**2020**

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

# FORM 10-K

(Mark One)

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

For the fiscal year ended **December 31, 2020**

OR

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

For the transition period from ______ to ______

Commission file number: **001-36011**

# Phillips 66 Partners LP

*(Exact name of registrant as specified in its charter)*

| | |
|---|---|
| **Delaware** | **38-3899432** |
| *(State or other jurisdiction of incorporation or organization)* | *(I.R.S. Employer Identification No.)* |

**2331 CityWest Blvd., Houston, Texas 77042**
*(Address of principal executive offices) (Zip Code)*
Registrant’s telephone number, including area code: **(855) 283-9237**

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Units, Representing Limited Partner Interests | PSXP | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: None

| | | |
|---|---|---|
| Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. | ☒ Yes | ☐ No |
| Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. | ☐ Yes | ☒ No |
| Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the 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. | ☒ Yes | ☐ No |
| Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). | ☒ Yes | ☐ No |

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

| | | | | | |
|---|---|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ | Non-accelerated filer | ☐ |
| Smaller reporting company | ☐ | Emerging growth company | ☐ | | |

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of the registrant’s common units held by non-affiliates of the registrant on June 30, 2020, the last business day of the registrant’s most recently completed second fiscal quarter, based on the closing price on that date of $36.04, was $2,104 million. This figure excludes common units beneficially owned by the directors and executive officers of Phillips 66 Partners GP LLC, our General Partner, and Phillips 66 and its subsidiaries.

The registrant had 228,340,146 common units outstanding as of January 29, 2021.

**Documents incorporated by reference:**

None

**PHILLIPS 66 PARTNERS LP**

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Unless otherwise stated or the context otherwise indicates, all references to "Phillips 66 Partners LP," "the Partnership," "us," "our," "we," or similar expressions refer to Phillips 66 Partners LP, including its consolidated subsidiaries, and references to "Phillips 66" include its consolidated subsidiaries. This Annual Report on Form 10-K contains forward-looking statements including, without limitation, statements relating to our plans, strategies, objectives, expectations and intentions. The words "anticipate," "estimate," "believe," "budget," "continue," "could," "intend," "may," "plan," "potential," "predict," "seek," "should," "will," "would," "expect," "objective," "projection," "forecast," "goal," "guidance," "outlook," "effort," "target" and similar expressions often identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. The Partnership does not undertake to update, revise or correct any forward-looking information unless required to do so under the federal securities laws. Readers are cautioned that such forward-looking statements should be read in conjunction with the Partnership's disclosures under the headings "Risk Factors" and "CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS."

# PART I

## Items 1 and 2. BUSINESS AND PROPERTIES

### ORGANIZATIONAL STRUCTURE

Phillips 66 Partners LP, headquartered in Houston, Texas, is a Delaware limited partnership formed in 2013 by Phillips 66 Company and Phillips 66 Partners GP LLC (our General Partner), both wholly owned subsidiaries of Phillips 66. On July 26, 2013, we completed our initial public offering, and our common units trade on the New York Stock Exchange (NYSE) under the symbol PSXP. As of December 31, 2020, Phillips 66, through its wholly owned subsidiary Phillips 66 Project Development Inc. (Phillips 66 PDI), owned 169,760,137 common units, representing a 74% limited partner interest. The public owned 58,580,009 common units, representing a 26% limited partner interest. The public also owned 13,819,791 perpetual convertible preferred units.

We are a growth-oriented master limited partnership formed to own, operate, develop and acquire primarily fee-based midstream assets. We are managed and operated by the executive officers of our General Partner, with oversight provided by its Board of Directors. Neither we nor our subsidiaries have any employees. Our General Partner has the sole responsibility for providing the employees and other personnel necessary to conduct our operations.

We primarily generate revenue by providing fee-based transportation, terminaling, processing, storage and fractionation services to Phillips 66 and other customers. Our equity affiliates primarily generate revenue from transporting and terminaling crude oil, refined petroleum products and natural gas liquids (NGL). Since we do not own any of the crude oil, refined petroleum products and NGL we handle and do not engage in the trading of those commodities, we have limited direct exposure to risks associated with fluctuating commodity prices, although these risks indirectly influence our activities and results of operations over the long term.

Many of our assets are physically connected to, and integral to the operations of, Phillips 66's wholly owned Alliance, Bayway, Billings, Ferndale, Lake Charles, Ponca City and Sweeny refineries and its jointly owned Borger and Wood River refineries. We have entered into long-term, fee-based commercial agreements with Phillips 66 to provide transportation, terminaling, storage, stevedoring, fractionation, processing and rail terminal services. Under these agreements, Phillips 66 commits to provide us with minimum transportation, throughput or storage volumes, or minimum monthly service fees. If Phillips 66 does not meet its minimum volume commitments, Phillips 66 pays us deficiency payments based on the calculations described in the agreements. We believe these agreements promote stable and predictable cash flows, and they are the source of a substantial portion of our revenue. We also have several other agreements with Phillips 66, including an amended omnibus agreement and an operational services agreement. See Note 14—Related Party Transactions, in the Notes to Consolidated Financial Statements, for a summary of all related party agreements.

Our operations are all conducted in the United States and comprise one reportable segment. See Item 8. Financial Statements and Supplementary Data, for financial information on our operations and assets.

**2020 DEVELOPMENTS**

During the second quarter of 2020, the Gray Oak Pipeline commenced full operations from West Texas and Eagle Ford to Texas Gulf Coast destinations, marking the completion of the project. We have a 42.25% effective ownership in the 900,000 barrels per day (BPD) pipeline.

We own a 25% interest in the South Texas Gateway Terminal, which connects to the Gray Oak Pipeline in Corpus Christi, Texas. The first dock of the marine export terminal began crude oil export operations in July 2020. The second dock commenced crude oil export operations in the fourth quarter of 2020. The completion of the second deepwater dock enables the berthing and loading of two vessels simultaneously with up to 800,000 BPD of throughput capacity. Storage capacity of 7.7 million barrels has been commissioned, and the final construction phase is expected to be completed in the first quarter of 2021. Upon completion, the marine export terminal will have storage capacity of 8.6 million barrels.

In the second quarter of 2020, we completed the expansion of storage capacity at Clemens Caverns, from 9 million barrels to 16.5 million barrels, in connection with the Phillips 66 project to add NGL fractionation capacity at the Sweeny Hub. The caverns expansion is backed by long-term commitments.

We continued construction of the C2G Pipeline, a 16 inch ethane pipeline that will connect our Clemens Caverns storage facility to petrochemical facilities in Gregory, Texas, near Corpus Christi. The project is backed by long-term commitments and is expected to be completed in mid-2021.

In the third quarter of 2020, we completed the Sweeny to Pasadena Pipeline expansion project. The expansion adds 80,000 BPD of pipeline capacity, providing additional product offtake from the Sweeny refinery and adjacent NGL fractionators. In addition, product storage capacity at the Pasadena Terminal was increased by 300,000 barrels. The project is backed by long-term commitments.

The Liberty Pipeline joint venture was formed to transport crude oil from the Rockies and Bakken production areas to Cushing, Oklahoma. In February 2020, we acquired a 50% interest in the joint venture. In March 2020, we deferred the development and construction of the Liberty Pipeline system as a result of the challenging business environment.

We own a 25% interest in the Dakota Access Pipeline. See Note 4—Equity Investments, in the Notes to Consolidated Financial Statements, for information regarding recent developments.

## SUMMARY OF ASSETS AND OPERATIONS

### Pipeline Assets

The following table presents certain information regarding our pipeline assets as of December 31, 2020. Each system listed below has an associated commercial agreement with Phillips 66.

| System Name | State of Origination/Terminus | Commodity Handled | Interest | Length (Miles) | Gross Capacity (MBD) | Associated Phillips 66 Refinery |
|---|---|---|---|---|---|---|
| **Billings Crude System** | | | | | | |
| Glacier | Montana | Crude Oil | 79 % | 623 | 124 | Billings |
| **Billings Products System** | | | | | | |
| Seminoe | Montana/Wyoming | Refined Petroleum Products | 100 | 342 | 44 | Billings |
| **Borger Crude System** | | | | | | |
| Line O | Oklahoma/Texas | Crude Oil | 100 | 276 | 38 | Borger |
| New Mexico Crude | New Mexico/Texas | Crude Oil | 100 | 129 | 106 | Borger |
| West Texas Crude | Texas | Crude Oil | 100 | 699 | 140 | Borger |
| **Borger Products System** | | | | | | |
| ATA Line | Texas/New Mexico | Refined Petroleum Products | 50 | 293 | 34 | Borger |
| Borger to Amarillo | Texas | Refined Petroleum Products | 100 | 93 | 74 | Borger |
| SAAL | Texas | Refined Petroleum Products | 33 | 102 | 32 | Borger |
| SAAL | Texas | Refined Petroleum Products | 54 | 19 | 30 | Borger |
| **Clifton Ridge Crude System** | Louisiana | Crude Oil | 100 | 10 | 260 | Lake Charles |
| **Cross-Channel Connector Products System** | Texas | Refined Petroleum Products | 100 | 5 | 184 | Sweeny |
| **Eagle Ford Gathering System** | Texas | Crude Oil | 100 | 28 | 54 | Sweeny |
| **Gold Line Products System** | | | | | | |
| Gold Line Pipeline | Texas/Illinois | Refined Petroleum Products | 100 | 686 | 120 | Borger/Ponca City |
| Paola Products Pipeline | Kansas | Refined Petroleum Products | 100 | 106 | 120 | Borger/Ponca City |
| **Hartford Connector Products System** | | | | | | |
| Hartford, Illinois to Explorer Pipeline | Illinois | Refined Petroleum Products | 100 | 1 | 430 | Wood River |
| Wood River Refinery to Hartford, Illinois | Illinois | Refined Petroleum Products | 100 | 3 | 80 | Wood River |
| **Lake Charles Products Pipeline** | Louisiana | Refined Petroleum Products | 100 | 1 | 240 | Lake Charles |
| **Ponca Crude System** | | | | | | |
| CushPo | Oklahoma | Crude Oil | 100 | 62 | 130 | Ponca City |
| North Texas Crude | Texas | Crude Oil | 100 | 224 | 34 | Ponca City |
| Oklahoma Crude | Texas/Oklahoma | Crude Oil | 100 | 217 | 100 | Ponca City |
| **Ponca Products System** | | | | | | |
| Brown Line | Oklahoma/Kansas | Natural Gas Liquids | 100 | 76 | 26 | Ponca City |
| Cherokee East | Oklahoma/Missouri | Refined Petroleum Products | 100 | 287 | 59 | Ponca City |
| Cherokee North | Oklahoma/Kansas | Refined Petroleum Products | 100 | 29 | 55 | Ponca City |
| Cherokee South | Oklahoma | Refined Petroleum Products | 100 | 98 | 47 | Ponca City |
| Medford | Oklahoma | Natural Gas Liquids | 100 | 42 | 25 | Ponca City |
| **River Parish NGL System** | Louisiana | Natural Gas Liquids | 100 | 499 | 104 | Alliance |
| **Standish Pipeline** | Oklahoma/Kansas | Refined Petroleum Products | 100 | 92 | 77 | Ponca City |
| **Sweeny to Pasadena Products System** | Texas | Refined Petroleum Products | 100 | 120 | 335 | Sweeny |

The following table presents certain information regarding our equity investment pipeline assets as of December 31, 2020.

| System Name | State of Origination/Terminus | Commodity Handled | Interest | Length (Miles) | Gross Capacity (MBD) |
|---|---|---|---|---|---|
| Bakken Pipeline | North Dakota/Texas | Crude Oil | 25.00 % | 1,918 | 570 |
| Bayou Bridge Pipeline | Texas/Louisiana | Crude Oil | 40.00 | 213 | 480 |
| Explorer Pipeline | Texas/Indiana | Refined Petroleum Products | 21.94 | 1,830 | 660 |
| Gray Oak Pipeline* | Texas | Crude Oil | 42.25 | 845 | 900 |
| Sacagawea Pipeline | North Dakota | Crude Oil | 49.50 | 95 | 183 |
| Sacagawea Gas Pipeline** | North Dakota | Natural Gas | 49.50 | 24 | 0.18 |
| Sand Hills Pipeline | New Mexico/Texas | Natural Gas Liquids | 33.34 | 1,400 | 500 |
| Southern Hills Pipeline | Kansas/Texas | Natural Gas Liquids | 33.34 | 981 | 192 |
| STACK Pipeline | Oklahoma | Crude Oil | 50.00 | 149 | 250 |

**Interest reflects our proportionate share, excluding a noncontrolling interest held in a 65 percent-owned consolidated subsidiary. See the "Gray Oak Pipeline, LLC" section of Note 4—Equity Investments, in the Notes to Consolidated Financial Statements, for a discussion of the ownership structure.*
***Natural Gas pipeline in billion cubic feet per day.*

**Terminal, Rail Rack and Storage Assets**

The following table presents certain information regarding our wholly owned terminal, rail rack and storage assets as of December 31, 2020. Each asset listed below has an associated commercial agreement with Phillips 66.

| Facility Name | Location | Commodity Handled | Gross Storage Capacity (MBbl) | Gross Loading Capacity (MBD) | Associated Phillips 66 Refinery |
|---|---|---|---|---|---|
| **Bayway Products System** | | | | | |
| Linden | New Jersey | Refined Petroleum Products | 360 | 95 | Bayway |
| Tremley Point | New Jersey | Refined Petroleum Products | 1,701 | 25 | Bayway |
| **Bayway Rail Rack** | New Jersey | Crude Oil | N/A | 75 | Bayway |
| **Billings Crude System** | | | | | |
| Buffalo Crude | Montana | Crude Oil | 303 | N/A | Billings |
| Billings Crude | Montana | Crude Oil | 236 | N/A | Billings |
| Cut Bank | Montana | Crude Oil | 315 | N/A | Billings |
| **Billings Products System** | | | | | |
| Casper | Wyoming | Refined Petroleum Products | 365 | 7 | Billings |
| Sheridan | Wyoming | Refined Petroleum Products | 94 | 6 | Billings |
| **Borger Crude System** | | | | | |
| Buxton Crude | Oklahoma | Crude Oil | 400 | N/A | Borger |
| Odessa Crude | Texas | Crude Oil | 521 | N/A | Borger |
| **Borger Products System** | | | | | |
| Albuquerque Products | New Mexico | Refined Petroleum Products | 274 | 20 | Borger |
| Amarillo Products | Texas | Refined Petroleum Products | 296 | 23 | Borger |
| Lubbock Products | Texas | Refined Petroleum Products | 182 | 18 | Borger |
| **Clemens Caverns** | Texas | Natural Gas Liquids | 16,500 | N/A | N/A |
| **Clifton Ridge Crude System** | | | | | |
| Clifton Ridge | Louisiana | Crude Oil | 3,800 | N/A | Lake Charles |
| Pecan Grove Storage | Louisiana | Lubricant Base Stocks, Refined Petroleum Products | 177 | N/A | Lake Charles |
| **Ferndale Rail Rack** | Washington | Crude Oil | N/A | 30 | Ferndale |
| **Gold Line Products System** | | | | | |
| East St. Louis | Illinois | Refined Petroleum Products | 1,529 | 55 | Borger/ Ponca City |
| Jefferson City | Missouri | Refined Petroleum Products | 103 | 15 | Borger/ Ponca City |
| Kansas City | Kansas | Refined Petroleum Products | 1,410 | 50 | Borger/ Ponca City |
| Paola | Kansas | Refined Petroleum Products | 978 | N/A | Borger/ Ponca City |
| Wichita North | Kansas | Refined Petroleum Products | 769 | 20 | Borger/ Ponca City |
| **Hartford Connector Products System** | | | | | |
| Hartford | Illinois | Refined Petroleum Products | 1,468 | 21 | Wood River |
| **Medford Spheres** | Oklahoma | Natural Gas Liquids | 70 | N/A | Ponca City |
| **Ponca Crude System** | | | | | |
| Cushing | Oklahoma | Crude Oil | 275 | N/A | Ponca City |
| Ponca City | Oklahoma | Crude Oil | 1,229 | N/A | Ponca City |
| Wichita Falls | Texas | Crude Oil | 225 | N/A | Ponca City |
| **Ponca Products System** | | | | | |
| Glenpool | Oklahoma | Refined Petroleum Products | 571 | 18 | Ponca City |
| Mount Vernon Products | Missouri | Refined Petroleum Products | 365 | 40 | Ponca City |
| Mount Vernon NGL | Missouri | Natural Gas Liquids | 105 | 16 | Ponca City |
| Oklahoma City Products | Oklahoma | Refined Petroleum Products | 345 | 42 | Ponca City |
| Ponca City Products | Oklahoma | Refined Petroleum Products | 71 | 22 | Ponca City |
| Ponca City NGL | Oklahoma | Natural Gas Liquids | N/A | 6 | Ponca City |
| Wichita South | Kansas | Refined Petroleum Products | 272 | N/A | Ponca City |
| **River Parish NGL System** | Louisiana | Natural Gas Liquids | 1,500 | N/A | Alliance |
| **Sweeny to Pasadena Products System** | | | | | |
| Pasadena | Texas | Refined Petroleum Products, Natural Gas Liquids | 3,558 | 65 | Sweeny |

