrara paid cash distributions of $7.6 million and $3.8 million to GE. In July 2016, Crestwood Niobrara paid a cash distribution of $3.8 million to GE for the quarter ended June 30, 2016.

Note 10 – Commitments and Contingencies

Legal Proceedings

Canadian Class Action Lawsuit. Prior to the completion of our acquisition of Arrow Midstream Holdings, LLC (Arrow) on November 8, 2013, a train transporting over 50,000 barrels of crude oil produced in North Dakota derailed in Lac Megantic, Quebec, Canada on July 6, 2013. The derailment resulted in the death of 47 people, injured numerous others, and caused severe damage to property and the environment. In October 2013, certain individuals suffering harm in the derailment filed a motion to certify a class action lawsuit in the Superior Court for the District of Megantic, Province of Quebec, Canada, on behalf of all persons suffering loss in the derailment (the Class Action Suit).

In March 2014, the plaintiffs filed their fourth amended motion to name Arrow and numerous other energy companies as additional defendants in the class action lawsuit. The plaintiffs alleged, among other things, that Arrow (i) was a producer of the crude oil being transported on the derailed train, (ii) was negligent in failing to properly classify the crude delivered to the trucks that hauled the crude to the rail loading terminal, and (iii) owed a duty to the petitioners to ensure the safe transportation of the crude being transported. The motion to authorize the class action and motions in opposition were heard by the Court in June 2014. In June 2015, the Superior Court determined that the Class Action Suit proceeding should be allowed to proceed against certain respondents that have not contributed to the global settlement described below. Because Arrow is a contributing party to the global settlement, the Class Action Suit against Arrow was stayed pending finalization of the global settlement plan in the United States and Canadian bankruptcy proceedings described below.

One of the defendants in the lawsuit, Montreal Main & Atlantic Railway (MM&A), filed bankruptcy actions in the U.S. Bankruptcy Court for the District of Maine and in the Canadian Bankruptcy Court. The bankruptcy trustees in the proceedings approached the respondents in the Class Action Suit (including Arrow) to contribute monetary damages to a global settlement for all claims, including any potential environmental damages, related to the Lac Megantic derailment. Crestwood Midstream agreed to contribute to the global settlement in exchange for a release from all claims related to the derailment, including the Class Action Suit. The Canadian and United States bankruptcy courts approved the bankruptcy plan (including the global settlement which was funded in December 2015). Crestwood Midstream's contribution to the global settlement, in addition to associated legal fees, is fully covered by insurance, and since the global settlement is finalized, Arrow should not be exposed to additional damages relating to the derailment.

Additional lawsuits related to the derailment were filed in United States courts but were stayed as a result of the automatic stay arising from MM&A's United States bankruptcy proceeding. Arrow was named as a defendant in 39 lawsuits pending in three different courts; however, these lawsuits were dismissed with prejudice upon disbursement of funds to the victims. The settlement of the bankruptcy proceedings and the dismissals of the Class Action Suit and United States lawsuits did not have a material impact on our consolidated results of operations after considering insurance.

Simplification Merger Lawsuits. On May 20, 2015, Lawrence G. Farber, a purported unitholder of Crestwood Midstream, filed a complaint in the Southern District of the United States, Houston Division, as a putative class action on behalf of Crestwood Midstream's unitholders, entitled Lawrence G. Farber, individually and on behalf of all others similarly situated v. Crestwood Midstream Partners LP, Crestwood Midstream GP LLC, Robert G. Phillips, Alvin Bledsoe, Michael G. France, Philip D. Gettig, Warren H. Gfellar, David Lumpkins, John J. Sherman, David Wood, Crestwood Equity Partners LP, Crestwood Equity GP LLC, CEQP ST Sub LLC, MGP GP, LLC, Crestwood Midstream Holdings LP, and Crestwood Gas Services GP LLC. This complaint alleges, among other things, that Crestwood Midstream's general partner breached its fiduciary duties, certain individual defendants breached their fiduciary duties of loyalty and due care, and that other defendants aided and abetted such breaches.

On July 21, 2015, Isaac Aron, another purported unitholder of the Crestwood Midstream, filed a complaint in the Southern District of the United States, Houston Division, as a putative class action on behalf of Crestwood Midstream's unitholders, entitled Isaac Aron, individually and on behalf of all others similarly situated vs. Robert G. Phillps, Alvin Bledsoe, Michael G. France, Philip D. Getting, Warren H. Gfeller, David Lumpkins, John J. Sherman, David Wood, Crestwood Midstream Partners, LP Crestwood Midstream Holdings LP, Crestwood Midstream GP LLC, Crestwood Gas Services GP, LLC, Crestwood Equity Partners LP, Crestwood Equity GP LLC, CEQP ST Sub LLC and MGP GP, LLC. The complaint alleges, among other things, that Crestwood Midstream's general partner and certain individual defendants violated Sections 14(a) and 20(a) of the Securities Exchange Act of 1934 and Rule 14a-9 by filing an alleged incomplete and misleading Form S-4 Registration Statement with the SEC.

