ATLANTIC TELE NETWORK INC /DE
Form 8-K
July 31, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **July 30, 2013**

ATLANTIC TELE-NETWORK, INC.

(Exact name of registrant as specified in its charter)

Delaware	**001-12593**	**47-0728886**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

600 Cummings Center

Beverly, MA 01915

(Address of principal executive offices and zip code)

(978) 619-1300

(Registrant s telephone number, including area code)

N/A

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 **Results of Operations and Financial Condition.**

On July 30, 2013, Atlantic Tele-Network, Inc. (the Company) issued a press release announcing financial results for the three and six months ended June 30, 2013. A copy of the press release is furnished herewith as Exhibit 99.1.

Exhibit 99.1 is furnished and shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing made by the Company under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01 **Financial Statements and Exhibits.**

(d) **Exhibits**

99.1 Press Release of the Company, dated July 30, 2013.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ATLANTIC TELE-NETWORK, INC.

By: /s/ Justin D. Benincasa
Justin D. Benincasa
Chief Financial Officer

Dated: July 30, 2013

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
99.1	Press Release of the Company, dated July 30, 2013.

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(277.9
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Change in fair value of Suburban Propane Partners LP units
(0.4
)

—

—

—

(0.4
)
Comprehensive income (loss)
$

(278.3
)

$
(22.9
)

$
(241.9
)

$
264.8

$
(278.3
)

Condensed Consolidating Statements of Comprehensive Income
Six Months Ended June 30, 2014
(in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	$8.4	$12.9	$7.6	$(20.5)	$8.4
Change in fair value of Suburban Propane Partners LP units	(0.1)	—	—	—	(0.1)
Comprehensive income (loss)	$8.3	$12.9	$7.6	$(20.5)	$8.3

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

Condensed Consolidating Statements of Cash Flows
Six Months Ended June 30, 2015
(in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:	$(8.5)	$71.7	$147.9	$—	$211.1
Cash flows from investing activities:					
Purchases of property, plant and equipment	(0.1)	(5.7)	(77.7)	—	(83.5)
Investment in unconsolidated affiliates	(0.2)	—	(27.8)	—	(28.0)
Capital distributions from unconsolidated affiliates	—	—	1.0	—	1.0
Proceeds from sale of assets	—	0.4	1.7	—	2.1
Capital contribution from consolidated affiliates, net	20.9	—	—	(20.9)	—
Net cash provided by (used in) investing activities	20.6	(5.3)	(102.8)	(20.9)	(108.4)
Cash flows from financing activities:					
Proceeds from the issuance of long-term debt	289.5	—	1,865.1	—	2,154.6
Principal payments on long-term debt	(318.1)	—	(1,712.5)	—	(2,030.6)
Payments on capital leases	—	—	(1.2)	—	(1.2)
Payments for debt-related deferred costs	—	—	(11.7)	—	(11.7)
Financing fees paid for early debt redemption	—	—	(13.6)	—	(13.6)
Distributions paid to partners	(51.5)	—	(20.9)	20.9	(51.5)
Distributions paid to non-controlling partners	—	—	(152.4)	—	(152.4)
Taxes paid for unit-based compensation vesting	—	(1.6)	(2.1)	—	(3.7)
Change in intercompany balances	65.4	(65.4)	—	—	—
Other	—	0.1	(0.2)	—	(0.1)
Net cash provided by (used in) financing activities	(14.7)	(66.9)	(49.5)	20.9	(110.2)
Net change in cash	(2.6)	(0.5)	(4.4)	—	(7.5)
Cash at beginning of period	3.7	0.5	4.6	—	8.8
Cash at end of period	$1.1	$—	$0.2	$—	$1.3

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

Condensed Consolidating Statements of Cash Flows
Six Months Ended June 30, 2014
(in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:	$(13.0)	$29.1	$111.1	$—	$127.2
Cash flows from investing activities:					
Acquisitions, net of cash acquired	—	—	(19.5)	—	(19.5)
Purchases of property, plant and equipment	(2.7)	(4.9)	(180.4)	—	(188.0)
Investment in unconsolidated affiliates	—	—	(48.6)	—	(48.6)
Capital contribution from consolidated affiliates	20.9	—	—	(20.9)	—
Net cash provided by (used in) investing activities	18.2	(4.9)	(248.5)	(20.9)	(256.1)
Cash flows from financing activities:					
Proceeds from the issuance of long-term debt	383.7	—	860.6	—	1,244.3
Principal payments on long-term debt	(361.2)	—	(863.2)	—	(1,224.4)
Payments on capital leases	—	—	(1.9)	—	(1.9)
Distributions paid to partners	(51.3)	—	(20.9)	20.9	(51.3)
Distributions paid to non-controlling partners	—	—	(148.3)	—	(148.3)
Net proceeds from issuance of preferred equity of subsidiary	—	—	33.6	—	33.6
Net proceeds from the issuance of Class A preferred units	—	—	293.7	—	293.7
Change in intercompany balances	23.8	(23.8)	—	—	—
Other	—	(2.2)	(1.6)	—	(3.8)
Net cash provided by (used in) financing activities	(5.0)	(26.0)	152.0	20.9	141.9
Net change in cash	0.2	(1.8)	14.6	—	13.0
Cash at beginning of period	0.1	2.4	2.7	—	5.2
Cash at end of period	$0.3	$0.6	$17.3	$—	$18.2

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

Note 16 - Simplification Merger

On May 5, 2015, the Company, CMLP and certain of its affiliates entered into a definitive agreement under which CMLP has agreed to merge with a wholly-owned subsidiary of the Company, with CMLP surviving as a wholly-owned subsidiary of the Company. As part of the merger consideration, CMLP’s common unitholders will become unitholders of the Company in a tax free exchange, with CMLP’s common unitholders receiving 2.75 common units of the Company for each common unit of CMLP held upon completion of the merger. Upon completion of the Simplification Merger, CMLP’s IDRs will be eliminated and its common units will cease to be listed on the NYSE. We expect to complete the merger in the third quarter of 2015, subject to the approval by CMLP's unitholders and the satisfaction of customary closing conditions. The Simplification Merger was unanimously approved by the boards of directors of the Company and CMLP, based on the unanimous approval and recommendation of their respective conflicts committees, which consisted entirely of independent directors.

Under the merger agreement, (i) Crestwood Midstream is required to call, prior to the closing of the Simplification Merger, the remaining $60 million of equity commitment made available by the Class A Purchasers; and (ii) the Company will, contemporaneously with or immediately following the closing of the Simplification Merger, transfer to Crestwood Midstream the proprietary NGL business currently owned and operated by the Company. Also, in conjunction with the Simplification Merger:

- the Company and Crestwood Holdings each entered into a support agreement with Crestwood Midstream under which the Company and Crestwood Holdings have agreed to vote their respective CMLP common units in favor of the Simplification Merger at the Crestwood Midstream unitholder meeting required by the merger; and

- the Class A Purchasers entered into letter agreements with Crestwood Midstream under which they have agreed, subject to the closing of the merger, to exchange their Preferred Units into new preferred units of the Company upon completion of the Simplification Merger.

Although not required by the merger agreement, we anticipate contemporaneously with the closing of the merger that we will repay and retire the CEQP Credit Facility and outstanding CEQP Senior Notes, and that Crestwood Midstream will repay and retire all borrowings under the Crestwood Midstream Revolver. The Crestwood Midstream Revolver will effectively be retired with a combination of proceeds received by Crestwood Midstream from the sale of Preferred Units to the Class A Purchasers prior to the closing of the Simplification Merger and borrowings under the Crestwood Midstream amended and restated credit facility (described below).