The following table presents certain information regarding our equity investment terminal, rail rack and storage assets as of December 31, 2020.

| System Name | Location | Commodity Handled | Interest | Gross Storage Capacity (MBbl) | Active Terminaling Capacity* (MBD) |
|---|---|---|---|---|---|
| Keene Terminal | North Dakota | Crude Oil | 50 % | 503 | N/A |
| Palermo Terminal | North Dakota | Crude Oil | 70 | 235 | 100 |
| South Texas Gateway Terminal | Texas | Crude Oil | 25 | 7,700 | N/A |

**Active terminaling capacity represents the amount of railcar loading capacity currently available for use by our customers.*

**Marine Assets**

The following table presents certain information regarding our wholly owned marine assets as of December 31, 2020. Each asset listed below has an associated commercial agreement with Phillips 66.

| System Name | Location | Commodity Handled | Gross Loading Capacity (MBbl/h)* | Associated Phillips 66 Refinery |
|---|---|---|---|---|
| **Clifton Ridge Crude System** | | | | |
| Clifton Ridge Ship Dock | Louisiana | Crude Oil, Refined Petroleum Products | 50 | Lake Charles |
| Pecan Grove Barge Dock | Louisiana | Lubricant Base Stocks, Refined Petroleum Products | 6 | Lake Charles |
| **Hartford Connector Products System** | | | | |
| Hartford Barge Dock | Illinois | Refined Petroleum Products | 3 | Wood River |
| **Bayway Products System** | | | | |
| Tremley Point | New Jersey | Refined Petroleum Products | 7 | Bayway |

**Marine capacity is in thousands of barrels per hour.*

The following table presents certain information regarding our equity investment marine asset as of December 31, 2020.

| System Name | Location | Commodity Handled | Interest | Gross Loading Capacity* (MBbl/h) |
|---|---|---|---|---|
| South Texas Gateway Terminal | Texas | Crude Oil | 25 % | 33 |

**Marine capacity is in thousands of barrels per hour.*

**Processing Assets**

The following table presents certain information regarding our other wholly owned assets as of December 31, 2020. Each asset listed below has an associated commercial agreement with Phillips 66.

| Asset Name | Location | Commodity Handled | Gross Processing Capacity (MBD) |
|---|---|---|---|
| **Lake Charles Isomerization Unit** | Louisiana | Refined Petroleum Products | 25 |
| **Merey Sweeny** | | | |
| Delayed coker unit | Texas | Crude Oil Residuals | 70 |
| Vacuum distillation unit | Texas | Crude Oil Residuals | 125 |
| **Sweeny Fractionator** | Texas | Natural Gas Liquids | 100 |

## COMPETITION

Many of our assets are subject to contractual relationships with Phillips 66 under our commercial agreements and are directly connected to Phillips 66's owned or operated refineries. As a result, we believe that we will not face significant competition from other pipelines, terminals, storage facilities, rail racks, fractionators and processing units for Phillips 66's transportation and terminaling requirements to and from the refineries we support. If Phillips 66's customers were to reduce their purchases of refined petroleum products, Phillips 66 might only ship the minimum volumes through our pipelines (or make the shortfall payment if it does not ship the minimum volumes), which would cause a decrease in our revenue. Phillips 66 competes with integrated petroleum companies, which have their own crude oil supplies and distribution and marketing systems, as well as with independent refiners, many of which also have their own distribution and marketing systems. Phillips 66 also competes with other suppliers that purchase refined petroleum products for resale. Many of the entities in which we hold equity investments compete with other interstate and intrastate pipelines, rail and truck fleet operations, including those affiliated with major integrated petroleum and petrochemical companies, in terms of transportation fees, reliability and quality of customer service. Competition in any particular geographic area is significantly affected by the volume of products produced by refineries in that area, the volume of crude oil and NGL gathered and transported, and the availability of products and the cost of transportation to that area from distant locations.

Additionally, our crude oil pipelines could face competition from other crude oil pipeline companies, major integrated oil companies, and independent crude oil gathering and marketing companies. Competition is based primarily on quality of customer service, competitive pricing and proximity to customers and market hubs.

## RATES AND SAFETY REGULATIONS

### Pipeline Rates

Our common carrier pipeline systems are subject to regulation by various federal, state and local agencies. The Federal Energy Regulatory Commission (FERC) regulates interstate transportation on our common carrier pipeline systems under the Interstate Commerce Act (ICA), the Energy Policy Act of 1992 (EPAct 1992) and the rules and regulations promulgated under those laws. FERC regulations require that rates for interstate service pipelines that transport crude oil and refined petroleum products (collectively referred to as "petroleum pipelines") and certain other liquids be just and reasonable and must not be unduly discriminatory or confer any undue preference upon any shipper. FERC regulations also require interstate common carrier petroleum pipelines to file with FERC and publicly post tariffs stating their interstate transportation rates and terms and conditions of service. Under the ICA, FERC or interested persons may challenge existing or changed rates or services. FERC is authorized to investigate such changes and may suspend the effectiveness of a new rate for up to seven months. A successful rate challenge could result in a common carrier paying refunds together with interest for the period the rate was in effect. FERC may also order a pipeline to change its rates and may require a common carrier to pay shippers reparations for damages sustained for a period up to two years prior to the filing of a complaint. EPAct 1992 deemed certain interstate petroleum pipeline rates then in effect to be just and reasonable under the ICA. These rates are commonly referred to as "grandfathered rates." Our rates in effect at the time of the passage of EPAct 1992 for interstate transportation service were deemed just and reasonable and therefore are grandfathered rates. New rates have been established subsequent to EPAct 1992 for certain of our pipeline systems. FERC may change grandfathered rates upon complaint only after it is shown that:

- A substantial change has occurred since enactment in either the economic circumstances or the nature of the services that were a basis for the rate.
- The complainant was contractually barred from challenging the rate prior to enactment of EPAct 1992 and filed the complaint within 30 days of the expiration of the contractual bar.
- A provision of the tariff is unduly discriminatory or preferential.

EPAct 1992 required FERC to establish a simplified methodology to adjust non-market-based tariff rates for inflation for interstate petroleum pipelines. As a result, FERC adopted an indexing rate methodology which, as currently in effect, allows common carriers to change their rates within prescribed ceiling levels that are tied to changes in the Producer Price Index (PPI) for finished goods. FERC's indexing methodology is subject to review every five years. The indexing methodology is applicable to existing rates, including grandfathered rates, with the exclusion of market-based rates. On December 17, 2020, FERC issued an Order Establishing Index Level concluding its five-year review of the indexing methodology. FERC established an index level permitting annual adjustment of an indexed ceiling by PPI for finished goods plus 0.78% for the five-year period commencing July 1, 2021, and ending June 30, 2026. A pipeline is not required to increase its rates up to the indexed ceiling but is permitted to do so. Rate increases made under the index are presumed to be just and reasonable unless a protesting party can demonstrate that the portion of the rate increase resulting from application of the index is substantially in excess of the pipeline's increase in costs. Under the indexing rate methodology, in any year in which the index is negative, pipelines must file to lower their rates if those rates would otherwise be above the rate ceiling.

While common carriers often use the indexing methodology to change their rates, they may elect to support proposed rates by using other methodologies such as cost-of-service rate making, market-based rates and settlement rates. A pipeline can follow a cost-of-service approach when seeking to increase its rates above the rate ceiling (or when seeking to avoid lowering rates to the reduced rate ceiling). A common carrier can charge market-based rates if it establishes that it lacks significant market power in the affected markets. In addition, a common carrier can establish rates under settlement if agreed upon by all current shippers. We primarily use indexed rates and settlement rates for our different pipeline systems.

Intrastate services provided by certain of our pipeline systems are subject to regulation by state regulatory authorities. These state regulatory authorities use a complaint-based system of regulation, both as to matters involving rates and priority of access. State regulatory authorities could limit our ability to increase our rates or to set rates based on our costs or order us to reduce our rates and require the payment of refunds to shippers. FERC and state regulatory authorities generally have not investigated rates, unless the rates are the subject of a protest or a complaint. Phillips 66 has agreed not to contest our tariff rates applicable for our transportation services agreements for the term of those agreements. However, FERC or a state regulatory authority could investigate our rates on its own initiative or at the urging of a third party, and this could lead to a refund of previously collected revenue.

**Pipeline Safety**

Our assets are subject to increasingly strict safety laws and regulations. The transportation and storage of crude oil, natural gas liquids and refined petroleum products involves a risk that hazardous liquids may be released into the environment, potentially causing harm to the public or the environment. In turn, any such incidents may result in substantial expenditures for response actions, significant government penalties, liability to government agencies for natural resources damages, and significant business interruption. The United States Department of Transportation (DOT) has adopted safety regulations with respect to the design, construction, operation, maintenance, inspection and management of pipeline assets. These regulations contain requirements for the development and implementation of pipeline integrity management programs, which include the inspection and testing of pipelines and necessary maintenance or repairs. These regulations also require that pipeline operation and maintenance personnel meet certain qualifications and that pipeline operators develop comprehensive spill response plans. We are subject to regulation by the DOT under the Hazardous Liquid Pipeline Safety Act of 1979 (HLPSA). The HLPSA delegated to DOT the authority to develop, prescribe, and enforce minimum federal safety standards for the transportation of hazardous liquids by pipeline. Congress also enacted the Pipeline Safety Act of 1992 (PSA), which added the environment to the list of statutory factors that must be considered in establishing safety standards for hazardous liquid pipelines, required regulations be issued to define the term "gathering line" and establish safety standards for certain "regulated gathering lines," and mandated that regulations be issued to establish criteria for operators to use in identifying and inspecting pipelines located in High Consequence Areas (HCAs), defined as those areas that are unusually sensitive to environmental damage, that cross a navigable waterway, or that have a high population density. In 1996, Congress enacted the Accountable Pipeline Safety and Partnership Act (APSPA), which limited the operator identification requirement mandate to pipelines that cross a waterway where a substantial likelihood of commercial navigation exists, required that certain areas where a pipeline rupture would likely cause permanent or long-term environmental damage be considered in determining whether an area is unusually sensitive to environmental damage, and mandated that regulations be issued for the qualification and testing of certain pipeline personnel.

In the Pipeline Inspection, Protection, Enforcement, and Safety Act of 2006, Congress required mandatory inspections for certain U.S. crude oil and natural gas transmission pipelines in HCAs and mandated that regulations be issued for low-stress hazardous liquid pipelines and pipeline control room management. We are also subject to the Pipeline Safety, Regulatory Certainty and Job Creation Act of 2011, which increased penalties for safety violations, established additional safety requirements for newly constructed pipelines, and required studies of certain safety issues that could result in the adoption of new regulatory requirements for existing pipelines.

DOT’s Pipeline and Hazardous Materials Safety Administration (PHMSA) administers compliance with these statutes and has promulgated comprehensive safety standards and regulations for the transportation of hazardous liquid by pipeline, including regulations for (i) the design and construction of new pipeline systems or those that have been relocated, replaced, or otherwise changed; (ii) pressure testing of new pipelines; (iii) operation and maintenance of pipeline systems, establishing programs for public awareness and damage prevention, and managing the operation of pipeline control rooms; (iv) protection of steel pipelines from the adverse effects of internal and external corrosion; and (v) integrity management requirements for pipelines in HCAs.

We monitor the structural integrity of our pipelines through a program of periodic internal assessments using high resolution internal inspection tools, as well as hydrostatic testing and direct assessment that conforms to regulatory standards. We accompany these assessments with a review of the data and repair anomalies, as required, to ensure the integrity of the pipeline. We then utilize sophisticated risk algorithms and a comprehensive data integration effort to ensure that the highest risk-assessed pipelines receive priority for subsequent integrity assessments. We use external coatings and impressed-current cathodic protection systems to protect against external corrosion. We conduct all cathodic protection work in accordance with National Association of Corrosion Engineers standards. We continually monitor, test and record the effectiveness of these corrosion inhibiting systems.

**Product Quality Standards**
Refined petroleum products that we transport are generally sold by our customers for use by the public. Various federal, state and local agencies have the authority to prescribe product quality specifications for products. Changes in product quality specifications or blending requirements could reduce our throughput volumes, require us to incur additional handling costs or require capital expenditures. For example, different product specifications for different markets affect the fungibility of the products in our system and could require the construction of additional storage. If we are unable to recover these costs through increased revenue, our cash flows and ability to pay cash distributions could be adversely affected. In addition, changes in the product quality of the products we receive on our product pipeline systems could reduce or eliminate our ability to blend products.

**Terminal and Processing Unit Safety**
Our operations are subject to regulations promulgated by the U.S. Occupational Safety and Health Administration (OSHA), DOT and comparable state and local regulations. We have identified which assets are subject to the jurisdiction of OSHA or DOT. Certain of our facilities are under the dual jurisdiction of OSHA and DOT, whereby certain portions of the facility are subject to OSHA regulation and other assets at the facility are subject to DOT regulation due to the type of asset and the configuration of the facility. Our facilities are operated in a manner consistent with industry safety practices and standards. The tanks designed for crude oil and refined petroleum product storage at our facilities are equipped with appropriate emission controls to promote safety. Our facilities have response plans, spill prevention and control plans, and other programs to respond to emergencies.

**Rail Safety**
Our rail operations involve crude oil loading, receiving and unloading activities. Generally, rail operations are subject to regulations promulgated by the U.S. Department of Transportation Federal Railroad Administration, PHMSA and comparable state and local regulations. We believe our rail operations are in material compliance with all applicable regulations and meet or exceed current industry standards and practices.

**Security**
We are also subject to Department of Homeland Security Chemical Facility Anti-Terrorism Standards, which are designed to regulate the security of high-risk chemical facilities, the Transportation Security Administration's Pipeline Security Guidelines, and other comparable state and local regulations. We have an internal program of inspection designed to monitor and provide for compliance with all of these requirements. We believe that we are in material compliance with all applicable laws and regulations regarding the security of our facilities. However, these laws and regulations are subject to changes, or to changes in their interpretation, by the regulatory authorities, and continued and future compliance with such laws and regulations may require us to incur significant expenditures. In addition, any incidents may result in substantial expenditures for response actions, government penalties and business interruption.

While we are not currently subject to governmental standards for the protection of computer-based systems and technology from cyber threats and attacks, proposals to establish such standards are being considered in the U.S. Congress and by U.S. Executive Branch departments and agencies, including the Department of Homeland Security, and we may become subject to such standards in the future. We are continuing to implement our own cyber security programs and protocols; however, we cannot guarantee their effectiveness.