On August 12, 2015, the defendants filed a motion to consolidate the Farber and Aron cases, which the court granted on September 4, 2015. Farber subsequently dismissed his claims against all the defendants on September 16, 2015. Aron filed a motion for temporary restraining order and requested an expedited preliminary injunction hearing, which had been scheduled for September 23, 2015. On September 22, 2015, however, the parties entered into a memorandum of understanding (MOU) with respect to a proposed settlement of the Aron lawsuit. The settlement contemplated by the MOU is subject to a number of conditions, including notice to the class, limited confirmatory discovery and final court approval of the settlement. A hearing is scheduled for October 7, 2016 regarding the plaintiff's motion to approve the settlement. The anticipated settlement of the MOU has not and will not have a material impact to our consolidated financial statements.

Property Taxes. Tres Palacios filed a lawsuit in Matagorda County for tax years 2011, 2012 and 2013 alleging that the Matagorda County Appraisal District (MCAD) assessed taxable value above the fair market value and on an unequal and non-uniform basis compared to other properties. In conjunction with its sale of Tres Palacios to Tres Holdings, Crestwood Equity retained liability for certain tax matters, including this litigation. In January 2015, Crestwood Equity received a refund related to the 2011 tax year at the conclusion of the litigation related to that tax year. For the 2012 and 2013 tax years, the MCAD asserted a taxable value that would result in property taxes of approximately $7 million for each of those years, while Tres Palacios asserted a taxable value that would result in property taxes of less than $2 million in each year. Tres Palacios paid approximately $8.6 million to Matagorda County in total for those two tax years. A bench trial was held in October 2015 related to the 2012 and 2013 tax years. In June 2016, the court issued a final judgment on the 2012 and 2013 property tax years which resulted in Crestwood Equity recording additional net property taxes (including interest and penalties) of approximately $3.5 million during the three months ended June 30, 2016. Crestwood Equity has filed a motion for a new trial.

General. We are periodically involved in litigation proceedings. If we determine that a negative outcome is probable and the amount of loss is reasonably estimable, then we accrue the estimated amount. The results of litigation proceedings cannot be predicted with certainty. We could incur judgments, enter into settlements or revise our expectations regarding the outcome of certain matters, and such developments could have a material adverse effect on our results of operations or cash flows in the period in which the amounts are paid and/or accrued. As of June 30, 2016 and December 31, 2015, both CEQP and CMLP had less than $0.1 million accrued for outstanding legal matters. Based on currently available information, we believe it is remote that future costs related to known contingent liability exposures for which we can estimate will exceed current accruals by an amount that would have a material adverse impact on our consolidated financial statements. As we learn new facts concerning contingencies, we reassess our position both with respect to accrued liabilities and other potential exposures.

Any loss estimates are inherently subjective, based on currently available information, and are subject to management's judgment and various assumptions. Due to the inherently subjective nature of these estimates and the uncertainty and unpredictability surrounding the outcome of legal proceedings, actual results may differ materially from any amounts that have been accrued.

Regulatory Compliance

In the ordinary course of our business, we are subject to various laws and regulations. In the opinion of our management, compliance with current laws and regulations will not have a material effect on its results of operations, cash flows or financial condition.

Environmental Compliance

During 2014, we experienced three releases totaling approximately 28,000 barrels of produced water on our Arrow water gathering system located on the Fort Berthold Indian Reservation in North Dakota. We immediately notified the National Response Center, the Three Affiliated Tribes and numerous other regulatory authorities, and thereafter contained and cleaned up the releases completely and placed the impacted segments of these water lines back into service. In May 2015, we experienced

Table of Contents

a release of approximately 5,200 barrels of produced water on our Arrow water gathering system, immediately notified numerous regulatory authorities and other third parties, and thereafter contained and cleaned up the releases. We will continue our remediation efforts to ensure the impacted lands are restored to their prior state. We believe these releases are insurable events under our policies, and we have notified our carriers of these events. We have not recorded an insurance receivable as of June 30, 2016.