To refinance the Crestwood Midstream Revolver in conjunction with the Simplification Merger, Crestwood Midstream intends to enter into an amended and restated senior secured revolving credit facility under which up to $1.5 billion in aggregate principle amount of cash borrowings and letters of credit will be made available by a syndicate of lenders. In July 2015, Crestwood Midstream received final lender commitments for the $1.5 billion revolving credit facility, and subject to customary closing conditions (including the closing of the merger and asset contribution concurrently with or immediately following the closing of the amended and restated credit facility), Crestwood Midstream expects to close the amended and restated credit agreement contemporaneously with the closing of the Simplification Merger. Pursuant to the final commitments from the syndicate of lenders, Crestwood Midstream anticipates that the terms of the amended and restated credit agreement will be substantially similar to the terms and conditions of its existing $1 billion credit facility, and that the proprietary NGL business transferred from the Company will be part of the lenders’ collateral package.

Following the asset contribution and refinancing described above, Crestwood Midstream will own all of the operating assets within the Crestwood partnerships and Crestwood Midstream will issue all of the debt (including bank loans and senior notes) required to operate those businesses. The Company will issue common units when equity capital is required by those businesses.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 2 of this report should be read in conjunction with the accompanying consolidated financial statements and Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2014 Annual Report on Form 10-K of Crestwood Equity Partners LP.

This report, including information included or incorporated by reference herein, contains forward-looking statements concerning the financial condition, results of operations, plans, objectives, future performance and business of our company and its subsidiaries. These forward-looking statements include:

- statements that are not historical in nature, including, but not limited to: (i) our expectation that we will complete certain projects, and achieve certain capacity or throughput amounts, by specified target dates; (ii) our assessment of certain developing and emerging shale and tight gas plays, including our estimates of producer activity within certain of these areas; (iii) our belief that we do not have material potential liability in connection with legal proceedings that would have a significant financial impact on our consolidated financial condition, results of operations or cash flows; and (iv) our expectation that the Simplification Merger will close in the third quarter; and

- statements preceded by, followed by or that contain forward-looking terminology including the words "believe," "expect," "may," "will," "should," "could," "anticipate," "estimate," "intend" or the negation thereof, or similar expressions.

Forward-looking statements are not guarantees of future performance or results. They involve risks, uncertainties and assumptions. Actual results may differ materially from those contemplated by the forward-looking statements due to, among others, the following factors:

- industry factors that influence the supply of and demand for crude oil, natural gas and NGLs;
- industry factors that influence the demand for services in the markets (particularly unconventional shale plays) in which we provide services;
- our ability to successfully implement our business plan for our assets and operations;
- governmental legislation and regulations;
- weather conditions;
- the availability of crude oil, natural gas and NGLs, and the price of those commodities, to consumers relative to the price of alternative and competing fuels;
- economic conditions;
- costs or difficulties related to the integration of our existing businesses and acquisitions;
- environmental claims;
- operating hazards and other risks incidental to the provision of midstream services, including gathering, compressing, treating, processing, fractionating, transporting and storing crude oil, NGLs and natural gas;
- interest rates; and
- the price and availability of debt and equity financing.

For additional factors that could cause actual results to be materially different from those described in the forward-looking statements, see Part I, Item IA. Risk Factors of our 2014 Annual Report on Form 10-K.

Our Company

We are a master limited partnership that manages, owns and operates crude oil, natural gas and NGL midstream assets and operations. Headquartered in Houston, Texas, we are a fully-integrated midstream solution provider that specializes in connecting shale-based energy supplies to key demand markets. We conduct gathering, processing, storage, transportation and marketing operations in the most prolific shale plays across the United States.

On May 5, 2015, the Company, Crestwood Midstream and certain of its affiliates entered into a definitive merger agreement under which Crestwood Midstream has agreed to merge with a wholly-owned subsidiary of the the Company, with Crestwood Midstream surviving as a wholly-owned subsidiary of the Company. As part of the merger consideration, Crestwood Midstream's common unitholders will become unitholders of the Company in a tax free exchange. Crestwood Midstream's IDRs will also be eliminated and its common units will cease to be listed on the NYSE. Contemporaneously with or immediately following the closing of the Simplification Merger, the Company will transfer to Crestwood Midstream the proprietary NGL business currently owned and operated by the Company. As discussed in more detail below, we believe this strategic simplification of the Crestwood structure will improve our capital structure and better position us to compete for

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acquisitions and growth opportunities during a period of increased competition and low commodity prices. A more detailed explanation of the merger agreement and our obligations thereunder is available in the Current Report on Form 8-K filed by the Company with the SEC on May 6, 2015. Additional information regarding our reasons for pursuing the Simplification Merger, as well as certain other items relating to the merger and our post-merger operations, is available in Amendment No. 1 to the Registration Statement on Form S-4 filed by the Company with SEC on July 24, 2015.

Our three business segments include (i) gathering and processing, which includes our natural gas G&P operations; (ii) storage and transportation, which includes our natural gas storage and transportation operations; and (iii) NGL and crude services, which includes our proprietary NGL supply and logistics business, crude oil facilities and fleet, NGL processing, fractionation and storage facilities, and salt production business. Except for our proprietary NGL supply and logistics business, which includes our West Coast NGL operations, our Seymour NGL storage facility and our fleet of NGL transportation and related rail-to-truck terminal assets, all of our operations are conducted by or through Crestwood Midstream. Below is a discussion of events that highlight our core business and financing activities.

Gathering and Processing

Our G&P operations provide gathering, compression, treating, and processing services to producers in multiple unconventional resource plays across the United States. We have established footprints in “core of the core” areas of several shale plays with delineated condensate and rich gas windows offering attractive producer economics, while maintaining operations in several prolific dry gas plays. We believe that our strategy of focusing on liquids-rich plays without abandoning prolific lean gas plays positions us well to (i) generate greater returns in the near term while natural gas prices remain depressed, (ii) capture greater upside economics when natural gas prices normalize, and (iii) in general, manage through commodity price cycles and production changes associated therewith.

- Powder River Basin (PRB) Niobrara. In January 2015, the construction of the 120 MMcf/d Bucking Horse processing plant was completed and the plant was placed into service. The completion of the Bucking Horse processing plant adds a substantial component to our portfolio of fee-based contracts and provides additional opportunities for long-term infrastructure development as production from the emerging PRB Niobrara continues to increase. In addition, the gathering system continues to expand with the most recent compression facility placed into service in January 2015. We are actively working with area producers to develop additional gathering and processing facilities beyond our Jackalope acreage in the region.

- Barnett Shale. Our gathering and processing systems are integral to Quicksilver Resources, Inc.'s (Quicksilver) Barnett Shale operations, as a substantial amount of Quicksilver's revenues are derived from the sale of natural gas and natural gas liquids produced from acreage dedicated to us. In March 2015, Quicksilver filed for protection under Chapter 11 of the U.S. Bankruptcy Code and shut in production of certain wells in conjunction with that filing. Quicksilver's creditors were required to submit claims by July 31, 2015, and Quicksilver has the exclusive right to submit its restructuring plan to the bankruptcy court by mid-October. We continue to provide services to Quicksilver and we are closely monitoring its restructuring process, which could have a significant impact on our G&P segment's results.

Storage and Transportation

Our storage and transportation segment consists of our interconnected natural gas storage and transportation assets. We have four natural gas storage facilities (Stagecoach, Thomas Corners, Steuben and Seneca Lake) and three transportation pipelines (North-South Facilities, MARC I and the East Pipeline) located in the Northeast in or near the Marcellus Shale.

- North/South Pipeline (NS-1 Expansion). We have completed the NS-1 Expansion project which provides approximately 200 MMcf/d of incremental delivery capacity into Millennium Pipeline on the north end of the system. We are actively pursuing incremental projects on the North/South Pipeline that would provide additional delivery capability and increased market access, including providing access to new sources of supply.

- MARC I. We completed an open season for an expansion of the MARC I Pipeline in the first quarter of 2015 and have entered into firm service contracts with multiple customers for the expansion capacity. This expansion will provide for the installation of the new Wilmot supply interconnect with Appalachian Midstream Services and approximately 250 MMcf/d of increased capacity at the interconnect between MARC I and Transcontinental Gas Pipe Line Corporation (Transco). We expect to complete the expansion project in the fourth quarter of 2015.