## ENVIRONMENTAL REGULATIONS

**General**
Our operations are subject to extensive and frequently changing federal, state and local laws, regulations and ordinances relating to the protection of the environment. Among other things, these laws and regulations govern the emission or discharge of pollutants into or onto the land, air and water, the handling and disposal of solid and hazardous wastes and the remediation of contamination. As with the industry generally, our compliance with existing and anticipated environmental laws and regulations increases our overall cost of business, including our capital costs to construct, maintain, operate and upgrade equipment and facilities. While these laws and regulations affect our maintenance capital expenditures and net income, we believe they do not affect our competitive position, as the operations of our competitors are largely affected in a similar manner. We believe our facilities are in substantial compliance with applicable environmental laws and regulations. However, these laws and regulations are subject to changes, or to changes in their interpretation, by regulatory authorities, and continued and future compliance with such laws and regulations may require us to incur significant expenditures. Additionally, violation of environmental laws, regulations and permits can result in the imposition of significant administrative, civil and criminal penalties, injunctions limiting our operations, investigatory or remedial liabilities or construction bans or delays in the construction of additional facilities or equipment. Further, a release of hydrocarbons or hazardous substances into the environment could, to the extent the event is not insured, subject us to substantial expenses, including costs to comply with applicable laws and regulations and to resolve claims by third parties for personal injury or property damage, or by the U.S. federal government or state governments for natural resources damages. These impacts could directly and indirectly affect our business and have an adverse impact on our financial position, results of operations and liquidity. We cannot currently determine the amounts of such future impacts.

Expensed environmental costs were $3 million in 2020 and are expected to be less than $5 million in 2021 and 2022. The majority of the environmental expenses forecasted for 2021 and 2022 relate to environmental matters attributable to ownership of our assets prior to their acquisition from Phillips 66. Phillips 66 has agreed to retain responsibility for these liabilities. Accordingly, although these amounts would be expensed by us, there would be no required cash outflow from us. See the "Indemnification and Excluded Liabilities" section to follow for additional information on Phillips 66-retained liabilities. Capitalized environmental costs were $11 million in 2020 and are expected to be approximately the same in 2021 and 2022. These amounts do not include capital expenditures made for other purposes that have an indirect benefit on environmental compliance.

**Air Emissions and Climate Change**
We are subject to the Federal Clean Air Act (FCAA) and its regulations and comparable state and local statutes and regulations in connection with air emissions from our operations. Under these laws, permits may be required before construction can commence on a new source of potentially significant air emissions, and operating permits may be required for sources that are already constructed. These permits may require controls on our air emission sources, and we may become subject to more stringent regulations requiring the installation of additional emission control technologies.

Future expenditures may be required to comply with the FCAA and other federal, state and local requirements for our various sites, including our pipeline and storage facilities. The impact of future legislative and regulatory developments, if enacted or adopted, could result in increased compliance costs and additional operating restrictions on our business, all of which could have an adverse impact on our financial position, results of operations and liquidity.

Air emissions requirements also affect Phillips 66's domestic refineries from which we directly or indirectly receive the majority of our revenue. Phillips 66 has been required in the past, and will likely be required in the future, to incur significant capital expenditures to comply with new legislative and regulatory requirements relating to its operations. To the extent these capital expenditures have a material effect on Phillips 66, they could have a material effect on our business and results of operations.

In December 2007, Congress passed the Energy Independence and Security Act (EISA) that created a second Renewable Fuels Standard (RFS2). This standard requires the total volume of renewable transportation fuels (including ethanol and advanced biofuels) required to be blended into transportation fuels sold or introduced annually in the United States to rise to 36 billion gallons by 2022. The requirements could reduce future demand for petroleum products and thereby have an indirect effect on certain aspects of our business. For compliance year 2019, the U.S. Environmental Protection Agency (EPA) reduced the statutory volumes of advanced and total renewable fuels using authority granted to it under the EISA. For compliance year 2020, the EPA increased the volumes of advanced and total renewable fuels from the volumes established in 2019. The EPA's actions pertaining to these compliance years have been legally challenged. Uncertainty also exists surrounding compliance year 2021, as the EPA has not yet promulgated standards for that compliance year, although we expect the EPA to follow its past practice of using its authority to reduce the statutorily required volumes under EISA of advanced and total renewable fuels required to be blended into transportation fuels.

Currently, various legislative and regulatory measures to address greenhouse gas (GHG) emissions (including carbon dioxide, methane and other gases) are in various phases of discussion or implementation. These include existing requirements to report emissions of GHGs to the EPA, and proposed federal legislation and regulation as well as state actions to develop statewide or regional programs, each of which require or could require reductions in our GHG emissions or those of Phillips 66. In addition, the United Nations Framework Convention on Climate Change, commonly known as the Paris Agreement, entered into force on November 4, 2016. In 2017, President Trump announced his intention to withdraw the United States from the Paris Agreement and that withdrawal became effective on November 4, 2020. On January 20, 2021, President Biden signed the "Acceptance on Behalf of the United States of America," which allows the United States to rejoin the Paris Agreement. The United States rejoined the Paris Agreement in February 2021, which could lead to further GHG emission reduction requirements. Requiring reductions in GHG emissions could result in increased costs to (1) operate and maintain our facilities, (2) install new emission controls at our facilities and (3) administer and manage any GHG emissions programs, including acquiring emission credits or allotments. These requirements may also impact Phillips 66's domestic refinery operations and may have an indirect effect on our business, financial condition and results of operations.

In addition, the EPA has proposed and may adopt further regulations under the FCAA addressing GHGs, some of which may directly impact Phillips 66's domestic refinery operations, while others, such as the EPA's Clean Power Plan ($CO_2$ emission rules for existing fossil fuel-fired electric generating units), which remains the subject of litigation and administrative reconsideration, may indirectly affect such operations. Both types of impacts may affect our business. In October 2017, the EPA commenced rulemaking proceedings to rescind the Clean Power Plan, and in December 2017, the EPA published an Advanced Notice of Proposed Rulemaking, announcing an intent to commence a new rulemaking to replace the Clean Power Plan with an alternative framework for regulating carbon dioxide. In August 2018, the EPA proposed the Affordable Clean Energy (ACE) rule as a replacement for the Clean Power Plan. On January 19, 2021, the U.S. Court of Appeals for the District of Columbia invalidated the ACE rule and remanded the matter to the EPA, essentially restarting the rulemaking process.

Congress continues to consider legislation on GHG emissions, which may include a delay in the implementation of GHG regulations by the EPA or a limitation on the EPA's authority to regulate GHGs, although the ultimate adoption and form of any federal legislation cannot presently be predicted. The impact of future regulatory and legislative developments, if adopted or enacted, including any cap-and-trade program, is likely to result in increased compliance costs, increased utility costs, additional operating restrictions on our business and an increase in the cost of products generally. Although such costs may impact our business directly or indirectly by impacting Phillips 66's facilities or operations, the extent and magnitude of that impact cannot be reliably or accurately estimated due to the present uncertainty regarding the additional measures and how they will be implemented.

**Waste Management and Related Liabilities**
To some extent, the environmental laws and regulations affecting our operations relate to the release of hazardous substances or solid wastes into soils, groundwater, and surface water and include measures to control pollution of the environment. These laws generally regulate the generation, storage, treatment, transportation and disposal of solid and liquid hazardous waste. They also require corrective action, including investigation and remediation, at a facility where such waste may have been released or disposed.

The Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), which is also known as Superfund, and comparable state laws impose liability, without regard to fault or to the legality of the original conduct, on certain classes of persons that contributed to the release of a "hazardous substance" into the environment. These persons include the former and present owner or operator of the site where the release occurred and the transporters and generators of the hazardous substances found at the site. Under CERCLA, these persons may be subject to joint and several liabilities for the costs of cleaning up the hazardous substances released into the environment, for damages to natural resources, and for the costs of certain health studies. CERCLA also authorizes the EPA and, in some instances, third parties to act in response to threats to the public health or the environment and to seek to recover from the responsible classes of persons the costs they incur. It is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by hazardous substances or other pollutants released into the environment. In the course of our ordinary operations, we generate waste that falls within CERCLA's definition of a "hazardous substance," and, as a result, we may be jointly and severally liable under CERCLA for all or part of the costs required to clean up certain sites where we are alleged to have liability.

We also generate solid wastes, including hazardous wastes, that are subject to the requirements of the Resource Conservation and Recovery Act (RCRA) and comparable state statutes. From time to time, the EPA considers the adoption of stricter disposal standards for non-hazardous wastes. Hazardous wastes are subject to more rigorous and costly disposal requirements than are non-hazardous wastes. Any changes in the regulations could increase our maintenance capital expenditures and operating expenses. We continue to seek methods to minimize the generation of hazardous wastes in our operations.

We currently own and lease, and Phillips 66 has in the past owned and leased, properties where hydrocarbons are being handled or for many years have been handled. Although we utilized operating and disposal practices that were standard in the industry at the time, hydrocarbons or other waste may have been disposed of or released on or under the properties owned or leased by us or on or under other locations where these wastes have been transported for disposal. In addition, many of these properties were operated by third parties whose treatment and disposal or release of hydrocarbons or other wastes were not under our control. These properties and wastes disposed thereon may be subject to CERCLA, RCRA and analogous state laws. Under these laws, we could be required to remove or remediate previously disposed wastes (including wastes disposed of or released by prior owners or operators), to clean up contaminated property (including contaminated groundwater), or to perform remedial operations to prevent further contamination.

**Water**
Our operations can result in the discharge of pollutants, including crude oil and petroleum products. Regulations under the Water Pollution Control Act of 1972 (Clean Water Act), Oil Pollution Act of 1990 (OPA 90) and comparable state laws impose regulatory burdens on our operations. Spill Prevention Control and Countermeasure (SPCC) requirements of federal laws and some state laws require containment to prevent or mitigate contamination of navigable waters in the event of an oil overflow, rupture, or leak. For example, the Clean Water Act requires us to maintain SPCC plans at many of our facilities. We maintain numerous discharge permits as required under the National Pollutant Discharge Elimination System program of the Clean Water Act and have implemented systems to oversee our compliance efforts.

In addition, the transportation and storage of crude oil and petroleum products over and adjacent to water involves risk and subjects us to the provisions of OPA 90 and related state requirements. Among other requirements, OPA 90 requires the owner or operator of a vessel or a facility to maintain an emergency plan to respond to releases of oil or hazardous substances. Also, in case of any such release, OPA 90 requires the responsible entity to pay resulting removal costs and damages. OPA 90 also provides for civil penalties and imposes criminal sanctions for violations of its provisions. We operate facilities at which releases of oil and hazardous substances could occur. We have implemented emergency spill response plans for all of our components and facilities covered by OPA 90, and we have established SPCC plans for facilities subject to Clean Water Act SPCC requirements. Construction or maintenance of our pipelines, terminals and storage facilities may impact wetlands, which are also regulated under the Clean Water Act by the EPA and the United States Army Corps of Engineers. Regulatory requirements governing wetlands (including associated mitigation projects) may result in the delay of our projects while we obtain necessary permits and may increase the cost of new projects and maintenance activities.

**Workplace Safety**

We are subject to requirements promulgated by OSHA and comparable state statutes that regulate the protection of the health and safety of workers. In addition, the OSHA hazard communication standard requires that information be maintained about hazardous materials used or produced in our operations and that this information be provided to employees, state and local government authorities and citizens. We believe our operations are in substantial compliance with OSHA requirements, including general industry standards, record keeping requirements and monitoring of occupational exposure to regulated substances.

**Endangered Species Act**

The Endangered Species Act and its state law equivalents restrict activities that may affect endangered species or their habitats. While some of our facilities are in areas that may be designated as habitats for endangered species, we believe we are in substantial compliance with the Endangered Species Act. However, the discovery of previously unidentified endangered species could cause us to incur additional costs or become subject to operating restrictions or bans in the affected area.

**Hazardous Materials Transportation Requirements**

The DOT regulations affecting pipeline safety require pipeline operators to implement measures designed to reduce the environmental impact of crude oil and petroleum products discharge from onshore crude oil and petroleum product pipelines. These regulations require operators to maintain comprehensive spill response plans, including extensive spill response training for pipeline personnel. In addition, the DOT regulations contain detailed specifications for pipeline operation and maintenance. We believe our operations are in substantial compliance with these regulations. The DOT also has a pipeline integrity management rule, with which we are in substantial compliance.

**Indemnification and Excluded Liabilities**

Under our amended omnibus agreement and pursuant to the terms of various agreements under which we acquired assets from Phillips 66, Phillips 66 will indemnify us, or assume responsibility, for certain environmental liabilities, tax liabilities, litigation and any other liabilities attributable to the ownership or operation of the assets contributed to us and that arose prior to the effective date of each acquisition. These indemnifications and exclusions from liability have, in some cases, time limits and deductibles. When Phillips 66 performs under any of these indemnifications or exclusions from liability, we recognize non-cash expenses and associated non-cash capital contributions from our General Partner, as these are considered liabilities paid for by a principal unitholder.

## GENERAL

### Major Customer
Phillips 66 accounted for 98%, 97% and 96% of our total operating revenues in the years ended December 31, 2020, 2019 and 2018, respectively. Through our wholly owned and joint venture operations, we provide crude oil, refined petroleum products and NGL transportation, terminaling, storage, stevedoring, fractionation, processing and rail terminal services to Phillips 66.

### Seasonality
The volumes of crude oil, refined petroleum products and NGL transported in our wholly owned and joint venture pipelines, stored in our terminals, rail racks and storage facilities and processed through our fractionator and processing units are directly affected by the level of supply and demand for crude oil, refined petroleum products and NGL in the markets served directly or indirectly by our assets. The effects of seasonality on our cash flows should be substantially mitigated through the use of fee-based commercial agreements that include minimum volume commitments.

### Pipeline Control Operations
Our wholly owned pipeline systems are operated from a central control room owned and operated by Phillips 66. The control center operates with a supervisory control and data acquisition system equipped with computer systems designed to continuously monitor operational data. Monitored data includes pressures, temperatures, gravities, flow rates and alarm conditions. The control center operates remote pumps, motors and valves associated with the receipt and delivery of crude oil and refined petroleum products, and provides for the remote-controlled shutdown of pump stations on the pipeline systems. A fully functional back-up operations center is also maintained and routinely operated throughout the year to ensure safe and reliable operations.

### Employees and Human Capital
We are managed and operated by the executive officers of our General Partner with oversight provided by its Board of Directors. Neither we nor our subsidiaries have any employees and as such, there are no human capital objectives or measures material to an understanding of our business. Our General Partner has the sole responsibility for providing the employees and other personnel necessary to conduct our operations. As of December 31, 2020, Phillips 66 employed approximately 600 people who provided direct support for our operations.

### Website Access to SEC Reports
Our Internet website address is *http://www.phillips66partners.com*. Information contained on our Internet website is not part of this Annual Report on Form 10-K.

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as any amendments and exhibits to these reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available on our website, free of charge, as soon as reasonably practicable after such reports are filed with, or furnished to, the Securities and Exchange Commission (SEC). Alternatively, you may access these reports at the SEC’s website at *http://www.sec.gov*. We also post on our website our beneficial ownership reports filed by officers and directors of our General Partner, as well as principal security holders, under Section 16(a) of the Securities Exchange Act of 1934, governance guidelines, audit and conflicts committee charters, code of business ethics and conduct, and information on how to contact our General Partner’s Board of Directors.

## Item 1A. RISK FACTORS

You should carefully consider the risks described below with all of the other information included in this Annual Report on Form 10-K. Each of these risk factors could adversely affect our business, operating results and financial condition, as well as adversely affect the value of an investment in our common units. These risk factors do not identify all risks that we face; our operations could also be affected by factors, events or uncertainties that are not presently known to us or that we do not currently consider to present significant risks to our operations.

### COVID-19 Pandemic Risk

***The Coronavirus Disease 2019 (COVID-19) pandemic has resulted in a significant decrease in demand for petroleum products, which has decreased demand for our transportation and midstream services and negatively affected our business, financial condition, results of operations and cash flow.***

Responses of governmental authorities, companies and individuals to prevent the spread of COVID-19, including travel restrictions, business and school closures, and stay at home orders have significantly reduced global economic activity. The reduction in economic activity has resulted in substantial decreases in the demand for many refined petroleum products, which has led refiners to reduce crude oil processing rates and also to lower crude oil demand and prices. These events have negatively impacted the volumes of products we transport and terminal.