We may potentially be subject to fines and penalties as a result of the water releases. In October 2014, we received data requests from the Environmental Protection Agency (EPA) related to the 2014 water releases and we responded to the requests during the first half of 2015. In April 2015, the EPA issued a Notice of Potential Violation (NOPV) under the Clean Water Act relating to the 2014 water releases. We responded to the NOPV in May 2015, and have commenced settlement discussions with the EPA concerning the NOPV. On March 3, 2015, we received a grand jury subpoena from the United States Attorney's Office in Bismarck, North Dakota, seeking documents and information relating to the largest of the three 2014 water releases, and we provided the requested information during the second quarter of 2015. In August 2015, we received a notice of violation from the Three Affiliated Tribes' Environmental Division related to our 2014 produced water releases on the Fort Berthold Indian Reservation. The notice of violation imposes fines and requests reimbursements exceeding $1.1 million; however, the notice of violation was stayed on September 15, 2015, upon our posting of a performance bond for the amount contemplated by the notice and pending the outcome of ongoing settlement discussions with the regulatory agencies asserting jurisdiction over the 2014 produced water releases. We cannot predict what the outcome of these investigations will be.

Our operations are subject to stringent and complex laws and regulations pertaining to health, safety, and the environment. We are subject to laws and regulations at the federal, state and local levels that relate to air and water quality, hazardous and solid waste management and disposal and other environmental matters. The cost of planning, designing, constructing and operating our facilities must incorporate compliance with environmental laws and regulations and safety standards. Failure to comply with these laws and regulations may trigger a variety of administrative, civil and potentially criminal enforcement measures. At June 30, 2016 and December 31, 2015, our accrual of approximately $2.6 million and $1.7 million is based on our undiscounted estimate of amounts we will spend on compliance with environmental and other regulations, and any associated fines or penalties. We estimate that our potential liability for reasonably possible outcomes related to our environmental exposures (including the Arrow water releases described above) could range from approximately $2.6 million to $4.9 million at June 30, 2016.

Self-Insurance

We utilize third-party insurance subject to varying retention levels of self-insurance, which management considers prudent. Such self-insurance relates to losses and liabilities primarily associated with medical claims, workers' compensation claims and general, product, vehicle and environmental liability. At June 30, 2016 and December 31, 2015, CEQP's self-insurance reserves were $17.8 million and $17.2 million. We estimate that $11.3 million of this balance will be paid subsequent to June 30, 2017. As such, CEQP has classified $11.3 million in other long-term liabilities on its consolidated balance sheet at June 30, 2016. At June 30, 2016 and December 31, 2015, CMLP's self insurance reserves were $12.4 million and $11.4 million. CMLP estimates that $7.1 million of this balance will be paid subsequent to June 30, 2017. As such, CMLP has classified $7.1 million in other long-term liabilities on its consolidated balance sheet at June 30, 2016.

Note 11 – Related Party Transactions

CEQP and CMLP enter into transactions with their affiliates within the ordinary course of business and the services are based on the same terms as non-affiliates, including gas gathering and processing services under long-term contracts, product purchases and various operating agreements.

In May 2016, Crestwood Midstream Operations, LLC (Crestwood Midstream Operations), our wholly-owned subsidiary and Stagecoach Gas entered into a management agreement under which Crestwood Midstream Operations will provide the management and operating services required by Stagecoach Gas' facilities. The initial term of the agreement will expire in May 2021, and is automatically extended for three-year periods unless otherwise terminated pursuant to the terms of the agreement. During the three and six months ended June 30, 2016, we charged Stagecoach Gas $0.3 million under this agreement, which is reflected as operations and maintenance expenses charged by CEQP and CMLP in the table below.

Table of Contents

The following table shows revenues, costs of product/services sold, general and administrative expenses and reimbursements of expenses from our affiliates for the three and six months ended June 30, 2016 and 2015 (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Gathering and processing revenues at CEQP and CMLP	$0.7	$1.1	$1.4	$2.1
Gathering and processing costs of product/services sold at CEQP and CMLP(1)	$4.4	$7.7	$8.7	$16.0
Operations and maintenance expenses charged by CEQP and CMLP	$1.0	$0.7	$1.7	$1.6
General and administrative expenses charged by CEQP to CMLP, net(2)	$3.2	$14.4	$6.9	$31.8
General and administrative expenses charged by (from) CEQP to Crestwood Holdings, net(3)	$(0.2)	$0.1	$(0.1)	$0.2

(1) Represents natural gas purchases from Sabine Oil and Gas Corporation.