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- MARC II. We continue to make progress on the MARC II Pipeline Project, which is currently designed to provide up to 1.0 Bcf/d of delivery alternatives for northeast customers accessing the proposed Penn East and Transco pipelines. Market feedback on the project remain positive. The MARC II Pipeline project could be placed in service as early as the fourth quarter of 2017 pending sufficient shipper commitments.

NGL and Crude Services

Our NGL and crude services segment consists of our proprietary NGL and crude supply and logistics business, crude oil gathering systems and rail terminals, NGL storage facility and US Salt. We have facilities located in and around some of the most prolific crude oil shales and premium demand market in North America. We utilize these facilities to provide gathering, storage and terminal services to our anchor customers, and we utilize our crude oil and NGL assets on a portfolio basis to provide integrated supply and logistics solutions to producers, refiners and other customers.

- Bakken Shale - Arrow. We are continuing to build out the Arrow gathering system to its total design capacity of 125,000 Bbls/d of crude oil gathering, 100 MMcf/d of gas gathering, and 40,000 Bbls/d of produced water gathering. In June 2015, we completed the construction of a 200,000 barrel crude oil storage tank at the Arrow central delivery point and placed it into service.

Outlook and Trends

Our long-term growth potential is influenced by our ability to (and to cause Crestwood Midstream to) execute our growth strategy, including maximizing throughput on our assets and the successful completion of both organic expansion projects and strategic acquisitions. With a goal to increase cash available for distributions from our assets, our operating strategies include the expansion of customer services, from which we can generate higher revenues, and the prudent control of operating and administrative costs, resulting in increased operating margins and cash flows from operations. The continued integration of our gathering, processing, marketing, storage and transportation assets and services along the midstream value chain will be instrumental to our ability to produce commercial synergies which drive higher revenues. Our ability to monitor and manage the operating costs associated with increased customer services and volume throughput will be an important driver of increased operating margins and higher cash flows.

Despite the sharp decline in commodity prices since mid-2014, we believe that we are well positioned to deliver consistently improving financial results in 2015 due to a number of factors. First, we completed a significant number of capital expansion projects in 2014 that we believe will provide period to period volume increases in 2015. Second, many of our assets are located on long term, core acreage dedications in highly economic shale plays (driven by a combination of favorable netback pricing, low drilling, completion and operating costs, and high estimated ultimate reserves and initial production rates in each of those shale plays) which allows many of our producers to continue to develop their properties even at current prices. Third, a substantial portion of the midstream services we provide to customers in the high-growth shale plays such as the Marcellus, Bakken and PRB Niobrara are based on fixed fee, take-or-pay or cost-of-service agreements that ensure a minimum level of cash flow regardless of actual commodity prices or volumetric throughput.

Another critical factor to improvement in our financial results in 2015 is reduced operating and administrative costs. To align our operating costs further with current market conditions, in the first quarter of 2015, we implemented a company-wide cost-savings initiative to achieve annual run-rate cost savings of $25 million to $30 million by streamlining the organization to increase efficiency and improve effectiveness. Approximately $15 million of the overall cost savings is expected to impact our 2015 results through operational and support function consolidations and a reduction in work force. We incurred approximately $11 million and $15 million of upfront costs during the three and six months ended June 30, 2015 related to this cost savings initiative the Simplification Merger. Absent these upfront costs, our expenses related to operations, maintenance and general and administrative matters decreased by $9 million and $7 million during the three and six months ended June 30, 2015 compared to the same periods in 2014.

Historically, during periods of low commodity prices and deferred producer activity, the midstream industry typically experiences a slow-down in organic project growth opportunities and an increase in strategic acquisition opportunities. Our ability to compete for acquisitions and large scale, standalone organic development projects is largely impacted by our weighted average cost of capital (WACC) compared to our competitors. Our WACC is a function of our cost of debt and cost of equity, which includes the current yield on our common units and the embedded capital costs of our IDRs. Since mid-2014, our cost of equity, including the net effect of our existing IDR burden, has increasingly limited our ability to compete effectively for potential acquisitions and growth projects. We are exploring alternatives designed to lower our capital costs and position us to better compete for acquisitions and development projects necessary to execute our growth strategy.

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In May 2015, we announced the Simplification Merger. We believe combining the Crestwood partnerships will lower our capital costs (primarily by eliminating Crestwood Midstream's existing IDR burden and multiple public company costs) and position us to better compete for expansion opportunities necessary to execute our growth strategy. We believe greater strategic transparency and streamlined corporate structure resulting from the Simplification Merger will allow us to attract capital on economic terms more favorable than we currently experience. In addition, to the extent other strategic alternatives emerge (prior to or following the merger) that enable us to create significant unitholder value, the Simplification Merger does not preclude us from pursuing those alternatives.

Regulatory Matters

Many activities within the energy midstream sector have experienced increased regulatory oversight over the past few years, and we expect the trend of regulatory oversight to continue for the foreseeable future. We anticipate greater regulatory oversight related to activities that have attracted significant negative attention in the public domain (e.g., the transportation of crude oil by rail). We also anticipate greater regulatory oversight in states like North Dakota and tribal sovereignties like the Mandan, Hidatsa & Arikara Nation (MHA Nation), where regulation in certain areas is now starting to align with the tremendous production growth experienced in those jurisdictions in a short period of time.

We are developing an NGL storage facility in Schuyler County, New York (Watkins Glen reporting unit). We have requested from the New York State Department of Environmental Conservation (NYSDEC) the permits necessary to store up to 2.1 million barrels of propane and butane in underground caverns created by US Salt’s solution-mining process. The NYSDEC staff issued a draft underground storage permit in November 2014, and an issues conference was held in February 2015 to determine whether any significant and substantive issues concerning our project require further adjudication. We expect the Administrative Law Judge (ALJ) presiding over the issues conference to issue a decision in the third quarter of 2015. We continue to believe the NYSDEC will issue the permit required for us to construct, own and operate the proposed storage facility, but we can provide no assurances if and when the permit will be issued. We have recorded approximately $38 million of costs in property, plant and equipment and $34 million of goodwill related to this NGL storage facility as of June 30, 2015.

Qualifying Income Status and Proposed Regulations

Pursuant to Internal Revenue Code Section 7704(c)(2), in order to be treated as a partnership for U.S. federal income tax purposes, more than 90 percent of the income of a partnership must be from certain specified sources, including the exploration, development, mining or production, processing, refining, marketing and transportation of minerals and natural resources. On May 5, 2015, the Treasury Department and the IRS issued the Proposed Regulations regarding qualifying income under Section 7704(d)(1)(E) of the Code. The Proposed Regulations provide rules regarding the Qualifying Income Exception. The comment period on the proposed new regulations ends on August 5, 2015. When the comment period closes, the IRS will review and analyze the comments received. During this time, they may consult with industry experts and others to fully understand the matter. However, there is no set time frame for this process and it can take months or years to finalize the proposed new regulations. Although we do not believe, based upon our current operations and language of the proposed regulations, that we will be treated as corporation for U.S. federal income tax purposes, finalized regulations could modify the amount of our gross income that we are able to treat as qualifying income for purposes of the qualifying income requirement.

How We Evaluate Our Operations

We evaluate our overall business performance based primarily on EBITDA and Adjusted EBITDA. We evaluate our ability to make distributions to our unitholders based on cash available for distribution and distributions received from Crestwood Midstream.

We do not utilize depreciation, depletion and amortization expense in our key measures because we focus our performance management on cash flow generation and our assets have long useful lives.

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EBITDA and Adjusted EBITDA - We believe that EBITDA and Adjusted EBITDA are widely accepted financial indicators of a company's operational performance and its ability to incur and service debt, fund capital expenditures and make distributions. EBITDA is defined as income before income taxes, plus debt-related costs (net interest and debt expense and loss on modification/extinguishment of debt) and depreciation, amortization and accretion expense. In addition, Adjusted EBITDA considers the adjusted earnings impact of our unconsolidated affiliates by adjusting our equity earnings or losses from our unconsolidated affiliates for our proportionate share of their depreciation and interest and the impact of certain significant items, such as unit-based compensation charges, gains and impairments of long-lived assets and goodwill, gains and losses on acquisition-related contingencies, third party costs incurred related to potential and completed acquisitions, certain environmental remediation costs, change in fair value of certain commodity derivative contracts, certain costs related to our 2015 cost savings initiatives, and other transactions identified in a specific reporting period. EBITDA and Adjusted EBITDA are not measures calculated in accordance with GAAP, as they do not include deductions for items such as depreciation, amortization and accretion, interest and income taxes, which are necessary to maintain our business. EBITDA and Adjusted EBITDA should not be considered an alternative to net income, operating cash flow or any other measure of financial performance presented in accordance with GAAP. EBITDA and Adjusted EBITDA calculations may vary among entities, so our computation may not be comparable to measures used by other companies.
See our reconciliation of net income to EBITDA and Adjusted EBITDA in Results of Operations below.