The extent to which COVID-19 will continue to negatively impact our business and operations, as well as the business and operations of our equity affiliates, and our customers, including Phillips 66, will depend on the severity, location and duration of the effects and spread of COVID-19, related impacts on overall economic activity, including the actions undertaken by national, regional and local governments and health officials to contain the virus or treat its effects, and how quickly and to what extent economic conditions improve and normal business and operating conditions resume.

### Risks Related to Our Business

***Any substantial reductions in the volume of NGL, crude oil and refined petroleum products we or our joint ventures transport, store or process would have a material adverse effect on our financial condition, results of operations, cash flows and ability to make distributions to our unitholders.***

Our and our joint ventures' financial results depend on continued demand for petroleum products, crude oil production, and operation of refineries that supply or are supplied by our and our joint ventures' operations. Disruption or decreases to this demand, production or operation can materially and negatively impact our results of operations and/or the results of operations of our joint ventures. Global economic conditions and other factors, including an increase in the use of alternative fuels and significant fluctuations in the market prices of petroleum products, can result in the reduced demand for NGL, crude oil and refined petroleum products and consequently for the services we and our joint ventures provide.

Additionally, crude oil production can decrease as a result of lower overall crude prices, exhaustion of reserves, weather or other natural causes, adverse legal or regulatory developments, or lower overall demand for crude oil and the products derived from crude oil. Any such decreased production also would negatively impact the demand for our services. Other factors that could negatively impact the volume of products we transport, store and process include outages at refineries or reduced or interrupted throughput on gathering systems or pipelines due to weather related or other natural causes, competitive forces, testing, line repair, damage, reduced operating pressures and other causes that reduce shipments.

***Phillips 66 accounts for a significant portion of our revenues and any loss of Phillips 66's business would have a material and adverse effect on our financial condition, results of operations, cash flows and ability to make distributions to our unitholders.***

We derive a substantial portion of our revenue from Phillips 66 and we believe that Phillips 66 will continue to account for a large portion of our revenues in the future. We have no control over the business decisions and operations of Phillips 66, and it could elect to pursue a business strategy that does not favor us and our business.

Additionally, any event that materially and adversely affects Phillips 66 could affect the level of volumes we transport, store or process for Phillips 66. Accordingly, we are indirectly subject to the operational and business risks of Phillips 66, particularly risks of reduced demand for Phillips 66's products and disruptions to the operations of its facilities.

We have entered into commercial agreements with Phillips 66, but it is not obligated to use our services in excess of the minimum volume commitments under those agreements. Additionally, certain of the agreements include provisions that permit Phillips 66 to suspend, reduce or terminate its obligations if certain events occur. Any such reduction, suspension or termination of Phillips 66's obligations could have a material adverse effect on our financial condition, results of operations, cash flows and ability to make distributions to our unitholders.

***Competition could negatively impact our earnings and reduce the amount of cash we or our joint ventures generate.***

We and our joint ventures compete with other pipelines and terminals that provide similar services in the same markets as our assets. We compete on the basis of many factors, including but not limited to rates, service levels and offerings, geographic location, connectivity and reliability. Our competitors could construct new assets or redeploy existing assets in a manner that would result in more intense competition. Additionally, we could be required to increase our costs or reduce the fees we charge in order to retain our customers.

We and our joint ventures have made and continue to make significant investments in new infrastructure projects to meet market demand. Similar investments have been made, and additional investments may be made in the future, by us, our competitors or by new entrants to the markets we serve. The success of these investments largely depends on the realization of anticipated market demand, and these projects typically require significant development periods, during which time demand for such infrastructure may change, or additional investments by competitors may be made.

Any of these or other competitive forces could materially adversely affect our results of operations, financial position or cash flows, as well as our ability to pay cash distributions.

***Our operations are subject to operational hazards, as are those of our customers, including Phillips 66. Any resulting business interruptions or shutdowns could significantly reduce the volume of products we transport, store or process and adversely affect our results of operations. Additionally, we may not be adequately insured for any such events.***

We are subject to all of the risks and operational hazards inherent in processing, fractionating, transporting, terminaling and storing crude oil, NGL and refined petroleum products, which could lead to business interruptions or shutdowns of our facilities or assets. We are also subject to the risk that our customers, including Phillips 66, experience casualty events, thereby suspending their operations and reducing their need for our services. Certain of the risks and operational hazards that could cause business interruptions or shutdowns of our assets or facilities, or those of our customers, include, but are not limited to:

- Damages to pipelines, terminals and facilities, related equipment and surrounding properties caused by earthquakes, tornados, hurricanes, floods, fires, severe weather, explosions and other natural disasters, acts of terrorism and inadvertent damage to pipelines from construction, farm and utility equipment.
- Maintenance, repairs, or mechanical or structural failures, including electrical shortages, power disruptions and power grid failures.
- Damages to and loss of availability of interconnecting third-party pipelines, terminals and other means of delivering crude oil, feedstocks, NGL and refined petroleum products.
- Disruption or failure of information technology systems and network infrastructure due to various causes, including unauthorized access or attack.
- Curtailments of operations due to severe weather.
- Riots, strikes, lockouts or other industrial disturbances.

These risks could also result in substantial losses due to personal injury and/or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage. Any such event could have a material adverse effect on our business, financial condition and results of operations.

Additionally, we do not maintain insurance coverage against all potential losses and could suffer losses for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. We carry separate policies for certain property damage, business interruption and third-party liabilities, which includes pollution liabilities, and are also insured under certain Phillips 66 liability policies and are subject to Phillips 66's policy limits under these policies. The occurrence of an event that is not fully covered by insurance or failure by one or more insurers to honor its coverage commitments for an insured event could have a material adverse effect on our business, financial condition and results of operations.

***We and our equity affiliates may be unable to obtain, maintain or renew permits necessary for our operations, which could interrupt current or future operations. Additionally, legal actions related to the Dakota Access Pipeline, or similar challenges with respect to other pipelines, could cause interruptions to those operations. Any of these events could have an adverse effect on our business and results of operations.***

Pipelines and other midstream assets operate under a number of federal and state permits, licenses and approvals with terms and conditions containing a significant number of prescriptive limits and performance standards in order to operate. All of these permits, licenses, approval limits and standards require a significant amount of monitoring, record keeping and reporting in order to demonstrate compliance with their terms and conditions. Noncompliance or incomplete documentation of our compliance status may result in the imposition of fines, penalties and injunctive relief.

Since 2016, there has been ongoing litigation challenging permits and easements issued by the U.S. Army Corps of Engineers to Dakota Access, LLC related to the Dakota Access Pipeline. The outcome of the litigation is uncertain, and there can be no assurances that the pipeline will not be shut down, either temporarily or permanently.

A decision by a government agency to deny or delay issuing a new or renewed material permit or approval, or a decision by such agency or a court to revoke or substantially modify an existing permit or approval, could have a material adverse effect on our ability to continue operations and on our financial condition, results of operations and cash flows.

***We do not control, and therefore may not be able to cause or prevent certain actions by, certain of our joint ventures.***

Certain of our operations are conducted through joint ventures, some of which have their own governing boards. With respect to our joint ventures, we share ownership and management responsibilities with partners that may not share our goals and objectives. Consequently, it may be difficult or impossible for us to cause the joint venture entity to take actions that we believe would be in the joint venture's best interests. Likewise, we may be unable to prevent actions of the joint venture. Differences in views among joint venture partners may result in delayed decisions or failures to agree on major matters, such as the timing and amount of distributions, large expenditures or contractual commitments, the construction or acquisition of assets or borrowing money, among others. Delay or failure to agree may prevent action with respect to such matters, even though such action may serve our best interest or that of the joint venture. Accordingly, delayed decisions and disagreements could adversely affect the business and operations of the joint ventures and, in turn, our business and operations.

Additionally, our joint venture participants may be unable to meet their economic or other obligations, and we may be required to fulfill those obligations alone. If we fail to make a required capital contribution, we could be deemed to be in default under the applicable joint venture agreement. Our joint venture partners may be permitted to pursue a variety of remedies, including funding any deficiency resulting from our failure to make any such capital contribution, which would result in a dilution of our ownership interest, or, in some cases, our joint venture partners may have the option to purchase all of our existing interest in the subject joint venture.

***We do not own all of the land on which our operations are located, and we may not be able to maintain or obtain real property rights, which could result in disruptions to our operations.***

We do not own all of the land on which our operations are located. We obtain the rights to construct and operate our pipelines on land owned by third parties and governmental agencies, and some of our agreements may grant us those rights for only a specific period of time. Therefore, we are subject to the possibility of more onerous terms and increased costs to retain necessary land use if our leases, rights-of-way or other property rights lapse, terminate or are reduced or it is determined that we do not have valid leases, rights-of-way or other property rights. Any loss of or reduction in these rights, including loss or reduction due to legal, governmental or other actions or difficulty renewing leases, right-of-way agreements or permits on satisfactory terms or at all, could have a material adverse effect on our business, results of operations, financial condition and ability to make cash distributions to our unitholders.

***Certain components of our revenue have exposure to direct commodity price risk.***

We have exposure to direct commodity price risk through the loss allowance provisions of our regulated tariffs and the commodity imbalance provisions of our commercial agreements. Any future losses due to our commodity price risk exposure could adversely affect our results of operations and financial condition and our ability in the future to make distributions to our unitholders. See Item 7A. Quantitative and Qualitative Disclosures About Market Risk, for more information.

***Many of our assets have been in service for many years and require significant expenditures to maintain them. As a result, our maintenance or repair costs may increase in the future.***

Our pipelines, terminals, fractionator, processing and storage assets are generally long-lived assets, and many of them have been in service for many years. The age and condition of our assets could result in increased maintenance or repair expenditures in the future. Any significant increase in these expenditures could adversely affect our results of operations, financial position or cash flows, as well as our ability to make cash distributions to our unitholders.

**Risks Related to Growth and the Execution of our Strategy**

***Any planned expansion projects or construction of new assets may not be successfully completed or result in expected revenue increases, and societal and political pressures to the future development, transportation and use of carbon-based fuels could adversely impact our ability to realize certain growth strategies.***

We intend to continue to evaluate and capitalize on opportunities for expansion projects to increase revenue on our pipeline, terminal, fractionation, processing and storage systems. These expansion projects, such as adding horsepower, pump stations or loading/unloading racks, or the construction of a new pipeline, terminal, fractionator, processing or storage asset, involve numerous regulatory, environmental, political and legal uncertainties, many of which are beyond our control. If we undertake these projects, they may not be completed on schedule, at the budgeted cost, or at all.

Moreover, we may not receive sufficient long-term contractual commitments from customers to provide the revenue needed to support such projects, and we may be unable to negotiate acceptable interconnection agreements with third-party pipelines to provide destinations for increased throughput. Even if we receive such commitments or make such interconnections, we may not realize an increase in revenue for an extended period of time. As a result, new facilities may not be able to attract enough throughput to achieve our expected investment return, which could materially and adversely affect our results of operations and financial condition and our ability in the future to make distributions to our unitholders.

Additionally, certain of our planned expenditures are based upon the assumption that societal sentiment will continue to enable, and existing regulations will remain intact to allow for, the future development, transportation and use of carbon-based fuels. Policy decisions relating to the production, refining, transportation and marketing of carbon-based fuels are subject to political pressures and the influence and protests of environmental and other special interest groups.

We could experience delays or cost increases, as well as cancellation of projects, which could negatively impact our results of operations, cash flows and our return on capital employed.

***If we are unable to make acquisitions on economically acceptable terms from Phillips 66 or third parties, our future growth beyond organic opportunities could be reduced.***

Our strategy to grow our business and increase distributions to our unitholders is in part dependent on our ability to make acquisitions that result in an increase in distributable cash flow per unit. The acquisition component of our growth strategy is based, in large part, on our expectation of ongoing divestitures of transportation and storage assets by industry participants, including Phillips 66. Our ability to make acquisitions, from Phillips 66 or third parties, depends on several factors beyond our control, including the availability of attractive acquisition candidates and our ability to negotiate acceptable terms of the acquisition and any necessary financing.

Additionally, unitholders will not have the opportunity to evaluate the economic, financial and other relevant information that we consider in any possible future acquisitions before they are consummated.

***Any acquisitions we pursue will involve the integration of new assets or businesses and present risks that could adversely affect our business, financial condition and results of operations.***

Significant acquisitions of assets or businesses involve potential risks. The expected benefits from an acquisition may not be realized if our estimates of the potential synergies, revenues, capital expenditures and operating costs associated with the acquisition are not correct. If we fail to identify operating problems or liabilities associated with the acquisition, we may have limited recourse against the seller, and indemnification may be unavailable or inadequate. Additionally, any acquisition, and the integration of the assets or business acquired, may divert management’s attention from current operations. If any of these factors or unanticipated liabilities were to occur, any desired benefits from an acquisition may not be fully realized, if at all, and our future financial performance, results of operations and cash available for distribution could be negatively impacted.

**Indebtedness Risk**

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

We have significant indebtedness and may incur substantial additional indebtedness in the future. Our debt service obligations reduce the funds available for our operations, business opportunities and distributions to unitholders because of the amount of our cash flow required to make interest payments on our debt. Additionally, our ability to service our debt depends on, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. If our operating results are not sufficient to service any future indebtedness, we will be forced to take actions such as reducing distributions, reducing or delaying our business activities, investments or capital expenditures, selling assets or issuing equity, which could materially and adversely affect our financial condition, results of operations, cash flows and ability to make distributions to unitholders, as well as the trading price of our common units. We may not be able to affect any of these actions on satisfactory terms or at all.

In addition, a failure to comply with the provisions of our revolving credit facility could result in an event of default that would enable our lenders to terminate their commitments and accelerate the maturity of any outstanding principal of that debt, together with accrued interest. If the payment of our debt is accelerated, defaults under our debt instruments may be triggered. If triggered, our assets may be insufficient to repay such debt in full, and the holders of our units could experience a partial or total loss of their investment. See Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Capital Resources and Liquidity, for additional information about our revolving credit facility.

**Environmental and Climate Risks**

***Climate change and severe weather may adversely affect our facilities and our ongoing operations.***

The potential physical effects of climate change and severe weather on our operations are highly uncertain and depend upon the unique geographic and environmental factors present. Examples of such effects include rising sea levels at our coastal facilities, changing storm patterns and intensities, and changing temperature levels. As many of our facilities are located near coastal areas or serve refineries in coastal areas, rising sea levels or extreme weather events may disrupt our ability to transport crude oil and refined petroleum products. Extended periods of such disruption could have an adverse effect on our results of operations. The potential physical effects of climate change and severe weather also could affect the facilities and operations of Phillips 66 with which our facilities and operations are connected.

***Evolving environmental laws and regulations on climate change could adversely affect our results of operations and financial condition.***

Potential additional laws and regulations regarding climate change could affect our operations. Currently, various U.S. legislative and regulatory agencies and bodies are considering various measures in regard to GHG emissions. These measures include EPA programs to control GHG emissions and state actions to develop statewide or regional programs, each of which could impose reductions in GHG emissions. These actions could result in increased (i) costs to operate and maintain our facilities, (ii) capital expenditures to install new emission controls on our facilities and (iii) costs to administer and manage any potential GHG emissions regulations or carbon trading or tax programs. These actions could also have an indirect adverse effect on our business if Phillips 66's refinery operations are adversely affected. See Items 1 and 2. Business and Properties—Environmental Regulations—Air Emissions and Climate Change, for additional information.