(2) Includes $3.9 million and $8.4 million of net unit-based compensation charges allocated from CEQP to CMLP for the three and six months ended June 30, 2016 and $2.2 million and $4.4 million for the three and six months ended June 30, 2015. In addition, prior to the completion of the Simplification Merger, CEQP allocated general and administrative costs to CMLP. In conjunction with the Simplification Merger, CMLP shares common management, general and administrative and overhead costs with CEQP. During the three and six months ended June 30, 2016, CMLP allocated $0.7 million and $1.5 million of general and administrative costs to CEQP.

(3) Includes $0.9 million unit-based compensation charges allocated from Crestwood Holdings to CEQP and CMLP during the three and six months ended 2016.

The following table shows accounts receivable and accounts payable from our affiliates as of June 30, 2016 and December 31, 2015 (in millions):

	CEQP		CMLP	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Accounts receivable	$2.1	$ 1.7	$2.1	$ 1.7
Accounts payable	$6.3	$ 4.0	$3.8	$ 1.5

Note 12 – Segments

Financial Information

As discussed in Note 1, on September 30, 2015, the Company contributed 100% of its interest in Crestwood Operations to Crestwood Midstream and as a result, we modified our segments and our financial statements to reflect three operating and reportable segments: (i) gathering and processing operations; (ii) storage and transportation operations; and (iii) marketing, supply and logistics operations (formerly NGL and crude services operations). Consequently, the results of our Arrow operations are now reflected in our gathering and processing operations for all periods presented and our COLT and PRBIC operations are now reflected in our storage and transportation operations for all periods presented. These respective operations were previously included in our NGL and crude services operations. Our corporate operations include all general and administrative expenses that are not allocated to our reportable segments. For a further description of our operating and reporting segments, see Note 1. We assess the performance of our operating segments based on EBITDA, a non-GAAP financial measure, which is defined as income before income taxes, plus debt-related costs (net interest and debt expense and gain or loss on modification/extinguishment of debt) and depreciation, amortization and accretion expense.

Table of Contents

Below is a reconciliation of CEQP's net loss to EBITDA (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net loss	$(37.1)	$(296.0)	$(130.8)	$(277.9)
Add:				
Interest and debt expense, net	34.3	35.4	70.4	69.0
(Gain) loss on modification/extinguishment of debt	(10.0)	17.1	(10.0)	17.1
Provision (benefit) for income taxes	—	(0.3)	—	0.1
Depreciation, amortization and accretion	64.4	74.8	126.7	149.0
EBITDA	$51.6	$(169.0)	$56.3	$(42.7)

The following tables summarize CEQP's reportable segment data for the three and six months ended June 30, 2016 and 2015 (in millions). Included in earnings from unconsolidated affiliates below was approximately $4.4 million and $0.7 million of depreciation and amortization expense and gains (losses) on long-lived assets, net related to our equity investments for the three months ended June 30, 2016 and 2015 and $7.0 million and $3.8 million for the six months ended June 30, 2016 and 2015.

	Three Months Ended June 30, 2016				
	Gathering and Processing	Storage and Transportation	Marketing, Supply and Logistics	Corporate	Total
Revenues	$269.5	$ 53.8	$ 278.6	$ —	$601.9
Intersegment revenues	30.6	1.1	(31.7)	—	—
Costs of product/services sold	226.3	1.9	221.8	—	450.0
Operations and maintenance expense	20.9	8.5	15.6	—	45.0
General and administrative expense	—	—	—	28.9	28.9
Loss on long-lived assets	—	(32.7)	—	—	(32.7)
Earnings from unconsolidated affiliates, net	5.9	0.3	—	—	6.2
Other income, net	—	—	—	0.1	0.1
EBITDA	$58.8	$ 12.1	$ 9.5	$ (28.8)	$51.6
Goodwill	$45.9	$ 31.2	$ 172.4	$ —	$249.5
Total assets	$2,394.1	$ 1,191.2	$ 974.8	$ 33.3	$4,593.4
Purchases of property, plant and equipment	$4.2	$ 11.6	$ 4.7	$ 0.1	$20.6

	Three Months Ended June 30, 2015				
	Gathering and Processing	Storage and Transportation	Marketing, Supply and Logistics	Corporate	Total
Revenues	$346.8	$ 68.5	$ 226.2	$ —	$641.5
Intersegment revenues	33.8	—	(33.8)	—	—
Costs of product/services sold	293.1	5.3	161.1	—	459.5
Operations and maintenance expense	22.3	5.9	15.7	—	43.9
General and administrative expense	—	—	—	30.6	30.6
Loss on long-lived assets	(0.6)	—	—	—	(0.6)
Goodwill impairment	(220.7)	—	(60.3)	—	(281.0)