Results of Operations

The following tables summarize our results of operations for the three and six months ended June 30, 2015 and 2014 (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues	$641.5	$926.3	$1,373.0	$1,897.9
Costs of product/services sold	459.5	747.6	989.2	1,533.6
Operations and maintenance expense	43.9	48.7	94.5	92.8
General and administrative expense	30.6	24.1	58.1	52.0
Depreciation, amortization and accretion	74.8	71.2	149.0	137.5
Gain (loss) on long-lived assets, net	(0.6)	1.2	(1.6)	1.7
Goodwill impairment	(281.0)	—	(281.0)	—
Loss on contingent consideration	—	(6.5)	—	(8.6)
Operating income (loss)	(248.9)	29.4	(200.4)	75.1
Earnings (loss) from unconsolidated affiliates, net	5.0	(1.5)	8.4	(1.6)
Interest and debt expense, net	(35.4)	(32.6)	(69.0)	(64.3)
Loss on modification/extinguishment of debt	(17.1)	—	(17.1)	—
Other income, net	0.1	0.1	0.3	0.2
(Provision) benefit for income taxes	0.3	(0.2)	(0.1)	(1.0)
Net income (loss)	(296.0)	(4.8)	(277.9)	8.4
Add:				
Interest and debt expense, net	35.4	32.6	69.0	64.3
Loss on modification/extinguishment of debt	17.1	—	17.1	—
Provision (benefit) for income taxes	(0.3)	0.2	0.1	1.0
Depreciation, amortization and accretion	74.8	71.2	149.0	137.5
EBITDA	$(169.0)	$99.2	$(42.7)	$211.2
Unit-based compensation charges	5.9	6.2	11.7	11.6
(Gain) loss on long-lived assets, net	0.6	(1.2)	1.6	(1.7)
Goodwill impairment	281.0	—	281.0	—
Loss on contingent consideration	—	6.5	—	8.6
(Earnings) loss from unconsolidated affiliates, net	(5.0)	1.5	(8.4)	1.6
Adjusted EBITDA from unconsolidated affiliates, net	5.7	0.4	12.2	2.1
Change in fair value of commodity inventory-related derivative contracts	1.5	2.9	2.6	(7.8)
Significant transaction and environmental related costs and other items	12.4	2.2	17.0	8.7
Adjusted EBITDA	$133.1	$117.7	$275.0	$234.3

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	Three Months Ended June 30, 2015	2014	Six Months Ended June 30, 2015	2014
EBITDA:				
Net cash provided by operating activities	$54.5	$45.3	$211.1	$127.2
Net changes in operating assets and liabilities	31.6	35.0	(28.0)	37.4
Amortization of debt-related deferred costs, discounts and premiums	(2.3)	(2.0)	(4.4)	(3.9)
Interest and debt expense, net	35.4	32.6	69.0	64.3
Market adjustment on interest rate swap	0.2	0.6	0.5	1.2
Unit-based compensation charges	(5.9)	(6.2)	(11.7)	(11.6)
Gain (loss) on long-lived assets, net	(0.6)	1.2	(1.6)	1.7
Goodwill impairment	(281.0)	—	(281.0)	—
Loss on contingent consideration	—	(6.5)	—	(8.6)
Earnings (loss) from unconsolidated affiliates, net, adjusted for cash distributions	(1.3)	(1.5)	2.1	(1.6)
Deferred income taxes	0.7	0.3	1.6	4.1
Provision (benefit) for income taxes	(0.3)	0.2	0.1	1.0
Other non-cash income	—	0.2	(0.4)	—
EBITDA	$(169.0)	$99.2	$(42.7)	$211.2
Unit-based compensation charges	5.9	6.2	11.7	11.6
(Gain) loss on long-lived assets, net	0.6	(1.2)	1.6	(1.7)
Goodwill impairment	281.0	—	281.0	—
Loss on contingent consideration	—	6.5	—	8.6
(Earnings) loss from unconsolidated affiliates, net	(5.0)	1.5	(8.4)	1.6
Adjusted EBITDA from unconsolidated affiliates, net	5.7	0.4	12.2	2.1
Change in fair value of commodity inventory-related derivative contracts	1.5	2.9	2.6	(7.8)
Significant transaction and environmental related costs and other items	12.4	2.2	17.0	8.7
Adjusted EBITDA	$133.1	$117.7	$275.0	$234.3

The following tables summarize the EBITDA of our segments (in millions):

	Three Months Ended June 30, 2015			Three Months Ended June 30, 2014		
	Gathering and Processing	Storage and Transportation	NGL and Crude Services	Gathering and Processing	Storage and Transportation	NGL and Crude Services
Revenues	$75.0	$ 44.0	$523.1	$83.4	$ 47.8	$795.1
Costs of product/services sold	13.3	3.4	443.4	17.6	7.2	722.8
Operations and maintenance expense	14.3	4.1	25.5	14.7	6.3	27.7
Gain (loss) on long-lived assets	—	—	(0.6)	0.5	0.6	0.1
Goodwill impairment	(220.7)	—	(60.3)	—	—	—
Loss on contingent consideration	—	—	—	(6.5)	—	—

Earnings (loss) from unconsolidated affiliates	1.1	0.6	3.3	(0.6)	—	(0.9)
EBITDA	$(172.2)	$ 37.1	$(3.4)	$44.5	$ 34.9	$43.8

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	Six Months Ended June 30, 2015			Six Months Ended June 30, 2014		
	Gathering and Processing	Storage and Transportation	NGL and Crude Services	Gathering and Processing	Storage and Transportation	NGL and Crude Services
Revenues	$153.5	$ 89.7	$1,130.6	$162.9	$ 98.8	$1,636.2
Costs of product/services sold	26.0	6.7	957.3	36.3	14.0	1,483.3
Operations and maintenance expense	29.2	8.4	56.9	28.1	12.5	52.2
Gain (loss) on long-lived assets	(0.3)	(0.7)	(0.6)	1.0	0.6	0.1
Goodwill impairment	(220.7)	—	(60.3)	—	—	—
Loss on contingent consideration	—	—	—	(8.6)	—	—
Earnings (loss) from unconsolidated affiliates	3.6	1.5	3.3	(0.3)	—	(1.3)
EBITDA	$(119.1)	$ 75.4	$58.8	$90.6	$ 72.9	$99.5

Segment Results

Below is a discussion of the factors that impacted EBITDA by segment for the three and six months ended June 30, 2015 compared to the same periods in 2014.

Gathering and Processing

EBITDA for our G&P segment decreased by approximately $216.7 million and $209.7 million for the three and six months ended June 30, 2015 compared to the same periods in 2014 primarily due to $220.7 million of goodwill impairments recorded during the three months ended June 30, 2015 related to our operations in the Barnett and Fayetteville Shales, which are discussed in more detail below.

Offsetting the $220.7 million of goodwill impairments, EBITDA for our G&P segment increased by approximately $4.0 million and $11.0 million for the three and six months ended June 30, 2015 compared to the same periods in 2014, primarily due to a loss on contingent consideration recognized during the three and six months ended June 30, 2014, which is further described below. Also contributing to the increase was a $1.7 million and $3.9 million increase in equity earnings from Jackalope Gas Gathering Services, L.L.C. (Jackalope) for the three and six months ended June 30, 2015 compared to the same periods in 2014. The increase was primarily attributable to Jackalope placing its Bucking Horse processing plant in service in January 2015.