***Evolving environmental laws and regulations on hydraulic fracturing could have an indirect effect on our financial performance.***

Hydraulic fracturing is a common practice used to stimulate production of crude oil and/or natural gas from dense subsurface rock formations, and presently, is primarily regulated by state agencies. If new or more stringent federal, state or local legal restrictions relating to drilling activities or to the hydraulic fracturing process are adopted in areas where producers of product we ship operate, those producers could incur potentially significant added costs to comply with such requirements and experience delays or curtailment in the pursuit of production or development activities. The producers' added costs or delays could reduce demand for our transportation and midstream services, negatively impacting our results of operations.

***New and proposed regulations governing fuel efficiency and renewable fuels could have an indirect but material adverse effect on our business.***

Increases in fuel mileage standards and the increased use of renewable fuels could decrease demand for refined petroleum products, which could have an indirect, but material, adverse effect on our business, financial condition and results of operations. For example, in 2007, Congress enacted legislation that, among other things, sets a miles per gallon target for the combined fleet of cars and light trucks in the United States and contains a second renewable fuels standard. In 2012, the National Highway Traffic Safety Administration enacted regulations establishing an average industry fleet fuel economy standard. The second renewable fuels standard has required, and may in the future continue to require, additional capital expenditures or expenses by Phillips 66 to accommodate increased renewable fuels use. Phillips 66 may experience a decrease in demand for refined petroleum products due to an increase in combined fleet mileage or due to the replacement of refined petroleum products with renewable fuels or the increased electrification of the transportation sector. Any such decrease could in turn reduce the need for our transportation and midstream services.

**Risks Related to Terrorism and Cybersecurity**

***Terrorist attacks and threats, cyberattacks, or escalation of military activity in response to these attacks could have a material adverse effect on our business, financial condition or results of operations.***

Terrorist attacks and threats, cyberattacks, or escalation of military activity in response to these attacks may have significant effects on general economic conditions, fluctuations in consumer confidence and spending and market liquidity, each of which could materially and adversely affect our business. Strategic targets, such as energy-related assets and transportation assets, may be at greater risk of future terrorist or cyberattacks than other targets in the United States. Any future terrorist attack on our facilities, those of our customers and, in some cases, those of other pipelines, could have a material adverse effect on our business. Similarly, any future terrorist attacks that severely disrupt the markets we serve could materially and adversely affect our results of operations, financial position and cash flows.

***We rely on the performance of information technology systems, and the interruption or failure of any information technology system, including an interruption or failure due to a cybersecurity breach, could have an adverse effect on our business, financial condition, results of operations and cash flows.***

We are increasingly dependent on information technology systems, including Phillips 66's information technology infrastructure and cloud applications, for the safe and effective operation of our business. We rely on such systems to process, transmit and store electronic information, and to manage or support a variety of business processes, including our pipeline operations. The systems and networks we rely on, as well as those of our vendors and counterparties, may become the target of cyberattacks or information security breaches, which in turn could result in the unauthorized release and misuse of confidential or proprietary information as well as disruption of our operations or damage to our facilities. Additionally, as cyber incidents continue to evolve and escalate, we may be required to reimburse Phillips 66 for additional costs incurred associated with the modification or enhancement of systems or networks that directly serve our operations in order to prevent or remediate such attacks. We do not maintain specialized insurance for possible liability or loss resulting from a cyberattack on our assets that may shut down all or part of our business. It is possible that any of these occurrences, or a combination of them, could have a material adverse effect on our business, financial condition and results of operations.

**Industry Regulation Risks**

***Our assets and operations are subject to federal, state and local laws and regulations relating to environmental protection and safety, including spills, releases, and pipeline integrity, any of which could require us to make substantial expenditures.***

Our operations are subject to increasingly stringent federal, state and local laws and regulations related to protection of the environment. These laws and regulations have raised operating costs for the crude oil, NGL and refined petroleum products industry, and compliance with such laws and regulations may cause us to incur potentially material capital expenditures.

Transportation of crude oil, NGL and refined petroleum products involves inherent risks of spills and releases. We have contracted with various spill response service companies in the areas in which we transport or store crude oil and refined petroleum products; however, these companies may not be able to adequately contain a "worst case discharge" in all instances, and we cannot ensure that all of their services would be available at any given time. In these and other cases, we may be subject to liability in connection with the discharge of crude oil or petroleum products. We could incur potentially significant additional expenses should we determine that any of our assets are not in compliance with applicable laws and regulations.

Our failure to comply with environmental, safety or pipeline-related regulations could result in the assessment of administrative, civil, or criminal penalties, the imposition of investigatory and remedial liabilities, and the issuance of injunctions that may subject us to additional operational constraints. Any such penalties or liability could have a material adverse effect on our business, financial condition, or results of operations.

Even if we are insured or indemnified against such risks, we may be responsible for costs or penalties to the extent our insurers or indemnitors do not fulfill their obligations to us. See Items 1 and 2. Business and Properties—Environmental Regulations and Items 1 and 2. Business and Properties—Rates and Safety Regulations—Pipeline Safety, for additional information.

***We may incur greater than anticipated costs and liabilities in order to comply with safety regulations, including pipeline integrity management program testing and related repairs.***

The U.S. government has adopted regulations requiring, among other things, pipeline operators to develop integrity management programs for certain transmission pipelines. The regulations require operators, including us, to, among other matters, perform ongoing assessments of pipeline integrity; repair and remediate pipelines as necessary; and implement preventative and mitigating actions. Revisions to the integrity management requirements or the inclusion of additional pipelines subject to the regulation's requirements could have a material adverse effect on our operations and costs of transportation services.

Although some of our facilities fall within a class that is currently not subject to these requirements, we may incur significant costs and liabilities associated with repair, remediation, preventative or mitigation measures associated with our non-exempt pipelines. We have not estimated the costs for any repair, remediation, preventative or mitigating actions that may be determined to be necessary as a result of these safety regulations, which could be substantial, or any lost cash flows resulting from shutting down our pipelines during the pendency of such repairs. Additionally, should we fail to comply with these or comparable state regulations, we could be subject to penalties and fines.

***The tariff rates of our regulated assets are subject to review and possible adjustment by federal and state regulators, which could adversely affect our revenue and our ability to make distributions to our unitholders.***

Certain of our pipelines provide interstate service that is subject to regulation by FERC. FERC uses prescribed rate methodologies to develop regulated tariff rates for interstate oil and product pipelines. Our tariff rates approved by FERC may not recover all of our costs of providing services. In addition, these methodologies, changes to the methodologies, or challenges to our application of an approved methodology could adversely affect our rates.

Shippers may protest (and FERC may investigate) the lawfulness of new or changed tariff rates. FERC can suspend those tariff rates for up to seven months and can also require refunds of amounts collected pursuant to rates that are ultimately found to be unlawful, and prescribe new rates prospectively. FERC and interested parties can also challenge tariff rates that have become final and effective. Under our existing commercial agreements, Phillips 66 has agreed not to challenge, or to cause others to challenge, our tariff rates in effect during the term of the agreements, except to the extent changes to the base tariff rate are inconsistent with FERC's indexing methodology or other rate changing methodologies. This agreement does not prevent other shippers or interested persons from challenging our tariffs, including our tariff rates and proration rules. Due to the complexity of rate making, the lawfulness of any rate is never assured. A successful challenge of our rates could adversely affect our revenues and our ability to make distributions to our unitholders.

Our pipelines are common carriers and, as a consequence, we may be required to provide service to customers with credit and other performance characteristics with whom we would otherwise choose not to do business.

Certain of our pipelines provide intrastate service that is subject to regulation by various state agencies. These state agencies could limit our ability to increase our rates or to set rates based on our costs or could order us to reduce our rates and could require the payment of refunds to shippers. Such regulation or a successful challenge to our intrastate pipeline rates could adversely affect our financial position, cash flows or results of operations. See Items 1 and 2. Business and Properties—Rates and Safety Regulations, for additional information.

**Risks Inherent in an Investment in Us**

***Our partnership agreement requires that we distribute all of our available cash, which could limit our growth opportunities.***

Our partnership agreement requires that we distribute all of our available cash to our unitholders. Because we distribute all of our available cash, our growth may not be as fast as that of businesses that reinvest their available cash to expand ongoing operations. We expect to primarily rely upon external financing sources, including related-party financing from Phillips 66, borrowings under our revolving credit facility and future issuances of equity and debt securities, to fund expansion capital expenditures and acquisitions. If we are unable to finance our growth externally, our cash distribution policy may significantly impair our ability to grow.

To the extent we issue units in connection with any acquisitions or expansion capital expenditures, the payment of distributions on those additional units may increase the risk that we will be unable to maintain or increase our per unit distribution level. Additional commercial borrowings or other debt to finance our growth strategy would result in increased interest expense, which, in turn, may reduce the amount of cash that we have available to distribute to our unitholders.

***Our General Partner's discretion in establishing cash reserves may reduce the amount of cash we have available to distribute to our unitholders.***

Our partnership agreement permits our General Partner to reduce available cash by establishing cash reserves for the proper conduct of our business, to comply with applicable law or agreements, or to provide funds for future distributions. These cash reserves will affect the amount of cash we have available to distribute to our unitholders.

***Our General Partner and its affiliates, including Phillips 66, have conflicts of interest with us, and they may favor their own interests to our detriment and that of our unitholders.***

Conflicts of interest may arise between Phillips 66 and its affiliates, including our General Partner, on the one hand, and us and our unitholders, on the other hand. In resolving these conflicts, our General Partner may favor its own interests and the interests of its affiliates, including Phillips 66, over the interests of our common unitholders. Examples of these conflicts include, among others:

- Phillips 66, as our primary customer, has an incentive to cause us to not seek higher tariff rates, even if such higher rates or fees would reflect rates and fees that could be obtained in arm's length, third-party transactions.

- Our General Partner determines the amount and timing of investment transactions, borrowings, issuance of additional partnership securities and the creation, reduction or increase of cash reserves, each of which can affect the amount of cash that is distributed to our unitholders.

- Our General Partner determines the amount and timing of many of our cash expenditures and whether each such expenditure is classified as an expansion or a maintenance capital expenditure, which can affect the amount of available cash from operating surplus that is distributed to our unitholders and the amount of adjusted operating surplus generated in any given period.

- Our General Partner determines which costs incurred by it and its affiliates are reimbursable by us and the amount of the reimbursements. Additionally, our partnership agreement does not restrict our General Partner from entering into additional contractual arrangements with any of these entities on our behalf.

- Our General Partner may cause us to borrow funds in order to permit the payment of cash distributions.

- Our General Partner controls the enforcement of obligations owed to us by our General Partner and its affiliates, including our commercial agreements with Phillips 66.

***Affiliates of our General Partner may compete with us, and neither our General Partner nor its affiliates have any obligation to present business opportunities to us.***

Neither Phillips 66 nor any other affiliates of our General Partner, including DCP Midstream LLC and Chevron Phillips Chemical Company, is prohibited from owning assets or engaging in businesses that compete with us. Additionally, if our General Partner or any of its affiliates become aware of a potential transaction or other matter that may be an opportunity for us, they have no duty to communicate or offer such opportunity to us. Consequently, they may acquire, construct or dispose of additional midstream assets in the future without any obligation to offer us the opportunity first. As a result, competition from Phillips 66 and other affiliates of our General Partner could materially and adversely impact our results of operations and distributable cash flow.

***Our partnership agreement replaces our General Partner's fiduciary duties to holders of our common units with contractual standards and restricts holders' remedies for actions that might otherwise constitute a breach of fiduciary duty.***

As permitted by Delaware law, our partnership agreement eliminates the fiduciary standards to which our General Partner would otherwise be subject and replaces those duties with several different contractual standards. For example, our partnership agreement permits our General Partner to make a number of decisions in its individual capacity, as opposed to in its capacity as our General Partner, free of any duties to us and our unitholders other than the implied contractual covenant of good faith and fair dealing. This provision entitles our General Partner to consider only the interests and factors that it desires and relieves it of any duty or obligation to give any consideration to any interest of, or factors affecting, us, our affiliates or our limited partners. By purchasing a common unit, a unitholder is treated as having consented to the provisions in our partnership agreement, including these provisions.

When acting in its capacity as our General Partner, our General Partner is required to make determinations in good faith, meaning that it subjectively believes that the decision is in the best interests of the partnership. Unless a court determines that our General Partner or its officers and directors, as the case may be, acted in bad faith or engaged in fraud or willful misconduct or, in the case of a criminal matter, acted with knowledge that the conduct was criminal, they will not be liable for any damages to us or our limited partners.

Additionally, our General Partner will not be in breach of its obligations under our partnership agreement or its fiduciary duties if a transaction with an affiliate or the resolution of a conflict of interest is approved in accordance with our partnership agreement. Under our partnership agreement, our Conflicts Committee and the Board of Directors of our General Partner are entitled to a presumption that they acted in good faith. In any proceeding brought by or on behalf of any limited partner or the partnership, the person bringing such proceeding will have the burden of overcoming such presumption.

***Our partnership agreement designates the Delaware Court of Chancery as the exclusive forum for certain proceedings brought by our limited partners, which would limit their ability to choose the forum for disputes with us or our General Partner's directors, officers or other employees.***

Our partnership agreement provides that, with certain limited exceptions, any claims arising out of or relating to our partnership agreement brought in a derivative manner on our behalf asserting a claim of breach of a duty owed to us, arising pursuant to Delaware's limited partnership laws, or governed by the internal affairs doctrine, must be brought in the Delaware Court of Chancery. By purchasing our units, unitholders are deemed to have received notice of and consented to the exclusive forum provisions.

To the fullest extent permitted by law, this exclusive forum provision will apply to state and federal law claims, although limited partners will not be deemed to have waived our compliance with the U.S. federal securities laws and the rules and regulations thereunder.

The enforceability of similar forum provisions has been challenged, and it is possible that a court could find the provisions contained in our partnership agreement to be inapplicable or unenforceable, including with respect to claims arising under the U.S. federal securities laws.

The exclusive forum provision may limit the ability of a limited partner to commence litigation in a forum the partner prefers, and commencing litigation in Delaware may be more expensive for such partner, each of which may discourage lawsuits against us or our General Partner's directors or officers. Alternatively, if a court were to find the exclusive forum provision inapplicable or unenforceable, we may incur additional costs associated with resolving such matters in other jurisdictions, which could negatively affect our results of operations and financial condition.

***Unitholders have very limited voting rights and, even if they are dissatisfied, they cannot remove our General Partner without its consent.***

Unlike the holders of common stock in a corporation, unitholders have only limited voting rights and, therefore, limited ability to influence management's decisions. Additionally, the Board of Directors of our General Partner is chosen by the member of our General Partner, which is a wholly owned subsidiary of Phillips 66; unitholders have no right to elect our General Partner or the Board of Directors of our General Partner. Unitholders' voting rights are further restricted by the partnership agreement provision providing that any units held by a person that owns 20% or more of any class of units then outstanding, other than our General Partner, its affiliates, their transferees, and persons who acquired such units with the prior approval of the Board of Directors of our General Partner, cannot vote on any matter.

Our unitholders currently do not own sufficient units to remove our General Partner. The vote of the holders of at least 66 2/3% of all outstanding common units and Series A preferred units (on an as-converted basis) voting as a single class is required to remove our General Partner. As of December 31, 2020, our General Partner and its affiliates owned approximately 70% of all outstanding units.

***The control of our General Partner may be transferred to a third party and new general partners could be admitted to the partnership without unitholder consent.***

There is no restriction in our partnership agreement on the ability of Phillips 66 to transfer its membership interest in our General Partner to a third party. The new owner of our General Partner would then be in a position to replace the Board of Directors and officers of our General Partner with its own choices. Additionally, we could issue general partner interests to a person who is not an affiliate of Phillips 66, causing the management of our business to no longer reside solely with our General Partner. Affiliates of any newly admitted general partner may compete with us, and neither that general partner nor such affiliates would have any obligation to present business opportunities to us.