Earnings from unconsolidated affiliates, net	1.1	3.9	—	—	5.0
Other income, net	—	—	—	0.1	0.1
EBITDA	$(155.0)	$ 61.2	$ (44.7)	$ (30.5)	$(169.0)
Purchases of property, plant and equipment	$28.4	$ 3.9	$ 3.6	$ 0.2	$36.1

33

Table of Contents

	Six Months Ended June 30, 2016				
	Gathering and Processing	Storage and Transportation	Marketing, Supply and Logistics	Corporate	Total
Revenues	$508.4	$ 113.2	$ 516.3	$ —	$1,137.9
Intersegment revenues	51.1	1.5	(52.6)	—	—
Costs of product/services sold	406.1	4.8	402.5	—	813.4
Operations and maintenance expense	38.7	15.7	32.4	—	86.8
General and administrative expense	—	—	—	51.9	51.9
Loss on long-lived assets	—	(32.7)	—	—	(32.7)
Goodwill impairment	(8.6)	(13.7)	(87.4)	—	(109.7)
Earnings from unconsolidated affiliates, net	11.0	1.7	—	—	12.7
Other income, net	—	—	—	0.2	0.2
EBITDA	$117.1	$ 49.5	$ (58.6)	$ (51.7)	$56.3
Goodwill	$45.9	$ 31.2	$ 172.4	$ —	$249.5
Total assets	$2,394.1	$ 1,191.2	$ 974.8	$ 33.3	$4,593.4
Purchases of property, plant and equipment	$48.5	$ 14.9	$ 11.8	$ 1.0	$76.2

	Six Months Ended June 30, 2015				
	Gathering and Processing	Storage and Transportation	Marketing, Supply and Logistics	Corporate	Total
Revenues	$697.1	$ 136.1	$ 539.8	$ —	$1,373.0
Intersegment revenues	43.9	—	(43.9)	—	—
Costs of product/services sold	559.8	10.6	418.8	—	989.2
Operations and maintenance expense	46.4	12.3	35.8	—	94.5
General and administrative expense	—	—	—	58.1	58.1
Goodwill impairment	(220.7)	—	(60.3)	—	(281.0)
Loss on long-lived assets	(0.9)	(0.7)	—	—	(1.6)
Earnings from unconsolidated affiliates, net	3.6	4.8	—	—	8.4
Other income, net	—	—	—	0.3	0.3
EBITDA	$(83.2)	$ 117.3	$ (19.0)	$ (57.8)	$(42.7)
Purchases of property, plant and equipment	$64.6	$ 8.0	$ 10.5	$ 0.4	$83.5

Below is a reconciliation of CMLP's net loss to EBITDA (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net loss	$(35.6)	$(72.8)	$(130.9)	$(43.7)
Add:				
Interest and debt expense, net	34.3	32.6	70.4	62.5
(Gain) loss on modification/extinguishment of debt	(10.0)	17.1	(10.0)	17.1
Provision for income taxes	0.2	0.1	—	0.5
Depreciation, amortization and accretion	67.1	69.5	132.0	138.3

EBITDA	$56.0	$46.5	$61.5	$174.7

The following tables summarize CMLP's reportable segment data for the three and six months ended June 30, 2016 and 2015 (in millions). Included in earnings from unconsolidated affiliates below was approximately $4.4 million and $0.7 million of

34

Table of Contents

depreciation and amortization expense and gains (losses) on long-lived assets, net related to our equity investments for the three months ended June 30, 2016 and 2015 and $7.0 million and $3.8 million for the six months ended June 30, 2016 and 2015.

	Three Months Ended June 30, 2016				
	Gathering and Processing	Storage and Transportation	Marketing, Supply and Logistics	Corporate	Total
Revenues	$269.5	$ 53.8	$ 278.6	$ —	$601.9
Intersegment revenues	30.6	1.1	(31.7)	—	—
Costs of product/services sold	226.3	1.9	221.8	—	450.0
Operations and maintenance expense	20.9	4.9	15.6	—	41.4
General and administrative expense	—	—	—	28.0	28.0
Loss on long-lived assets	—	(32.7)	—	—	(32.7)
Earnings from unconsolidated affiliates, net	5.9	0.3	—	—	6.2
EBITDA	$58.8	$ 15.7	$ 9.5	$ (28.0)	$56.0
Goodwill	$45.9	$ 31.2	$ 172.4	$ —	$249.5
Total assets	$2,603.3	$ 1,188.9	$ 974.8	$ 18.9	$4,785.9
Purchases of property, plant and equipment	$4.2	$ 11.6	$ 4.7	$ 0.1	$20.6