Our G&P segment's EBITDA was also impacted by a decrease in revenues, which was substantially offset by lower costs of product/services sold. Our G&P segment’s revenues decreased by approximately $8.4 million and $9.4 million during the three and six months ended June 30, 2015 compared to the same periods in 2014, although we experienced an increase in our compression volumes while our gathering volumes remained relatively flat. The decrease in our G&P revenues was primarily driven by lower NGL and natural gas prices related to our assets located in Granite Wash under our percent-of-proceeds contracts, partially offset by higher gathering and compression revenues from Antero, our primary customer in the Marcellus Shale. Our compression volumes increased from 0.5 Bcf/d for both the three and six months ended June 30, 2014 to 0.6 Bcf/d during the same periods in 2015. The increases in our G&P compression volumes were primarily due to several new compressor stations placed in service during 2014 in the Marcellus Shale and new wells connected to our systems during 2014. We gathered approximately 1.1 Bcf/d of natural gas on our G&P systems, excluding gathering volumes associated with our Jackalope equity investment, during both the three and six months ended June 30, 2015 compared to 1.2 Bcf/d and 1.1 Bcf/d during the same periods in 2014.

The decrease in revenues was partially offset by lower costs of product/services sold of approximately $4.3 million and $10.3 million. The decrease in our G&P segment's costs of product/services sold was primarily driven by lower NGL and natural gas prices under our percent-of-proceeds contracts related to our assets located in Granite Wash. In July 2015, one of our customers in the Granite Wash, Sabine Oil and Gas Corporation (Sabine), filed for protection under Chapter 11 of the U.S. Bankruptcy Code. We are closely monitoring our exposure to Sabine and we do not believe Sabine's bankruptcy will have a material impact to our G&P results of operations.

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Partially offsetting the decrease in our costs of product/services sold were higher operations and maintenance expense of approximately $1.1 million during the six months ended June 30, 2015 compared to the same period in 2014 due to compressor stations in the Marcellus Shale that were placed in service during the last half of 2014. Our operations and maintenance expenses were relatively flat during the three months ended June 30, 2015 compared to the same period in 2014.

Our G&P segment's EBITDA was impacted by a $6.5 million and an $8.6 million loss on contingent consideration recorded for the three and six months ended June 30, 2014. The loss on contingent consideration was an accrual that reflected the fair value of an earn-out premium associated with the original acquisition of our Marcellus G&P assets from Antero Resources Appalachian Corporation (Antero) in 2012. The earn-out provision allowed Antero to receive an additional $40.0 million payment when gathering volumes exceeded a certain threshold as defined in the acquisition agreements, which was settled in February 2015.

In March 2015, one of our customers in the Barnett Shale, Quicksilver, began shutting in certain of its wells in conjunction with Quicksilver's filing for protection under Chapter 11 of the U.S. Bankruptcy Code. The shut in wells decreased our revenues generated by our Barnett Shale operations by approximately $2.9 million and $3.7 million for the three and six months ended June 30, 2015. The impact of Quicksilver's filing for protection under Chapter 11 of the U.S. Bankruptcy Code and the continued decrease in commodity prices on the discount rates resulted in a $212.4 million goodwill impairment on our Barnett assets during the second quarter of 2015. We continue to monitor and evaluate the impact that these events and other potential future events may have on our G&P operations in the Barnett Shale. In addition, we recorded an $8.3 million goodwill impairment on our Fayetteville assets during the second quarter of 2015 due to increasing discount rates due to the continued decrease in commodity prices and its impact on the midstream industry. For a further discussion of these goodwill impairments, see Item 1. Financial Statements, Note 2.

Storage and Transportation

Our storage and transportation segment's EBITDA increased by approximately $2.2 million and $2.5 million during the three and six months ended June 30, 2015 compared to the same periods in 2014. This increase was primarily due to the deconsolidation of Tres Palacios' impacts on our results. In December 2014, we sold our 100% interest in Tres Palacios Gas Storage LLC (Tres Palacios) to Tres Palacios Holdings LLC (Tres Holdings), the newly formed joint venture between a subsidiary of Crestwood Midstream and an affiliate of Brookfield Infrastructure Group (Brookfield) and, as a result, we deconsolidated Tres Palacios. During the three months and six months ended June 30, 2014, Tres Palacios experienced an EBITDA loss of $2.3 million and $1.0 million. For the three and six months ended June 30, 2015, we recorded earnings from our unconsolidated affiliate of approximately $0.6 million and $1.5 million, which primarily related to our proportionate share of Tres Holdings' net income. For a further discussion of our investment in Tres Holdings, see Item 1, Financial Statements, Note 5.

Our storage and transportation segment's revenues decreased by $3.8 million and $9.1 million during the three and six months ended June 30, 2015 compared to the same periods in 2014, primarily due to the Tres Palacios deconsolidation described above and lower revenues from interruptible services during the three and six months ended June 30, 2015 compared to the same periods in 2014. During 2014, we experienced an increase in revenues from interruptible services resulting from increased producer activity and increased locational basis spreads in the Northeast. Partially offsetting these decreases were higher revenues of approximately $0.3 million and $3.4 million due to additional firm storage and transportation services resulting from organic growth projects placed in service during the last half of 2014 and the first half of 2015, primarily the NS-1 Expansion project, which increased volumes delivered into Millennium Pipeline. During the three months ended June 30, 2015, total firm throughput from our Northeast storage and transportation services averaged approximately 1.6 Bcf/d compared to 1.5 Bcf/d during the same period in 2014.

Our storage and transportation segment's costs of product/services sold and operations and maintenance expenses decreased by $6.0 million and $11.4 million during the three and six months ended June 30, 2015 compared to the same periods in 2014, primarily due to the Tres Palacios deconsolidation described above. The costs of product/services sold and operations and maintenance expenses related to our other storage and transportation operations were relatively flat during the three and six months ended June 30, 2015 compared to the same periods in 2014.

NGL and Crude Services

EBITDA for our NGL and Crude Services decreased by approximately $47.2 million and $40.7 million for the three and six months ended June 30, 2015 compared to the same periods in 2014 primarily due to $60.3 million of goodwill impairments recorded related to our West Coast and Watkins Glen operations, which are discussed in more detail below.

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Offsetting the $60.3 million of goodwill impairments, our NGL and crude services segment's EBITDA increased by approximately $13.1 million and $19.6 million during the three and six months ended June 30, 2015 compared to the same periods in 2014. The increase was driven by a period over period decrease in costs of product/services sold of approximately $279.4 million and $526.0 million, partially offset by a $272.0 million and $505.6 million decrease in revenues. These revenue and costs of product/services sold decreases were primarily driven by our Arrow and crude marketing operations and our NGL terminalling, supply and logistics operations.

While the net decrease in revenues from our Arrow and crude marketing operations was $194.0 million and $290.4 million during the three and six months ended June 30, 2015 compared to the same periods in 2014, the costs of product/services sold related to these operations decreased by $197.8 million and $306.0 million. The net decrease in revenues and costs of product/services sold was driven by the decreases in market prices on crude oil, which caused average crude oil prices on our crude oil sales to decrease by approximately 50% during the three and six months ended June 30, 2015 compared to the same periods in 2014. During the three months ended June 30, 2015, our revenues did not decrease as much as our costs of product/services sold because crude oil, natural gas and water volumes increased by 2%, 41% and 33% compared to the same period in 2014. We also experienced an increase of 23%, 74% and 60% in our crude oil, natural gas and water volumes, respectively, during the six months ended June 30, 2015 compared to the same period in 2014, as new wells were connected to our system.

Revenues from our NGL terminalling, supply and logistics operations decreased by $84.5 million and $235.8 million during the three and six months ended June 30, 2015 compared to the same periods in 2014, compared to a decrease of $81.1 million and $222.1 million in its costs of product services sold period over period. These decreases were driven by decreased demand for propane and butane at our NGL terminals and other facilities resulting from lower commodity prices, and the fact that we experienced a milder winter during early 2015 compared to the unusually cold winter during 2014, which reduced our opportunities to capture incremental demand and margin opportunities in these operations.