***We may issue additional units without unitholder approval, which would dilute unitholder interests, and Phillips 66 may sell the common units it owns, which could negatively impact the trading price of the common units.***

At any time, we may issue an unlimited number of general partner interests or limited partner interests of any type without the approval of our unitholders and our unitholders have no preemptive or other rights (solely as a result of their status as unitholders) to purchase any such general partner interests or limited partner interests. Further, there are no limitations in our partnership agreement on our ability to issue equity securities that rank equal or senior to our common units as to distributions or in liquidation or that have special voting and other rights. The issuance by us of additional common units or other equity securities of equal or senior rank will dilute current unitholders' ownership interest and may decrease per unit distributions, relative voting strength, the market price for our common units, and increase the ratio of taxable income to distributions.

At December 31, 2020, Phillips 66 indirectly owned 169,760,137 common units. Phillips 66 has certain registration rights under applicable securities laws and the sale by Phillips 66 of its common units in the public markets could have an adverse impact on the trading price of our common units.

***Our General Partner has a limited call right that may require unitholders to sell their common units at an undesirable time or price.***

If at any time our General Partner and its affiliates own more than 80% of our then-outstanding common units, our General Partner has the right, but not the obligation, to acquire all, but not less than all, of the common units held by unaffiliated persons at a price not less than their then-current market price. As a result, unitholders may be required to sell their common units at an undesirable time or price and may not receive any return on their investment. Unitholders may also incur a tax liability upon a sale of their units. Our General Partner and its affiliates owned approximately 74% of our total outstanding common units, and approximately 70% of our total outstanding common units and Series A preferred units (on an as-converted basis) in the aggregate, as of December 31, 2020.

***If a unitholder is not both a citizenship eligible holder and a rate eligible holder, its common units may be subject to redemption.***

In order to avoid (i) any material adverse effect on the maximum applicable rates that can be charged to customers by our subsidiaries on assets that are subject to rate regulation by FERC or any analogous regulatory body, and (ii) any substantial risk of cancellation or forfeiture of any property, including any governmental permit, endorsement or other authorization, in which we have an interest, we have adopted certain requirements regarding those investors who may own our common units. Citizenship eligible holders are individuals or entities whose nationality, citizenship or other related status does not create a substantial risk of cancellation or forfeiture of any property, including any governmental permit, endorsement or authorization, in which we have an interest, and will generally include individuals and entities who are U.S. citizens. Rate eligible holders are individuals or entities subject to U.S. federal income taxation on the income generated by us or entities not subject to U.S. federal income taxation on the income generated by us, as all of the entity's owners are subject to such taxation. A unitholder that does not meet the requirements to be a citizenship eligible holder and a rate eligible holder runs the risk of having its units redeemed by us at the market price as of the date three days before the date the notice of redemption is mailed. In addition, a unitholder who does not meet the requirements to be a citizenship eligible holder will not be entitled to voting rights.

***Increases in interest rates could adversely impact the price of our common units, our ability to issue equity, or our ability to make distributions at our intended levels.***

Similar to other yield-oriented securities, our common unit price is impacted by our level of distributions and the implied distribution yield of our common units. The distribution yield is often utilized by investors to compare and rank yield-oriented securities for investment decision-making purposes. Therefore, changes in interest rates, either positive or negative, may affect the yield requirements of investors who invest in our units, and a rising interest rate environment could have an adverse impact on the price of our common units, our ability to issue equity, or our ability to make distributions at our intended levels.

***The NYSE does not require a publicly traded limited partnership like us to comply with certain of its corporate governance requirements.***

We currently list our common units on the NYSE under the symbol PSXP. Because we are a publicly traded limited partnership, the NYSE does not require us to have a majority of independent directors on our General Partner's Board of Directors or to establish a compensation committee or a nominating and corporate governance committee. Additionally, any future issuance of additional common units or other securities, including to affiliates, will not be subject to the NYSE's shareholder approval rules that apply to a corporation. Accordingly, unitholders do not have the same protections afforded to certain corporations that are subject to all of the NYSE corporate governance requirements. See Item 10. Directors, Executive Officers and Corporate Governance, for additional information.

**Tax Risks**

***Our tax treatment depends on our status as a partnership for federal income tax purposes. If the Internal Revenue Service (IRS) were to treat us as a corporation for federal income tax purposes, which would subject us to entity-level taxation, or if we were otherwise subjected to a material amount of additional entity-level taxation, then our distributable cash flow to our unitholders would be substantially reduced.***

The anticipated after-tax economic benefit of an investment in the common units depends largely on our being treated as a partnership for federal income tax purposes. We have not requested a ruling from the IRS on this or any other tax matter affecting us.

Although we are a limited partnership under Delaware law, it is possible in certain circumstances for a partnership such as ours to be treated as a corporation for federal income tax purposes. A change in our business or a change in current law could cause us to be treated as a corporation for federal income tax purposes or otherwise subject us to taxation as an entity.

If we were treated as a corporation for federal income tax purposes, we would pay federal income tax on our taxable income at the corporate tax rate, which is currently a maximum of 21%, and would likely pay state and local income tax at varying rates. Distributions would generally be taxable to the unitholder as corporate dividends (to the extent of our current and accumulated earnings and profits), and no income, gains, losses, deductions, or credits would flow through to unitholders. If a tax is imposed upon us as a corporation, our distributable cash flow would be substantially reduced. In addition, changes in current state law may subject us to additional entity-level taxation by individual states. Several states are evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise and other forms of taxation. Imposition of any such taxes may substantially reduce the cash available for distribution to unitholders. Therefore, if we were treated as a corporation for federal income tax purposes or otherwise subjected to a material amount of entity-level taxation, there would be a material reduction in the anticipated cash flow and after-tax return to our unitholders, likely causing a substantial reduction in the value of our common units.

Our partnership agreement provides that, if a law is enacted or existing law is modified or interpreted in a manner that subjects us to taxation as a corporation or otherwise subjects us to entity-level taxation for federal, state or local income tax purposes, the minimum quarterly distribution amount and the target distribution levels may be adjusted to reflect the impact of that law on us.

The present federal income tax treatment of publicly traded partnerships, including us, may be modified by administrative, legislative or judicial interpretation at any time. For example, from time to time, members of Congress propose and consider substantive changes to the existing federal income tax laws that affect publicly traded partnerships. Any modification to the federal income tax laws and interpretations thereof may or may not be retroactively applied and could make it more difficult or impossible to meet the exception for us to be treated as a partnership for federal income tax purposes. We are unable to predict whether any such changes will ultimately be enacted. However, it is possible that a change in law could affect us, and any such changes could negatively impact the value of an investment in our common units.

***If the IRS contests the federal income tax positions we take, the market for our common units may be adversely impacted and the cost of any IRS contest will reduce our distributable cash flow to our unitholders.***

We have not requested a ruling from the IRS with respect to our treatment as a partnership for federal income tax purposes or any other matter affecting us. The IRS may adopt positions that differ from the positions we take, and the IRS’s positions may ultimately be sustained. It may be necessary to resort to administrative or court proceedings to sustain some or all of the positions we take and such positions may not ultimately be sustained. A court may not agree with some or all of the positions we take. Any contest with the IRS, and the outcome of any IRS contest, may have a material adverse impact on the market for our common units and the price at which they trade. In addition, our costs of any contest with the IRS will be borne indirectly by our unitholders and our General Partner because the costs will reduce our distributable cash flow.

***If the IRS makes audit adjustments to our income tax returns for tax years beginning after 2017, it may collect any resulting taxes (including any applicable penalties and interest) directly from us, in which case our cash available for distribution to our unitholders might be substantially reduced.***

Pursuant to the Bipartisan Budget Act of 2015, if the IRS makes audit adjustments to our income tax returns for tax years beginning after 2017, it may collect any resulting taxes (including any applicable penalties and interest) directly from us. We will generally have the ability to shift any such tax liability to our General Partner and our unitholders in accordance with their interests in us during the year under audit, but there can be no assurance that we will be able to do so under all circumstances. If we are required to make payments of taxes, penalties and interest resulting from audit adjustments, our cash available for distribution to our unitholders might be substantially reduced.

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

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

***We prorate our items of income, gain, loss and deduction for federal income tax purposes between transferors and transferees of our units each month based upon the ownership of our units on the first business day of each month, instead of on the basis of the date a particular unit is transferred. The IRS may challenge aspects of our proration method, and, if successful, we would be required to change the allocation of items of income, gain, loss and deduction among our unitholders.***

We prorate our items of income, gain, loss and deduction for federal income tax purposes between transferors and transferees of our units each month based upon the ownership of our units on the first business day of each month, instead of on the basis of the date a particular unit is transferred. Treasury Regulations permit publicly traded partnerships to use a monthly simplifying convention that is similar to ours, but they do not specifically authorize all aspects of the proration method we have adopted. If the IRS were to successfully challenge this method, we could be required to change the allocation of items of income, gain, loss and deduction among our unitholders.

***We have adopted certain valuation methodologies in determining a unitholder's allocations of income, gain, loss and deduction. The IRS may challenge these methodologies or the resulting allocations, and such a challenge could adversely affect the value of our common units.***

In determining the items of income, gain, loss and deduction allocable to our unitholders, in certain circumstances, including when we issue additional units, we must determine the fair market value of our assets. Although we may, from time to time, consult with professional appraisers regarding valuation matters, we make many fair market value estimates using a methodology based on the market value of our common units as a means to measure the fair market value of our assets. The IRS may challenge these valuation methods and the resulting allocations of income, gain, loss and deduction.

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

***We may be required to deduct and withhold amounts from distributions to foreign unitholders related to withholding tax obligations arising from the sale or disposition of our units by foreign unitholders.***

Upon the sale, exchange or other disposition of a unit by a foreign unitholder, the transferee is generally required to withhold 10% of the amount realized on such sale, exchange or other disposition if any portion of the gain on such sale, exchange or other disposition would be treated as effectively connected with a U.S. trade or business. The U.S. Department of the Treasury and the IRS recently issued final regulations providing guidance on the application of these rules for transfers of certain publicly traded partnership interests, including transfers of our units. Under these regulations, the "amount realized" on a transfer of our units will generally be the amount of gross proceeds paid to the broker effecting the applicable transfer on behalf of the transferor, and such broker will generally be responsible for the relevant withholding obligations. Distributions to foreign persons may also be subject to additional withholding under these rules to the extent a portion of a distribution is attributable to an amount in excess of our cumulative net income that has not previously been distributed. The U.S. Department of the Treasury and the IRS have provided that these rules will generally not apply to transfers of, or distributions on, our common units occurring before January 1, 2022.

**Item 1B. UNRESOLVED STAFF COMMENTS**

None.

**Item 3. LEGAL PROCEEDINGS**

Although we may, from time to time, be involved in litigation and claims arising out of our operations in the normal course of business, we are not a party to any reportable litigation or governmental or other proceeding, including those involving governmental authorities under federal, state and local laws regulating the discharge of materials into the environment, that we reasonably believe will be in excess of $300,000 or have a material adverse impact on our consolidated financial position. In addition, as discussed in Note 11—Contingencies, in the Notes to Consolidated Financial Statements, under our amended omnibus agreement, and pursuant to the terms of various agreements under which we acquired assets from Phillips 66, Phillips 66 indemnifies us or assumes responsibility for certain liabilities relating to litigation and environmental matters attributable to the ownership or operation of our assets prior to their contribution to us from Phillips 66.

**Item 4. MINE SAFETY DISCLOSURES**

Not applicable.

# PART II

## Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common units trade on the New York Stock Exchange (NYSE) under the symbol PSXP. At January 29, 2021, there were 14 unitholders of record of our common units. In determining the number of unitholders, we consider clearing agencies and security position listings as one unitholder for each agency or listing.

## Item 6. [REMOVED AND RESERVED]

## Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*Management's Discussion and Analysis is the Partnership's analysis of its financial performance and financial condition, and of significant trends that may affect future performance. It should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K.*

## EXECUTIVE OVERVIEW AND BUSINESS ENVIRONMENT

### Partnership Overview

We are a Delaware limited partnership formed in 2013 by Phillips 66 Company and Phillips 66 Partners GP LLC (our General Partner), both wholly owned subsidiaries of Phillips 66. On August 1, 2019, all of the outstanding incentive distribution rights (IDRs) held by our General Partner were eliminated and its general partner interest in us was converted to a noneconomic interest in exchange for common units issued to Phillips 66 Project Development Inc. (Phillips 66 PDI). We are a growth-oriented master limited partnership formed to own, operate, develop and acquire primarily fee-based midstream assets. Our common units trade on the New York Stock Exchange under the symbol PSXP.

### Executive Overview

Net income attributable to the Partnership was $791 million in 2020. We generated cash from operations of $955 million, received $177 million of return of investment distributions from equity affiliates, and raised net proceeds of $390 million through debt financings. This cash was primarily used to fund our capital expenditures and investments and make quarterly cash distributions to our common and preferred unitholders. As of December 31, 2020, we had cash and cash equivalents of $7 million and $334 million of unused capacity under our $750 million revolving credit facility.

### How We Evaluate Our Operations

Our management uses a variety of financial and operating metrics to analyze our performance, including: (1) volumes handled; (2) operating and maintenance expenses; (3) net income (loss) before net interest expense, income taxes, depreciation and amortization (EBITDA); (4) adjusted EBITDA; and (5) distributable cash flow.

<u>Volumes Handled</u>

The amount of revenue we generate primarily depends on the volumes of crude oil, refined petroleum products and natural gas liquids (NGL) that we handle in our pipeline, terminal, rail rack, processing, storage and fractionator systems. In addition, our equity affiliates generate revenue from transporting and terminaling crude oil, refined petroleum products and NGL. These volumes are primarily affected by the supply of, and demand for, crude oil, refined petroleum products and NGL in the markets served directly or indirectly by our assets, as well as the operational status of the refineries served by our assets. Phillips 66 has committed to minimum throughput volumes under many of our commercial agreements.

<u>Operating and Maintenance Expenses</u>

Our management seeks to maximize the profitability of our operations by effectively managing operating and maintenance expenses. These expenses primarily consist of labor expenses (including contractor services), utility costs, and repair and maintenance expenses. Operating and maintenance expenses generally remain relatively stable across broad ranges of throughput volumes but can fluctuate from period to period depending on the mix of activities, particularly maintenance activities, performed during the period. Our processing assets are periodically subject to major maintenance, or turnaround activities, which can significantly increase operating and maintenance expenses in a given year. Although we seek to manage our maintenance expenditures on our facilities to avoid significant variability in our quarterly cash flows, we balance this approach with our high standards of safety and environmental stewardship, such that critical maintenance is regularly performed.

Our operating and maintenance expenses are also affected by volumetric gains/losses resulting from variances in meter readings and other measurement methods, as well as volume fluctuations due to pressure and temperature changes. Under certain commercial agreements with Phillips 66, the value of any crude oil, refined petroleum product and NGL volumetric gains and losses are determined by reference to the monthly average reference price for the applicable commodity. Any gains/losses under these provisions decrease or increase, respectively, our operating and maintenance expenses in the period in which they are realized. These contractual volumetric gain/loss provisions could increase variability in our operating and maintenance expenses.

*EBITDA, Adjusted EBITDA and Distributable Cash Flow*
We define EBITDA as net income plus net interest expense, income taxes, depreciation and amortization.

Adjusted EBITDA is EBITDA attributable to the Partnership after deducting the adjusted EBITDA attributable to noncontrolling interest, further adjusted for:

- The proportional share of equity affiliates’ net interest expense, income taxes, depreciation and amortization, and impairments.
- Transaction costs associated with acquisitions.
- Certain other noncash items, including gains and losses on asset sales and asset impairments.

Distributable cash flow is defined as adjusted EBITDA less (i) equity affiliate distributions less than proportional adjusted EBITDA, (ii) maintenance capital expenditures, (iii) net interest expense, (iv) income taxes paid and (v) preferred unit distributions, plus adjustments for deferred revenue impacts.