	Three Months Ended June 30, 2015				
	Gathering and Processing	Storage and Transportation	Marketing, Supply and Logistics	Corporate	Total
Revenues	$346.8	$ 68.5	$ 226.2	$ —	$641.5
Intersegment revenues	33.8	—	(33.8)	—	—
Costs of product/services sold	293.1	5.3	161.1	—	459.5
Operations and maintenance expense	22.3	5.9	15.7	—	43.9
General and administrative expense	—	—	—	27.3	27.3
Goodwill impairment	(8.3)	—	(60.3)	—	(68.6)
Loss on long-lived assets	(0.6)	(0.1)	—	—	(0.7)
Earnings from unconsolidated affiliates, net	1.1	3.9	—	—	5.0
EBITDA	$57.4	$ 61.1	$ (44.7)	$ (27.3)	$46.5
Purchases of property, plant and equipment	$28.4	$ 3.9	$ 3.6	$ 0.2	$36.1

	Six Months Ended June 30, 2016				
	Gathering and Processing	Storage and Transportation	Marketing, Supply and Logistics	Corporate	Total
Revenues	$508.4	$ 113.2	$ 516.3	$ —	$1,137.9
Intersegment revenues	51.1	1.5	(52.6)	—	—
Costs of product/services sold	406.1	4.8	402.5	—	813.4
Operations and maintenance expense	38.7	12.0	32.4	—	83.1
General and administrative expense	—	—	—	50.2	50.2
Goodwill impairment	(8.6)	(13.7)	(87.4)	—	(109.7)
Loss on long-lived assets	—	(32.7)	—	—	(32.7)

Earnings from unconsolidated affiliates, net	11.0	1.7	—	—	12.7
EBITDA	$117.1	$ 53.2	$ (58.6)	$ (50.2)	$61.5
Goodwill	$45.9	$ 31.2	$ 172.4	$ —	$249.5
Total assets	$2,603.3	$ 1,188.9	$ 974.8	$ 18.9	$4,785.9
Purchases of property, plant and equipment	$48.5	$ 14.9	$ 11.8	$ 1.0	$76.2

Table of Contents

	Six Months Ended June 30, 2015				
	Gathering and Processing	Storage and Transportation	Marketing, Supply and Logistics	Corporate	Total
Revenues	$697.1	$ 136.1	$ 539.8	$ —	$1,373.0
Intersegment revenues	43.9	—	(43.9)	—	—
Costs of product/services sold	559.8	10.6	418.8	—	989.2
Operations and maintenance expense	46.4	12.3	35.8	—	94.5
General and administrative expense	—	—	—	52.9	52.9
Goodwill impairment	(8.3)	—	(60.3)	—	(68.6)
Loss on long-lived assets	(0.9)	(0.6)	—	—	(1.5)
Earnings from unconsolidated affiliates, net	3.6	4.8	—	—	8.4
EBITDA	$129.2	$ 117.4	$ (19.0)	$ (52.9)	$174.7
Purchases of property, plant and equipment	$64.6	$ 8.0	$ 10.5	$ 0.4	$83.5

Note 13 – Condensed Consolidating Financial Information

Crestwood Midstream is a holding company (Parent) and owns no operating assets and has no significant operations independent of its subsidiaries. Obligations under Crestwood Midstream's senior notes and its credit facility are jointly and severally guaranteed by substantially all of its subsidiaries, except for Crestwood Delaware Basin LLC, Crestwood Niobrara, Crestwood Northeast, PRBIC and Tres Holdings and their respective subsidiaries (collectively, Non-Guarantor Subsidiaries). Crestwood Midstream Finance Corp., the co-issuer of its senior notes, is Crestwood Midstream's 100% owned subsidiary and has no material assets, operations, revenues or cash flows other than those related to its service as co-issuer of the Crestwood Midstream senior notes.

The tables below present condensed consolidating financial statements for Crestwood Midstream as parent on a stand-alone, unconsolidated basis, and Crestwood Midstream's combined guarantor and combined non-guarantor subsidiaries as of June 30, 2016 and December 31, 2015, and for the three and six months ended June 30, 2016 and 2015. The financial information may not necessarily be indicative of the results of operations, cash flows or financial position had the subsidiaries operated as independent entities.