Partially offsetting the net decreases in revenues from our Arrow, crude marketing and NGL operations during the three and six months ended June 30, 2015, was a $6.6 million and $13.4 million increase in revenues resulting from higher volumes on our COLT Hub as a result of our expansion of this facility (including placing our release and departure tracks in service in December 2014) and increased utilization of non-firm capacity on the system. During both the three and six months ended June 30, 2015, we loaded approximately 122 MBbls/d of crude on rail cars entering the facility compared to approximately 112 MBbls/d and 105 MBbls/d during the same periods in 2014. We also experienced an increase in revenues of $4.8 million during the six months ended June 30, 2015 related to our crude oil transportation operations acquired in March and May of 2014.

During the six months ended June 30, 2015, we experienced higher operations and maintenance expense of $4.7 million primarily due to the acquisitions of our crude oil transportation fleet in March and May of 2014.

For both the three and six months ended June 30, 2015, our proportionate share of the net earnings from our unconsolidated affiliate, PRBIC, was $3.3 million compared to a net loss of approximately $0.9 million and $1.3 million during the three and six months ended June 30, 2014. For a further discussion of our investment in PRBIC, see Item 1, Financial Statements, Note 5.

Our NGL and Crude Services segment's EBITDA for the three and six months ended June 30, 2015 was impacted by a $28.4 million impairment of the goodwill associated with our West Coast operations due primarily to an increase in the discount rate utilized to determine the fair value of this business resulting from the continued decrease in commodity prices and its impact on the midstream industry. We also recorded a $31.9 million impairment of goodwill associated with our Watkins Glen operations due to an increase in the discount rate utilized to determine the fair value of this business, coupled with continued delays and uncertainties in the permitting of our proposed NGL storage facility. For a further discussion of these impairments, see Item 1, Financial Statements, Note 2.

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Other Results

Our consolidated EBITDA for the three and six months ended June 30, 2015 decreased by approximately $268.2 million and $253.9 million compared to the same periods in 2014. Our consolidated Adjusted EBITDA for the three and six months ended June 30, 2015 was $133.1 million and $275.0 million, an increase of $15.4 million and $40.7 million compared to the same periods in 2014. The change in our EBITDA and Adjusted EBITDA period over period was primarily driven by our segment results described above. Partially offsetting those results were higher general and administrative expenses of approximately $6.5 million and $6.1 million from our Corporate operations compared to the same periods in 2014 due to approximately $12.4 million and $17.0 million of costs primarily related to the potential merger with Crestwood Midstream and our 2015 cost savings initiatives, compared to $2.2 million and $8.7 million of costs for the same periods in 2014, primarily related to the Arrow acquisition.

Items not affecting EBITDA include the following:

Depreciation, Amortization and Accretion Expense - During the three and six months ended June 30, 2015, our depreciation, amortization and accretion expense increased compared to the same periods in 2014, primarily due to the acquisition of our crude oil transportation assets during 2014 and the expansion of our gathering and processing assets in the Marcellus Shale.

Interest and Debt Expense - Interest and debt expense increased by approximately $2.8 million and $4.7 million during the three and six months ended June 30, 2015 compared to the same periods in 2014. The following table provides a summary of interest and debt expense (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Credit facilities	$5.6	$8.0	$12.9	$15.2
Senior notes	28.4	23.6	53.0	47.3
Capital lease interest	—	0.1	—	0.1
Other debt-related costs	2.3	2.2	4.7	4.4
Gross interest and debt expense	36.3	33.9	70.6	67.0
Less: capitalized interest	0.9	1.3	1.6	2.7
Interest and debt expense, net	$35.4	$32.6	$69.0	$64.3

Loss on Modification/Extinguishment of Debt - During the three and six months ended June 30, 2015, we recognized a loss on modification/extinguishment of $17.1 million related to the redemption of Crestwood Midstream's 2019 Senior Notes.

Liquidity and Sources of Capital

We are a partnership holding company that derives all of our operating cash flow from our operating subsidiaries. Our principal sources of liquidity include cash generated by operating activities, credit facilities, debt issuances, and sales of our common units. Our operating subsidiaries use cash from their respective operations to fund their operating activities and maintenance capital expenditures. We believe our current liquidity sources and operating cash flows will be sufficient to fund our future operating and capital requirements.

CEQP Credit Facility. As of June 30, 2015, we had $104.1 million of available capacity under the CEQP Credit Facility considering our most restrictive debt covenants under that facility. See Item 1, Financial Statements, Note 8 for a more detailed discussion of the CEQP Credit Facility.

Crestwood Midstream utilizes a variety of sources to service its outstanding indebtedness, fund growth capital expenditures, and make distributions to its unitholders. These sources include funds cash generated by its operating subsidiaries, borrowings under the Crestwood Midstream Revolver, debt issuances, and the sales of its common and Class A preferred units under the equity distribution agreement.

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- Crestwood Midstream Revolver. On April 8, 2015, Crestwood Midstream utilized approximately $315 million of its credit facility to redeem all of its outstanding 2019 Senior Notes. As of June 30, 2015, Crestwood Midstream had $489.6 million of available capacity under its credit facility considering the most restrictive debt covenants in its credit agreement. See Item 1, Financial Statements, Note 8 for a more detailed discussion of the Crestwood Midstream Revolver.

- Senior Notes. In March 2015, Crestwood Midstream issued $700 million of 6.25% unsecured Senior Notes due 2023 in a private offering. The net proceeds from this offering of approximately $688.3 million were used to pay down borrowings under its revolving credit facility and for its general partnership purposes.

- Preferred Units. During the six months ended June 30, 2015, Crestwood Midstream did not sell any Preferred Units to the Class A Purchasers. Crestwood Midstream will issue the remaining $60 million of Preferred Units available for purchase by the Class A Purchasers in conjunction with the Simplification Merger, and Crestwood Midstream intends to use the proceeds from such issuance to fund expansion and development projects, to reduce borrowings under its credit facility, and for other general partnership purposes. See Item 1, Financial Statements, Note 10 for a more detailed description of the Preferred Units.

- Equity Distribution Agreement. Effective May 8, 2015, Crestwood Midstream suspended the equity distribution program with certain financial institutions under which Crestwood Midstream was allowed to offer and sell, from time to time through one or more of these financial institutions, common units having an aggregate offering price of up to $300.0 million. Prior to the suspension of this program, Crestwood Midstream did not issue any common units through these financial institutions.

As of June 30, 2015, we were in compliance with all our debt covenants related to the CEQP Credit Facility, Crestwood Midstream Revolver and our senior notes. See Item 1, Financial Statements, Note 8 for a more detailed description of these credit facilities and our CEQP and CMLP senior notes.

As described above, in May 2015, the Company, Crestwood Midstream and certain of its affiliates entered into a definitive merger agreement under Crestwood Midstream has agreed to merge with a wholly-owned subsidiary of the the Company, with Crestwood Midstream surviving as a wholly-owned subsidiary of the Company. As further described in Item 1. Financial Statements, Note 16, immediately following the closing of the Simplification Merger, we will repay and retire the CEQP Credit Facility and outstanding CEQP Senior Notes, and Crestwood Midstream will repay and retire all borrowings under the Crestwood Midstream Revolver. The Crestwood Midstream Revolver will effectively be retired with proceeds received by Crestwood Midstream from the sale of Preferred Units to the Class A Purchasers prior to the closing of the Simplification Merger, borrowings under the Crestwood Midstream amended and restated credit facility (described below), or a combination thereof.

Under the merger agreement, we are also required to redeem or call for redemption all of our 7% senior notes due 2018 prior to the closing of the Simplification Merger. We expect to redeem the senior notes in September 2015. As of June 30, 2015, $10.6 million in aggregate principal amount of the senior notes were outstanding.