EBITDA, adjusted EBITDA, and distributable cash flow are not presentations made in accordance with generally accepted accounting principles in the United States (GAAP). EBITDA, adjusted EBITDA and distributable cash flow are non-GAAP supplemental financial measures that management believes external users of our consolidated financial statements, such as industry analysts, investors, lenders and rating agencies, may find useful to assess:

- Our operating performance as compared to other publicly traded partnerships in the midstream energy industry, without regard to historical cost basis or, in the case of EBITDA and adjusted EBITDA, financing methods.
- The ability of our business to generate sufficient cash to support our decision to make distributions to our unitholders.
- Our ability to incur and service debt and fund capital expenditures.
- The viability of acquisitions and other capital expenditure projects and the returns on investment of various investment opportunities.

The GAAP performance measure most directly comparable to EBITDA and adjusted EBITDA is net income. The GAAP liquidity measure most directly comparable to EBITDA and distributable cash flow is net cash provided by operating activities. These non-GAAP financial measures should not be considered alternatives to GAAP net income or net cash provided by operating activities. They have important limitations as analytical tools because they exclude some items that affect net income and net cash provided by operating activities. Additionally, because EBITDA, adjusted EBITDA, and distributable cash flow may be defined differently by other companies in our industry, our definition of these non-GAAP financial measures may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

**Business Environment**
We do not own any of the crude oil, refined petroleum products and NGL we handle and do not engage in the trading of those commodities, and therefore have limited direct exposure to risks associated with fluctuating commodity prices, although these risks indirectly influence our activities and results of operations over the long term.

Our throughput volumes primarily depend on the volume of crude oil processed and refined petroleum products produced at Phillips 66's owned or operated refineries with which our assets are integrated. These volumes are primarily dependent on Phillips 66's refining margins and maintenance schedules. Refining margins depend on the price of crude oil or other feedstocks and the price of refined petroleum products. These prices are affected by numerous factors beyond our or Phillips 66's control, including the domestic and global supply of and demand for crude oil and refined petroleum products. Throughput volumes of our equity affiliates primarily depend on upstream drilling activities, refinery performance and product supply and demand.

The COVID-19 pandemic continues to disrupt economic activities globally. Actions taken by governments to prevent the spread of the disease have included travel and business restrictions, which have resulted in substantial decreases in the demand for crude oil and many refined petroleum products, particularly gasoline and jet fuel. The lack of demand for petroleum products has resulted in low crude oil prices and refining margins. As a result, crude oil producers have shut in high cost production and refiners have reduced crude oil processing rates. These actions have reduced throughput volumes on both our and our joint ventures' assets.

The near-term outlook for petroleum product demand remains highly uncertain, and margins and volumes remain challenged. Our customers, including Phillips 66, may continue to experience adverse economic effects in the near term as the depth and duration of the economic consequences of the COVID-19 pandemic remain unknown. We continuously monitor our asset and investment portfolio for impairments in this challenging business environment. We recorded impairments totaling $96 million in 2020, and additional impairments may be required in the future.

While we believe we and the majority of our joint ventures have substantially mitigated our indirect exposure to commodity price fluctuations through the minimum volume commitments included in our commercial agreements, our ability to execute our growth strategy will depend, in part, on the availability of attractively priced crude oil in the areas served by our crude oil pipelines and rail racks, demand for refined petroleum products in the markets served by our refined petroleum product pipelines and terminals, and the general demand for midstream services, including NGL transportation and fractionation.

**RESULTS OF OPERATIONS**

| | | Millions of Dollars | |
|---|---|---|---|
| Years Ended December 31 | **2020** | 2019 | 2018 |
| **Revenues and Other Income** | | | |
| Operating revenues—related parties | **$ 1,008** | 1,097 | 1,012 |
| Operating revenues—third parties | **30** | 29 | 33 |
| Equity in earnings of affiliates | **493** | 535 | 439 |
| Gain from equity interest transfer | **84** | — | — |
| Other income | **3** | 6 | 2 |
| Total revenues and other income | **1,618** | 1,667 | 1,486 |
| | | | |
| **Costs and Expenses** | | | |
| Operating and maintenance expenses | **342** | 405 | 354 |
| Depreciation | **135** | 120 | 117 |
| Impairments | **96** | — | — |
| General and administrative expenses | **66** | 67 | 64 |
| Taxes other than income taxes | **40** | 39 | 35 |
| Interest and debt expense | **121** | 108 | 115 |
| Other expenses | **7** | 2 | 1 |
| Total costs and expenses | **807** | 741 | 686 |
| Income before income taxes | **811** | 926 | 800 |
| Income tax expense | **3** | 3 | 4 |
| **Net Income** | **808** | 923 | 796 |
| Less: Net income attributable to noncontrolling interest | **17** | — | — |
| **Net Income Attributable to the Partnership** | **791** | 923 | 796 |
| Less: Preferred unitholders' interest in net income attributable to the Partnership | **41** | 37 | 37 |
| Less: General partner's interest in net income attributable to the Partnership | **—** | 140 | 240 |
| **Limited Partners' Interest in Net Income Attributable to the Partnership** | **$ 750** | 746 | 519 |
| | | | |
| **Net Cash Provided by Operating Activities** | **$ 955** | 1,016 | 892 |
| | | | |
| **Adjusted EBITDA** | **$ 1,221** | 1,268 | 1,137 |
| | | | |
| **Distributable Cash Flow** | **$ 970** | 989 | 854 |

| | Year Ended December 31 | | |
|---|---|---|---|
| | **2020** | 2019 | 2018 |
| **Wholly Owned Operating Data** | | | |
| **Pipelines** | | | |
| Pipeline revenues *(millions of dollars)* | $ **436** | 473 | 454 |
| Pipeline volumes[1] *(thousands of barrels daily)* | | | |
| Crude oil | **864** | 991 | 1,016 |
| Refined petroleum products and NGL | **869** | 947 | 929 |
| Total | **1,733** | 1,938 | 1,945 |
| Average pipeline revenue per barrel *(dollars)* | $ **0.68** | 0.67 | 0.64 |
| **Terminals** | | | |
| Terminal revenues *(millions of dollars)* | $ **153** | 167 | 157 |
| Terminal throughput *(thousands of barrels daily)* | | | |
| Crude oil[2] | **354** | 470 | 462 |
| Refined petroleum products | **713** | 804 | 780 |
| Total | **1,067** | 1,274 | 1,242 |
| Average terminaling revenue per barrel *(dollars)* | $ **0.39** | 0.35 | 0.34 |
| Storage, processing and other revenues *(millions of dollars)* | $ **449** | 486 | 434 |
| **Total Operating Revenues *(millions of dollars)*** | $ **1,038** | 1,126 | 1,045 |
| **Joint Venture Operating Data[3]** | | | |
| Crude oil, refined petroleum products and NGL *(thousands of barrels daily)* | **1,007** | 760 | 652 |

*[1] Represents the sum of volumes transported through each separately tariffed pipeline segment.*
*[2] Bayway and Ferndale rail rack volumes included in crude oil terminals.*
*[3] Proportional share of total pipeline and terminal volumes of joint ventures consistent with recognized equity in earnings of affiliates.*

The following tables present reconciliations of EBITDA and adjusted EBITDA to net income, and EBITDA and distributable cash flow to net cash provided by operating activities, the most directly comparable GAAP financial measures, for each of the periods indicated.

| | Millions of Dollars | | |
|---|---|---|---|
| | Year Ended December 31 | | |
| | **2020** | 2019 | 2018 |
| **Reconciliation to Net Income Attributable to the Partnership** | | | |
| **Net Income Attributable to the Partnership** | **$ 791** | 923 | 796 |
| Plus: | | | |
| Net income attributable to noncontrolling interest | **17** | — | — |
| **Net Income** | **808** | 923 | 796 |
| Plus: | | | |
| Depreciation | **135** | 120 | 117 |
| Net interest expense | **120** | 105 | 114 |
| Income tax expense | **3** | 3 | 4 |
| **EBITDA** | **1,066** | 1,151 | 1,031 |
| Plus: | | | |
| Proportional share of equity affiliates' net interest, taxes, depreciation and amortization, and impairments | **172** | 116 | 101 |
| Expenses indemnified or prefunded by Phillips 66 | **2** | 1 | 1 |
| Transaction costs associated with acquisitions | **1** | — | 4 |
| Impairments | **96** | — | — |
| Less: | | | |
| Gain from equity interest transfer | **84** | — | — |
| Adjusted EBITDA attributable to noncontrolling interest | **32** | — | — |
| **Adjusted EBITDA** | **1,221** | 1,268 | 1,137 |
| Plus: | | | |
| Deferred revenue impacts*† | **8** | (6) | (6) |
| Less: | | | |
| Equity affiliate distributions less than proportional adjusted EBITDA | **—** | 56 | 64 |
| Maintenance capital expenditures† | **97** | 74 | 62 |
| Net interest expense | **120** | 105 | 114 |
| Preferred unit distributions | **41** | 37 | 37 |
| Income taxes paid | **1** | 1 | — |
| **Distributable Cash Flow** | **$ 970** | 989 | 854 |

**Difference between cash receipts and revenue recognition.*
*†Excludes Merey Sweeny capital reimbursements and turnaround impacts.*

| | | Millions of Dollars | | |
|---|---|---|---|---|
| | | Year Ended December 31 | | |
| | | **2020** | 2019 | 2018 |
| **Reconciliation to Net Cash Provided by Operating Activities** | | | | |
| **Net Cash Provided by Operating Activities** | **$** | **955** | 1,016 | 892 |
| Plus: | | | | |
| Net interest expense | | **120** | 105 | 114 |
| Income tax expense | | **3** | 3 | 4 |
| Changes in working capital | | **15** | 34 | (20) |
| Undistributed equity earnings | | **(7)** | 3 | 5 |
| Impairments | | **(96)** | — | — |
| Gain from equity interest transfer | | **84** | — | — |
| Deferred revenues and other liabilities | | **4** | (5) | 42 |
| Other | | **(12)** | (5) | (6) |
| **EBITDA** | | **1,066** | 1,151 | 1,031 |
| Plus: | | | | |
| Proportional share of equity affiliates' net interest, taxes, depreciation and amortization, and impairments | | **172** | 116 | 101 |
| Expenses indemnified or prefunded by Phillips 66 | | **2** | 1 | 1 |
| Transaction costs associated with acquisitions | | **1** | — | 4 |
| Impairments | | **96** | — | — |
| Less: | | | | |
| Gain from equity interest transfer | | **84** | — | — |
| Adjusted EBITDA attributable to noncontrolling interest | | **32** | — | — |
| **Adjusted EBITDA** | | **1,221** | 1,268 | 1,137 |
| Plus: | | | | |
| Deferred revenue impacts*† | | **8** | (6) | (6) |
| Less: | | | | |
| Equity affiliate distributions less than proportional adjusted EBITDA | | **—** | 56 | 64 |
| Maintenance capital expenditures† | | **97** | 74 | 62 |
| Net interest expense | | **120** | 105 | 114 |
| Preferred unit distributions | | **41** | 37 | 37 |
| Income taxes paid | | **1** | 1 | — |
| **Distributable Cash Flow** | **$** | **970** | 989 | 854 |

**Difference between cash receipts and revenue recognition.*
*†Excludes Merey Sweeny capital reimbursements and turnaround impacts.*

**Statement of Income Analysis**

*2020 vs. 2019*

Operating revenues decreased $88 million, or 8%, in 2020. The decrease was primarily attributable to the recognition of deferred revenues related to turnaround activity at Merey Sweeny LLC (Merey Sweeny) in the first quarter of 2019, as well as lower volumes in 2020, partially offset by additional assets placed in operation, including the isomerization unit at the Phillips 66 Lake Charles Refinery in mid-2019 and additional storage capacity at the Clemens Caverns in mid-2020.

Equity in earnings of affiliates decreased $42 million, or 8%, in 2020. The decrease was primarily due to decreased volumes, partially offset by an increase in equity earnings from Gray Oak Pipeline, LLC, which commenced full operations during the second quarter of 2020, and South Texas Gateway Terminal, which commenced partial operations in the third quarter of 2020. See Note 4—Equity Investments, in the Notes to Consolidated Financial Statements, for additional information.

Gain on equity interest transfer reflects the second-quarter 2020 gain recognition related to a co-venturer’s prior-year acquisition of a 35% interest in the consolidated holding company that owns an interest in Gray Oak Pipeline, LLC. See Note 4—Equity Investments, in the Notes to Consolidated Financial Statements, for additional information.

Operating and maintenance expenses decreased $63 million, or 16%, in 2020. The decrease was primarily due to turnaround activity at Merey Sweeny in 2019.

Depreciation increased $15 million, or 13%, in 2020. The increase was attributable to additional assets placed in operation, including the isomerization unit at the Phillips 66 Lake Charles Refinery in mid-2019 and additional storage capacity at the Clemens Caverns in mid-2020.

Impairments reflects the fourth-quarter 2020 impairments of our investments in Phillips 66 Partner’s Terminal LLC and STACK Pipeline LLC. See Note 4—Equity Investments, in the Notes to Consolidated Financial Statements, for additional information.

Interest and debt expense increased $13 million, or 12%, in 2020. The increase was primarily attributable to lower capitalized interest associated with the Gray Oak Pipeline, which commenced full operations during the second quarter of 2020, and increased debt.

*2019 vs. 2018*

Operating revenues increased $81 million, or 8%, in 2019. The increase was primarily due to the recognition of previously deferred revenues associated with fees charged to Phillips 66 related to turnaround activity at Merey Sweeny in the first quarter of 2019, and higher volumes and rates.

Equity in earnings of affiliates increased $96 million, or 22%, in 2019, mainly resulting from higher earnings from Dakota Access, LLC (Dakota Access) and Energy Transfer Crude Oil Company, LLC (ETCO), together referred to as the Bakken Pipeline, and DCP Sand Hills Pipeline, LLC (Sand Hills), primarily due to improved volumes.

Operating and maintenance expenses increased $51 million, or 14%, in 2019. The increase was primarily due to turnaround activity at Merey Sweeny and integrity and maintenance repairs.

## CAPITAL RESOURCES AND LIQUIDITY

**Significant Sources of Capital**
Our sources of liquidity include cash generated from operations, distributions from our equity affiliates, borrowings from related parties and under our revolving credit facility, issuances of additional debt and equity securities, and funding from joint venture partners. We believe that cash generated from these sources will be sufficient to meet our short-term working capital requirements, long-term capital expenditure requirements and our quarterly cash distributions.

*Operating Activities*
During 2020, we generated $955 million in cash from operations, a decrease of $61 million, compared with cash from operations of $1,016 million in 2019. The decrease was primarily attributable to lower distributions from equity affiliates and increased interest payments in 2020.

During 2019, cash provided by operating activities was $1,016 million, an improvement of $124 million, compared with cash from operations of $892 million in 2018. The improvement was primarily driven by higher distributions from equity affiliates in 2019.

*Equity Affiliate Distributions*
Our operating and investing cash flows are impacted by distribution decisions made by our equity affiliates. Over the three years ended December 31, 2020, we received aggregate distributions from our equity affiliates of $1,753 million. We cannot control the amount or timing of future distributions from equity affiliates; therefore, future distributions are not assured.

*ATM Program*
We have authorized an aggregate of $750 million under three $250 million continuous offerings of common units, or at-the-market (ATM) programs. The first two programs concluded in June 2018 and December 2019, respectively. For the year ended December 31, 2020, on a settlement-date basis, we issued an aggregate of 40,570 common units, generating net proceeds of $2 million. We temporarily suspended issuances under the ATM program in the first quarter of 2020 due to low common unit prices. During the year ended December 31, 2019, on a settlement-date basis, we issued an aggregate of 3,195,521 common units, generating net proceeds of $173 million. Since inception in June 2016 through December 31, 2020, we issued an aggregate of 9,487,055 common units under our ATM programs, and generated net proceeds of $494 million, after broker commissions of $5 million and other costs of $3 million. The net proceeds from sales under the ATM programs are used for general partnership purposes, which may include debt repayment, acquisitions, capital expenditures and additions to working capital.