Table of Contents

Crestwood Midstream Partners LP
Condensed Consolidating Balance Sheet
June 30, 2016
(in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current assets:					
Cash	$0.2	$ —	$ —	$ —	$ 0.2
Accounts receivable	—	242.4	1.9	—	244.3
Inventory	—	43.5	—	—	43.5
Assets held for sale	—	55.0	—	—	55.0
Other current assets	—	19.8	—	—	19.8
Total current assets	0.2	360.7	1.9	—	362.8
Property, plant and equipment, net	—	2,355.9	—	—	2,355.9
Goodwill and intangible assets, net	—	965.2	—	—	965.2
Investment in consolidated affiliates	4,310.1	—	—	(4,310.1)	—
Investment in unconsolidated affiliates	—	—	1,099.1	—	1,099.1
Other assets	—	2.9	—	—	2.9
Total assets	$4,310.3	$ 3,684.7	$ 1,101.0	$ (4,310.1)	$ 4,785.9
Liabilities and partners' capital					
Current liabilities:					
Accounts payable	$—	$ 161.8	$ —	$ —	$ 161.8
Other current liabilities	23.4	82.9	—	—	106.3
Total current liabilities	23.4	244.7	—	—	268.1
Long-term liabilities:					
Long-term debt, less current portion	1,580.1	1.5	—	—	1,581.6
Other long-term liabilities	—	40.9	—	—	40.9
Deferred income taxes	—	0.7	—	—	0.7
Partners' capital	2,706.8	3,396.9	913.2	(4,310.1)	2,706.8
Interest of non-controlling partners in subsidiaries	—	—	187.8	—	187.8
Total partners' capital	2,706.8	3,396.9	1,101.0	(4,310.1)	2,894.6
Total liabilities and partners' capital	$4,310.3	$ 3,684.7	$ 1,101.0	$ (4,310.1)	$ 4,785.9

Table of Contents

Crestwood Midstream Partners LP
Condensed Consolidating Balance Sheet
December 31, 2015
(in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current assets:					
Cash	$0.1	$ —	$ —	$ —	$ 0.1
Accounts receivable	—	236.0	0.5	—	236.5
Inventory	—	44.5	—	—	44.5
Other current assets	—	52.5	—	—	52.5
Total current assets	0.1	333.0	0.5	—	333.6
Property, plant and equipment, net	—	3,525.7	—	—	3,525.7
Goodwill and intangible assets, net	—	1,846.9	—	—	1,846.9
Investment in consolidated affiliates	5,506.8	—	—	(5,506.8)	—
Investment in unconsolidated affiliates	—	—	254.3	—	254.3
Other assets	—	3.1	—	—	3.1
Total assets	$5,506.9	$ 5,708.7	$ 254.8	$ (5,506.8)	$ 5,963.6
Liabilities and partners' capital					
Current liabilities:					
Accounts payable	$—	$ 141.3	$ 0.1	$ —	$ 141.4
Other current liabilities	26.4	85.2	—	—	111.6
Total current liabilities	26.4	226.5	0.1	—	253.0
Long-term liabilities:					
Long-term debt, less current portion	2,498.9	2.9	—	—	2,501.8
Other long-term liabilities	—	43.3	—	—	43.3
Deferred income taxes	—	0.4	—	—	0.4
Partners' capital	2,981.6	5,435.6	71.2	(5,506.8)	2,981.6
Interest of non-controlling partners in subsidiaries	—	—	183.5	—	183.5
Total partners' capital	2,981.6	5,435.6	254.7	(5,506.8)	3,165.1
Total liabilities and partners' capital	$5,506.9	$ 5,708.7	$ 254.8	$ (5,506.8)	$ 5,963.6

Table of Contents

Crestwood Midstream Partners LP
Condensed Consolidating Statement of Operations
Three Months Ended June 30, 2016
(in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$—	$ 601.9	$ —	$ —	$ 601.9
Costs of product/services sold	—	450.0	—	—	450.0
Expenses:					
Operations and maintenance	—	41.4	—	—	41.4
General and administrative	23.2	4.8	—	—	28.0
Depreciation, amortization and accretion	—	67.1	—	—	67.1
	23.2	113.3	—	—	136.5
Other operating expense:					
Loss on long-lived assets, net	—	(32.7)	—	—	(32.7)
Goodwill impairment	—	—	—	—	—
Operating income (loss)	(23.2)	5.9	—	—	(17.3)
Earnings from unconsolidated affiliates, net	—	—	6.2	—	6.2
Interest and debt expense, net	(34.3)	—	—	—	(34.3)
Gain on modification/extinguishment of debt	10.0	—	—	—	10.0
Equity in net income (loss) of subsidiary	11.9	—	—	(11.9)	—
Income (loss) before income taxes	(35.6)	5.9	6.2	(11.9)	(35.4)
Provision for income taxes	—	0.2	—	—	0.2
Net income (loss)	(35.6)	5.7	6.2	(11.9)	(35.6)
Net income attributable to non-controlling partners in subsidiaries	—	—	6.0	—	6.0
Net income (loss) attributable to Crestwood Midstream Partners LP	$(35.6)	$ 5.7	$ 0.2	$ (11.9)	$ (41.6)