To refinance the Crestwood Midstream Revolver, Crestwood Midstream intends to enter into an amended and restated senior secured revolving credit facility under which up to $1.5 billion in aggregate principle amount of cash borrowings and letters of credit will be made available by a syndicate of lenders. In July 2015, Crestwood Midstream received final lender commitments for the $1.5 billion revolving credit facility, and subject to customary closing conditions, Crestwood Midstream expects to close the amended and restated credit agreement contemporaneously with the closing of the Simplification Merger.

Following the asset contribution and refinancing described above, Crestwood Midstream will own all of the operating assets within the Crestwood partnerships and Crestwood Midstream will issue all of the debt (including bank loans and senior notes) required to operate those businesses. CEQP as Crestwood Midstream's publicly-traded parent company following the merger, will issue common units when equity capital is required by those businesses.

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The following table provides a summary of our cash flows by category (in millions):

	Six Months Ended June 30,	
	2015	2014
Net cash provided by operating activities	$211.1	$127.2
Net cash used in investing activities	(108.4)	(256.1)
Net cash provided by (used in) financing activities	(110.2)	141.9

Operating Activities

Our operating cash flows increased approximately $83.9 million during the six months ended June 30, 2015 compared to the same period in 2014 primarily due to lower costs of product/services sold of approximately $544.4 million primarily due to lower prices in our G&P and NGL and Crude Services segments' operations described above, and a $65.4 million net cash inflow from working capital resulting primarily from lesser working capital requirements of our NGL terminalling, supply and logistics operations given the recent decrease in commodity prices. Partially offsetting these impacts was a $524.9 million decrease in operating revenues primarily from our G&P and NGL and Crude Services segments' operations described above.

Investing Activities

The energy midstream business is capital intensive, requiring significant investments for the acquisition or development of new facilities. We categorize our capital expenditures as either:

- growth capital expenditures, which are made to construct additional assets, expand and upgrade existing systems, or acquire additional assets; or

- maintenance capital expenditures, which are made to replace partially or fully depreciated assets, to maintain the existing operating capacity of our assets, extend their useful lives or comply with regulatory requirements.

The following table summarizes our capital expenditures for the six months ended June 30, 2015 (in millions). We have identified additional growth capital project opportunities for each of our reporting segments. Additional commitments or expenditures will be made at our discretion, and any discontinuation of the construction of these projects will likely result in less future cash flows and earnings.

Growth capital	$58.6
Maintenance capital	9.3
Other [(1)]	15.6
Purchases of property, plant and equipment	83.5
Reimbursements of property, plant and equipment	28.8
Net purchases of property, plant and equipment	$54.7

(1) Represents gross purchases of property, plant and equipment that are reimbursable by third parties.

In addition to our capital expenditures discussed above, our cash flows from investing activities were also impacted by the following significant items during the six months ended June 30, 2015 and 2014:

Acquisitions. During the six months ended June 30, 2014, we acquired substantially all of the operating assets of Red Rock and LT Enterprises for approximately $12.1 million and $9.0 million, respectively. For a further discussion of these acquisitions, see Item 1, Financial Statements, Note 3.

Investments in Unconsolidated Affiliates. During the six months ended June 30, 2015 and 2014, we made capital contributions of approximately $28.0 million and $48.6 million to our unconsolidated affiliates to fund their capital projects. For a further discussion of investments in our unconsolidated affiliates, see Item 1, Financial Statements, Note 5.

Financing Activities

Significant items impacting our financing activities during the six months ended June 30, 2015 and 2014, included the following:

Equity Transactions

- $4.1 million increase in distributions to non-controlling partners during the six months ended June 30, 2015 compared to the same period in 2014;
- $33.6 million proceeds from the issuance of non-controlling interests during the six months ended June 30, 2014; and
- $293.7 million net proceeds from the issuance of Class A preferred units during the six months ended June 30, 2014

Debt Transactions

- $688.3 million net proceeds from Crestwood Midstream's issuance of the 2023 Senior Notes during the six months ended June 30, 2015;
- $245.9 million increase in net repayments of long-term debt during the six months ended June 30, 2015 compared to the same period in 2014; and
- $363.6 million redemption of Crestwood Midstream's 2019 Senior Notes during the six months ended June 30, 2015

Critical Accounting Estimates

Our critical accounting estimates are consistent with those described in our 2014 Annual Report on Form 10-K. Below is an update of our critical accounting estimates related to goodwill.

Goodwill Impairment

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, enterprise value and the potential value we would receive if we sold the reporting unit. Estimating projected cash flows requires us to make certain assumptions as it relates to future operating performance of each of our reporting units (which include assumptions, among others, about estimating future operating 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 growth assumptions embodied in the projections prove inaccurate, we could incur a future impairment charge.

As described above, during interim periods we evaluate our reporting units for events and changes that could indicate that it is more likely than not that the fair value of a reporting unit could be less than its carrying amount. Due to the significant, sustained decrease in the market price of our common units from January 1, 2015 to June 30, 2015, we evaluated our reporting units and determined it was more likely than not that the goodwill associated with four of our reporting units was impaired as of June 30, 2015: Fayetteville (G&P segment), West Coast (NGL and Crude Services segment), Watkins Glen (NGL and Crude Services segment) and Barnett (G&P segment). As a result of further analysis of the fair value of the goodwill at these reporting units, we recorded $8.3 million, $28.4 million, $31.9 million and $212.4 million of goodwill impairments related to these reporting units, respectively, during the three months ended June 30, 2015.

The impairment of our 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 continued decrease in commodity prices and

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its impact on the midstream industry and our customers in these areas. The impairment of our Watkins Glen goodwill primarily resulted from increasing the discount rate of the reporting unit from 10.5% to 13.3%, coupled with continued delays and uncertainties in the permitting of our proposed NGL storage facility. The impairment of our Barnett goodwill primarily resulted from increasing the discount rate of the reporting unit from 9% to 11%, considering the recent actions of our primary customer in the Barnett Shale, Quicksilver, related to its 2015 filing for protection under Chapter 11 of the U.S. Bankruptcy Code on our projected cash flows from that reporting unit.

We continue to monitor the remaining $64.2 million, $57.6 million, $34.3 million and $44.8 million of goodwill assigned to our Fayetteville, West Coast, Watkins Glen and Barnett reporting units, respectively as of June 30, 2015. We could experience additional impairments of the remaining goodwill of our Fayetteville and West Coast reporting units in the future if we experience continued increases in discount rates, or if we receive negative information about market conditions or the intent of our customers related to those operations. We could experience additional impairments of the remaining goodwill of our Watkins Glen reporting unit in the future if we experience continued increases in discount rates, or if we receive negative information about the timing or our ability to receive the required permitting related to the proposed NGL storage facility. We could experience additional impairments of the remaining goodwill of our Barnett reporting unit if we experience continued increases in discount rates, or if future adverse changes related to Quicksilver's bankruptcy further reduce the projected cash flows of the reporting unit.

We acquired a substantial majority of the reporting units in our Storage and Transportation segment and our NGL and Crude Services segment during 2013 concurrent with the Inergy merger, and finalized the purchase price allocations for these acquisitions during 2014, at which time we recorded the assets, liabilities and goodwill of those reporting units at fair value. A summary of the goodwill as of June 30, 2015 related to these reporting units (other than West Coast and Watkins Glen, which are described above) is as follows (in millions):

Reporting Unit	Goodwill
Northeast Storage and Transportation	$726.3
COLT	668.3
NGL Supply and Logistics	266.2
NGL and Crude Transportation	177.9
NGL Storage and Terminals	75.2
Bath	29.0
US Salt	12.6

Any level of decrease in the forecasted cash flows of those businesses, or further increases in the discount rates utilized to value those businesses 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. Although we do not believe it is more likely than not that the fair value of these reporting units could be less than their carrying amounts as of June 30, 2015, we believe that certain of these reporting units have experienced increases in the discount rates utilized in determining their fair value ranging from 0.5% to 1.0% during the first six months of 2015 resulting primarily from the continued commodity price decline since 2014. As a result, we believe further declines in commodity prices or sustained decreases in the market price of our common units, among other factors, could result in increases in future discount rates, and additional increases of 0.5% to 1.0% in discount rates from the discount rates utilized at June 30, 2015 could potentially result in a future impairment of the goodwill related to these reporting units. In addition, adverse changes related to the future operating performance of these reporting units could decrease their projected cash flows, which would potentially result in a future impairment of the goodwill related to these reporting units.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our interest rate risk and commodity price, market and credit risks are discussed in our 2014 Annual Report on Form 10-K and there have been no material changes in those exposures from December 31, 2014 to June 30, 2015 other than as follows.