Crestwood Midstream Partners LP
Condensed Consolidating Statement of Operations
Three Months Ended June 30, 2015
(in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$—	$ 641.5	$ —	$ —	$ 641.5
Costs of product/services sold	—	459.5	—	—	459.5
Expenses:					
Operations and maintenance	—	43.9	—	—	43.9
General and administrative	16.4	10.9	—	—	27.3
Depreciation, amortization and accretion	0.9	68.6	—	—	69.5
	17.3	123.4	—	—	140.7
Other operating expense:					
Loss on long-lived assets, net	—	(0.7)	—	—	(0.7)
Goodwill Impairment	—	(68.6)	—	—	(68.6)
Operating loss	(17.3)	(10.7)	—	—	(28.0)
Earnings from unconsolidated affiliates, net	—	—	5.0	—	5.0
Interest and debt expense, net	(32.6)	—	—	—	(32.6)
Loss on modification/extinguishment of debt	(17.1)	—	—	—	(17.1)
Equity in net income (loss) of subsidiary	(5.8)	—	—	5.8	—
Income (loss) before income taxes	(72.8)	(10.7)	5.0	5.8	(72.7)
Provision for income taxes	—	0.1	—	—	0.1
Net income (loss)	(72.8)	(10.8)	5.0	5.8	(72.8)
Net income attributable to non-controlling partners in subsidiaries	—	—	5.7	—	5.7
Net income (loss) attributable to Crestwood Midstream Partners LP	(72.8)	(10.8)	(0.7)	5.8	(78.5)
Net income attributable to Class A preferred units	7.5	—	—	—	7.5
Net income (loss) attributable to partners	$(80.3)	$ (10.8)	$ (0.7)	$ 5.8	$ (86.0)

Table of Contents

Crestwood Midstream Partners LP
Condensed Consolidating Statement of Operations
Six Months Ended June 30, 2016
(in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$—	$ 1,137.9	$ —	$ —	$ 1,137.9
Costs of product/services sold	—	813.4	—	—	813.4
Expenses:					
Operations and maintenance	—	83.1	—	—	83.1
General and administrative	40.9	9.3	—	—	50.2
Depreciation, amortization and accretion	—	132.0	—	—	132.0
	40.9	224.4	—	—	265.3
Other operating expense:					
Loss on long-lived assets, net	—	(32.7)	—	—	(32.7)
Goodwill impairment	—	(109.7)	—	—	(109.7)
Operating loss	(40.9)	(42.3)	—	—	(83.2)
Earnings from unconsolidated affiliates, net	—	—	12.7	—	12.7
Interest and debt expense, net	(70.4)	—	—	—	(70.4)
Gain on modification/extinguishment of debt	10.0	—	—	—	10.0
Equity in net income (loss) of subsidiary	(29.6)	—	—	29.6	—
Net income (loss)	(130.9)	(42.3)	12.7	29.6	(130.9)
Net income attributable to non-controlling partners in subsidiaries	—	—	11.9	—	11.9
Net income (loss) attributable to Crestwood Midstream Partners LP	$(130.9)	$ (42.3)	$ 0.8	$ 29.6	$ (142.8)

Table of Contents

Crestwood Midstream Partners LP
Condensed Consolidating Statement of Operations
Six Months Ended June 30, 2015
(in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ —	$ 1,373.0	$ —	$ —	$ 1,373.0
Costs of product/services sold	—	989.2	—	—	989.2
Expenses:					
Operations and maintenance	—	94.5	—	—	94.5
General and administrative	29.8	23.1	—	—	52.9
Depreciation, amortization and accretion	1.1	137.2	—	—	138.3
	30.9	254.8	—	—	285.7
Other operating expense:					
Loss on long-lived assets, net	—	(1.5)	—	—	(1.5)
Goodwill Impairment	—	(68.6)	—	—	(68.6)
Operating income (loss)	(30.9)	58.9	—	—	28.0
Earnings from unconsolidated affiliates, net	—	—	8.4	—	8.4
Interest and debt expense, net	(62.5)	—	—	—	(62.5)
Loss on modification/extinguishment of debt	(17.1)	—	—	—	(17.1)
Equity in net income (loss) of subsidiary	66.8	—	—	(66.8)	—
Income (loss) before income taxes	(43.7)	58.9	8.4	(66.8)	(43.2)
Provision for income taxes	—	0.5	—		