Credit Risk

On March 17, 2015, Quicksilver, a significant customer in our gathering and processing operations in the Barnett Shale, filed for protection under Chapter 11 of the U.S. Bankruptcy Code. Although Quicksilver is current on all amounts we invoiced

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them through July 2015, we are closely monitoring our exposure to Quicksilver to ensure they continue to promptly pay invoices, including those billed to them in August 2015.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

As of June 30, 2015, we carried out an evaluation under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer of our General Partner, as to the effectiveness, design and operation of our disclosure controls and procedures (as defined in the Securities Exchange Act of 1934, as amended (Exchange Act) Rules 13a-15(e) and 15d-15(e)). We maintain controls and procedures designed to provide reasonable assurance that information required to be disclosed in our reports that we file or submit under the Exchange Act of 1934, as amended, are recorded, processed, summarized and reported within the time periods specified by the rules and forms of the SEC, and that information is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer of our General Partner, as appropriate, to allow timely decisions regarding required disclosure. Our management, including the Chief Executive Officer and Chief Financial Officer of our General Partner, does not expect that our disclosure controls and procedures or our internal controls will prevent and/or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives and our Chief Executive Officer and Chief Financial Officer of our General Partner concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2015.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the six months ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

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PART II – OTHER INFORMATION

Item 1. Legal Proceedings

Part I, Item 1. Financial Statements, Note 12 to the Consolidated Financial Statements, of this Form 10-Q is incorporated herein by reference.

Seymour Investigation. We own a propane storage and distribution facility in Seymour, Indiana. On May 15, 2014, the Environmental Protection Agency (EPA) issued a request relating to our compliance with the chemical accident prevention program at the facility. We responded to the request on August 6, 2014, and at EPA's request, we submitted additional documentation of compliance on January 30, 2015. Although we have not received a compliance order or settlement agreement from the EPA, we anticipate that the EPA will assess a civil penalty against us and the amount could exceed $100,000.

Item 1A. Risk Factors

Our Risk Factors are consistent with those disclosed in Part I, Item 1A. Risk Factors of our 2014 Annual Report on Form 10-K and our Quarterly Report on Form 10-Q for the period ended March 31, 2015. Below is an update to our Risk Factors.

Sustained decreases in our market capitalization may be an indicator of a potential future impairment of our long-lived tangible and intangible assets including goodwill which could have a material adverse effect on our financial results.

During 2015, we experienced a sustained, significant decline in our unit price which resulted in our market capitalization falling below the recorded value of our consolidated net assets. Under GAAP, we were required to record goodwill impairments of $281.0 million during the three and six months ended June 30, 2015 because changes in circumstances or events (of which one of the several indicators of impairment that was considered jointly is a significant and other than temporary decrease in the our market capitalization) indicated that the carrying values of such assets exceeded their fair value and were not recoverable. A further decline in our market capitalization could result in additional impairments, which could further materially and adversely affect our financial results.

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

The present federal income tax treatment of publicly traded partnerships, including the Company, may be modified by administrative, legislative or judicial interpretation at any time. For example, the Obama administration's budget proposal for fiscal year 2016 recommends that certain publicly traded partnerships earning income from activities related to fossil fuels be taxed as corporations beginning in 2021. From time to time, members of the U.S. Congress propose and consider such substantive changes to the existing federal income tax laws that affect the tax treatment of certain publicly traded partnerships. If successful, the Obama administration's proposal or other similar proposals could eliminate the qualifying income exception to the treatment of all publicly-traded partnerships as corporations upon which we rely for our treatment as a partnership for U.S. federal income tax purposes.

On May 5, 2015, the U.S. Treasury Department and the IRS released proposed regulations (the Proposed Regulations) regarding qualifying income under Section 7704(d)(1)(E) of the Code. The Proposed Regulations provide an exclusive list of industry-specific activities that generate qualifying income for the purposes of the Qualifying Income Exception, including the activities that constitute the transportation, storage, processing or marketing of a natural resource. Although the Proposed Regulations adopt a narrow interpretation of the activities that generate qualifying income, the Company does not anticipate any material impact on its ability to satisfy the qualifying income test if the Proposed Regulations were finalized as proposed. However, there can be no assurances that the Proposed Regulations, when adopted as final regulations, will not take a position that is contrary to our interpretation of Section 7704 of the Code. If the Proposed Regulations were to treat any material portion of CEQP's income as non-Qualifying income, we anticipate being able to treat that income as qualifying income for ten years under special transition rules provided in the Proposed Regulations.

Any modification to the U.S. federal income tax laws and interpretations thereof may be applied retroactively and could make it more difficult or impossible for us to meet the qualifying income exception in order for the Company to be treated as a partnership for federal income tax purposes. We are unable to predict whether any of these changes or any other proposals will ultimately be enacted or adopted. Any such changes could negatively impact the value of an investment in our units and the amount of cash available for distribution to its unitholders.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

Exhibit Number	Description
3.1	Certificate of Limited Partnership of Inergy, L.P. (incorporated by reference to Exhibit 3.1 to Inergy, L.P.'s Registration Statement on Form S-1 filed on March 14, 2001)
3.1A	Certificate of Correction of Certificate of Limited Partnership of Inergy, L.P. (incorporated by reference to Exhibit 3.1 to Inergy, L.P.'s Form 10-Q filed on May 12, 2003)
3.1B	Amendment to the Certificate of Limited Partnership of Crestwood Equity Partners LP (the “Company”) (f/k/a Inergy, L.P.) dated as of October 7, 2013 (incorporated herein by reference to Exhibit 3.2 to the Company’s Form 8-K filed on October 10, 2013)
3.2	Fifth Amended and Restated Agreement of Limited Partnership of Crestwood Equity Partners LP dated as of April 11, 2014 (incorporated herein by reference to Exhibit 3.1 to Crestwood Equity Partners LP's Form 8-K filed on April 11, 2014)
3.3	Certificate of Formation of Inergy GP, LLC (incorporated by reference to Exhibit 3.5 to Inergy, L.P.'s Registration Statement on Form S-1/A filed on May 7, 2001)
3.3A	Certificate of Amendment of Crestwood Equity GP LLC (the “General Partner”) (f/k/a Inergy GP, LLC) dated as of October 7, 2013 (incorporated by reference to Exhibit 3.3A to Crestwood Equity Partners LP's Form 10-Q filed on November 8, 2013)
3.4	First Amended and Restated Limited Liability Company Agreement of Inergy GP, LLC dated as of September 27, 2012 (incorporated by reference to Exhibit 3.1 to Inergy, L.P.'s Form 8-K filed on September 27, 2012)
3.4A	Amendment No. 1 to the First Amended and Restated Limited Liability Company Agreement of the General Partner dated as of October 7, 2013 (incorporated by reference to Exhibit 3.4A to Crestwood Equity Partners LP's Form 10-Q filed on November 8, 2013)
*12.1	Computation of ratio of earnings to fixed charges
*31.1	Certification of Chief Executive Officer of the Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31.2	Certification of Chief Financial Officer of the Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*32.1	Certification of Chief Executive Officer of the Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32.2	Certification of Chief Financial Officer of the Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
**101.INS	XBRL Instance Document

**101.SCH	XBRL Taxonomy Extension Schema Document
**101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
**101.LAB	XBRL Taxonomy Extension Label Linkbase Document
**101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
**101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

* Filed herewith

** Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CRESTWOOD EQUITY PARTNERS LP

By: CRESTWOOD EQUITY GP LLC
(its general partner)

Date: August 6, 2015

By: /s/ ROBERT T. HALPIN
Robert T. Halpin
Senior Vice President and Chief Financial Officer
(Duly Authorized Officer and Principal Financial Officer)

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