*Revolving Credit Facility*
Our $750 million revolving credit facility may be used for direct bank borrowings and as support for issuances of letters of credit. We have an option to increase the overall capacity to $1 billion, subject to certain conditions. We also have the option to extend the facility for two additional one-year terms after its July 30, 2024, maturity date, subject to, among other things, the consent of the lenders holding the majority of the commitments and of each lender extending its commitment.

The facility is with a broad syndicate of financial institutions and contains covenants that are usual and customary for an agreement of this type, including that, as of the last day of each fiscal quarter, the ratio of total debt to EBITDA for the prior four fiscal quarters must be no greater than 5.0:1.0 (and 5.5:1.0 during the period following certain specified acquisitions). The facility has customary events of default, such as nonpayment of principal when due; nonpayment of interest, fees or other amounts; and violation of covenants.

Outstanding revolving borrowings under the facility bear interest, at our option, at either: (a) the Eurodollar rate in effect from time to time plus the applicable margin; or (b) the reference rate (as described in the facility) plus the applicable margin. The facility also provides for customary fees, including commitment fees. The pricing levels for the commitment fees and interest-rate margins are determined based on our credit ratings in effect from time to time. Borrowings under the facility may be short-term or long-term in duration, and we may at any time prepay outstanding borrowings under the facility, in whole or in part, without premium or penalty. At December 31, 2020, borrowings of $415 million were outstanding under this facility, compared with no borrowings outstanding under this facility at

December 31, 2019. At both December 31, 2020 and 2019, $1 million in letters of credit had been issued that were supported by this facility.

*2019 Senior Notes*
On September 6, 2019, we closed on a public offering of $900 million aggregate principal amount of unsecured notes consisting of:

- $300 million aggregate principal amount of 2.450% Senior Notes due December 15, 2024.
- $600 million aggregate principal amount of 3.150% Senior Notes due December 15, 2029.

Interest on each series of senior notes is payable semi-annually in arrears on June 15 and December 15 of each year, commencing on June 15, 2020. Total proceeds received from the offering were $892 million, net of underwriting discounts and commissions. Net proceeds from the Senior Notes offering were used for general partnership purposes, including debt repayments. On September 13, 2019, we used a portion of the proceeds to repay the $400 million outstanding principal balance of the senior unsecured term loan facility that was drawn during the first half of 2019. On October 15, 2019, we used a portion of the proceeds to repay the aggregate $300 million outstanding principal balance of our 2.646% Senior Notes due February 2020.

*Term Loan Facility*
On March 22, 2019, we entered into a senior unsecured term loan facility with a borrowing capacity of $400 million due March 20, 2020. We borrowed an aggregate amount of $400 million under the facility during the first half of 2019. The proceeds were used for general partnership purposes, including repayment of amounts borrowed under our $750 million revolving credit facility. The outstanding principal balance of the senior unsecured term loan facility was repaid in full in September 2019.

*Transfers of Equity Interests*
Gray Oak Pipeline, LLC was formed to develop and construct the Gray Oak Pipeline, which transports crude oil from the Permian and Eagle Ford to Texas Gulf Coast destinations that include Corpus Christi, Texas, and the Sweeny area, including the Phillips 66 Sweeny Refinery. We have a consolidated holding company that owns 65% of Gray Oak Pipeline, LLC.

In December 2018, a third party exercised its option to acquire a 35% interest in the holding company. Because the holding company's sole asset was its ownership interest in Gray Oak Pipeline, LLC, which was considered a financial asset, and because certain restrictions were placed on the third party's ability to transfer or sell its interest in the holding company during the construction of the Gray Oak Pipeline, the legal sale of the 35% interest did not qualify as a sale under GAAP at that time. The Gray Oak Pipeline commenced full operations in the second quarter of 2020 and the restrictions placed on the co-venturer were lifted on June 30, 2020, resulting in the recognition of the sale under GAAP. Accordingly, at June 30, 2020, the co-venturer's 35% interest in the holding company was recharacterized from a long-term obligation to a noncontrolling interest on our consolidated balance sheet, and the premium of $84 million previously paid by the co-venturer in 2019 was recharacterized from a long-term obligation to a gain in our consolidated statement of income. During 2020 and 2019, the co-venturer contributed an aggregate of $61 million and $342 million, respectively, into the holding company, and the holding company used these contributions to fund its portion of Gray Oak Pipeline, LLC's cash calls.

In February 2019, Holdings LLC transferred a 10% interest in Gray Oak Pipeline, LLC, to a third party that exercised a purchase option, for proceeds of $81 million. The proceeds received from this sale are reflected as an investing cash inflow in the "proceeds from sale of equity interest" line item on our consolidated statement of cash flows.

See Note 4—Equity Investments, in the Notes to Consolidated Financial Statements, for additional information regarding these transactions.

**Off-Balance Sheet Arrangements**

*Dakota Access, LLC (Dakota Access) and Energy Transfer Crude Oil Company, LLC (ETCO)*
In March 2019, a wholly owned subsidiary of Dakota Access closed an offering of $2.5 billion aggregate principal amount of senior unsecured notes, consisting of:

- $650 million aggregate principal amount of 3.625% Senior Notes due 2022.
- $1.0 billion aggregate principal amount of 3.900% Senior Notes due 2024.
- $850 million aggregate principal amount of 4.625% Senior Notes due 2029.

Dakota Access and ETCO have guaranteed repayment of the notes. In addition, we and our co-venturers in Dakota Access provided a Contingent Equity Contribution Undertaking (CECU) in conjunction with the notes offering. Under the CECU, the co-venturers may be severally required to make proportionate equity contributions to Dakota Access if there is an unfavorable final judgment in the ongoing litigation related to an easement granted by the U.S. Army Corps of Engineers (USACE) to allow the pipeline to be constructed under Lake Oahe in North Dakota. Contributions may be required if Dakota Access determines that the issues included in any such final judgment cannot be remediated and Dakota Access has or is projected to have insufficient funds to satisfy repayment of the notes. If Dakota Access undertakes remediation to cure issues raised in a final judgment, contributions may be required if any series of the notes become due, whether by acceleration or at maturity, during such time, to the extent Dakota Access has or is projected to have insufficient funds to pay such amounts. At December 31, 2020, our share of the maximum potential equity contributions under the CECU was approximately $631 million.

In March 2020, the trial court presiding over this litigation ordered the USACE to prepare an Environmental Impact Statement (EIS) and requested additional information to enable a decision on whether the Dakota Access Pipeline should be shut down while the EIS is being prepared. In July 2020, the trial court ordered the Dakota Access Pipeline to be shut down and emptied of crude oil within 30 days and that the pipeline should remain shut down pending the preparation of the EIS by the USACE, which the USACE has indicated is expected to take approximately 13 months. Dakota Access filed an appeal and a request for a stay of the order, which was granted. In January 2021, the appellate court affirmed the trial court's order that: (1) vacated Dakota Access's easement under Lake Oahe, and (2) directed the USACE to prepare an EIS. The appellate court did not affirm the trial court's order that the Dakota Access Pipeline be shut down and emptied of crude oil. However, the appellate court acknowledged the precise consequences of the vacated easement remain uncertain. Since the pipeline is now an encroachment, the USACE could seek a shutdown of the pipeline during the preparation of the EIS. Alternatively, the trial court could again issue an injunction that the pipeline be shut down, assuming it makes all findings necessary for injunctive relief. A status hearing is scheduled for April 9, 2021, at which time the parties will discuss the appellate court's decision and how the USACE plans to proceed given the vacating of the easement.

If the pipeline is required to cease operations pending the preparation of the EIS, and should Dakota Access and ETCO not have sufficient funds to pay ongoing expenses, we also could be required to support our share of the ongoing expenses, including scheduled interest payments on the notes of approximately $25 million annually, in addition to the potential obligations under the CECU. If we are required to perform under the CECU, we would expect to fund such performance with cash, capacity available under our revolving credit facility, third-party debt financing, and/or sponsor loans from Phillips 66.

*Gray Oak Pipeline, LLC*
Gray Oak Pipeline, LLC had a third-party term loan facility with a borrowing capacity of $1,379 million, inclusive of accrued interest. We and our co-venturers provided a guarantee through an equity contribution agreement requiring proportionate equity contributions to Gray Oak Pipeline, LLC up to the total outstanding loan amount, plus any additional accrued interest and associated fees, if Gray Oak Pipeline, LLC defaults on certain of its obligations thereunder. In September 2020, Gray Oak Pipeline, LLC fully repaid the outstanding balance of the term loan facility, and the associated guarantee we issued through an equity contribution agreement was terminated.

**Capital Requirements**

*Liberty Acquisitions*
In February 2020, we entered into a Purchase and Sale Agreement with Phillips 66 PDI to acquire its 50% interest in the Liberty Pipeline joint venture for $75 million. The purchase price reflected the reimbursement of project costs incurred by Phillips 66 prior to the effective date of the transaction. The transaction was funded through a combination of cash on hand and our revolving credit facility, and closed on March 2, 2020. Liberty Pipeline LLC was formed to develop and construct the Liberty Pipeline system which, upon completion, will transport crude oil from the Rockies and Bakken production areas to Cushing, Oklahoma. On March 24, 2020, we and our co-venturer announced we are deferring the development and construction of the Liberty Pipeline system as a result of the challenging business environment.

*Capital Expenditures and Investments*
Our operations are capital intensive and require investments to expand, upgrade, maintain or enhance existing operations and to meet environmental and operational requirements of our wholly owned and joint venture entities. Our capital requirements consist of maintenance and expansion capital expenditures, as well as contributions to our joint ventures. Maintenance capital expenditures are those made to replace partially or fully depreciated assets, to maintain the existing operating capacity of our assets and to extend their useful lives, or to maintain existing system volumes and related cash flows. In contrast, expansion capital expenditures are those made to expand and upgrade our systems and facilities and to construct or acquire new systems or facilities to grow our business, including contributions to joint ventures that are using the contributed funds for such purposes.

Our capital expenditures and investments represent the total spending for our capital requirements. Our adjusted capital spending is a non-GAAP financial measure that demonstrates our net share of capital spending, and reflects an adjustment for the portion of consolidated capital spending funded by certain joint venture partners. Additionally, the disaggregation of adjusted capital spending between expansion and maintenance is not a distinction recognized under GAAP. We disaggregate adjusted capital spending because our partnership agreement requires that we treat expansion and maintenance capital differently for operating and capital surplus determinations. Further, we generally fund expansion capital spending with both operating and financing cash flows and fund maintenance capital spending with operating cash flows.

Our capital expenditures and investments for the years ended December 31, 2020, 2019 and 2018 were:

| | | Millions of Dollars | |
|---|---|---|---|
| | **2020** | 2019 | 2018 |
| **Capital Expenditures and Investments** | | | |
| Capital expenditures and investments | $ **915** | 1,082 | 776 |
| Capital expenditures and investments funded by joint venture partners* | **(61)** | (423) | — |
| **Adjusted Capital Spending** | $ **854** | 659 | 776 |
| | | | |
| Expansion | $ **757** | 579 | 710 |
| Maintenance | **97** | 80 | 66 |

**See Note 4—Equity Investments, in the Notes to Consolidated Financial Statements, for additional information.*

Our capital expenditures and investments for the three-year period ended December 31, 2020, included:

- Contributions to complete the Gray Oak Pipeline project and continue funding of South Texas Gateway Terminal development activities.
- Construction activities related to the C2G Pipeline, a new 16-inch ethane pipeline that will connect our Clemens Caverns storage facility to petrochemical facilities in Gregory, Texas, near Corpus Christi, Texas.
- Contributions to Liberty Pipeline, LLC for its committed purchases related to the development and construction of the crude oil pipeline system.
- Construction of our new isomerization unit at the Phillips 66 Lake Charles Refinery.
- Construction activities related to increasing storage capacity at Clemens Caverns.
- Contributions to Bayou Bridge Pipeline, LLC for the completion of a pipeline from Nederland, Texas, to Lake Charles, Louisiana, and a pipeline segment from Lake Charles to St. James, Louisiana.
- Construction activities related to increasing capacity on the Sweeny to Pasadena refined petroleum products pipeline.
- Contributions to Sand Hills to increase capacity on its NGL system.
- Spending associated with other return, reliability and maintenance projects.

*2021 Capital Budget*
Our 2021 capital program is $305 million, and $5 million of that amount is expected to be funded by certain joint venture partners. Of the remaining $300 million budgeted, $165 million will be invested in expansion projects, focusing on pipeline operations and completing optimization and near-term committed projects, including completion of the C2G Pipeline. Our estimated maintenance capital spending of $135 million will be funded primarily with cash from operations, while expansion capital spending will be funded with a combination of cash from operations and borrowing under our revolving credit facility or other issuances of debt.

*Restructuring Transaction*
On August 1, 2019, we closed on the transactions contemplated by the Partnership Interests Restructuring Agreement, dated July 24, 2019, entered into with our General Partner. Pursuant to this agreement, all of the outstanding IDRs held by our General Partner were eliminated and its approximately 2% general partner interest in us was converted into a non-economic general partner interest; both in exchange for an aggregate of 101 million common units issued to Phillips 66 PDI. Because these transactions were between entities under common control, the common units issued to Phillips 66 PDI were not assigned any value; rather, our General Partner's negative equity balance of $1.4 billion at August 1, 2019, was transferred to Phillips 66's limited partner equity account.

*Cash Distributions*
On January 19, 2021, the Board of Directors of our General Partner declared a quarterly cash distribution of $0.875 per common unit, which resulted in a total distribution to common unitholders of $200 million attributable to the fourth quarter of 2020. This distribution was paid February 12, 2021, to common unitholders of record as of January 29, 2021.

The following table summarizes our quarterly cash distributions for 2020 and 2019 to our common unitholders and our General Partner:

| Quarter Ended | Quarterly Cash Distribution Per Common Unit* (Dollars) | Total Quarterly Cash Distribution (Millions of Dollars) | Date of Distribution |
|---|---|---|---|
| December 31, 2020 | $ 0.875 | $ 200 | February 12, 2021 |
| September 30, 2020 | 0.875 | 200 | November 13, 2020 |
| June 30, 2020 | 0.875 | 200 | August 13, 2020 |
| March 31, 2020 | 0.875 | 199 | May 14, 2020 |
| December 31, 2019 | 0.875 | 200 | February 13, 2020 |
| September 30, 2019 | 0.865 | 197 | November 13, 2019 |
| June 30, 2019 | 0.855 | 177 | August 13, 2019 |
| March 31, 2019 | 0.845 | 174 | May 14, 2019 |

**Cash distributions declared attributable to the indicated periods.*

Beginning with the distribution to preferred unitholders attributable to the fourth quarter of 2020, the preferred unitholders are entitled to receive cumulative quarterly distributions equal to the greater of $0.678375 per unit, or the per-unit distribution amount paid to the common unitholders. Preferred unitholders received $12 million of distributions attributable to the fourth quarter of 2020. This distribution was paid February 12, 2021, to preferred unitholders of record as of January 29, 2021.

**Contractual Obligations**
The following table summarizes our aggregate contractual obligations as of December 31, 2020:

| | Millions of Dollars | | | | |
|---|---|---|---|---|---|
| | Payments Due by Period | | | | |
| | Total | Up to 1 Year | Years 2-3 | Years 4-5 | After 5 Years |
| Debt obligations (a) | $ 3,940 | 465 | — | 800 | 2,675 |
| Interest on debt | 1,840 | 132 | 265 | 249 | 1,194 |
| Operating lease obligations | 102 | 3 | 6 | 6 | 87 |
| Purchase obligations (b) | 122 | 109 | 6 | 5 | 2 |
| Other long-term liabilities: | | | | | |
| Asset retirement obligations | 11 | — | — | — | 11 |
| Accrued environmental costs | 2 | 1 | — | — | 1 |
| Total | $ 6,017 | 710 | 277 | 1,060 | 3,970 |

(a) See Note 10—Debt, in the Notes to Consolidated Financial Statements, for additional information.

(b) Represents any agreement to purchase goods or services that is enforceable, legally binding and specifies all significant terms. Includes accounts payable reflected on our consolidated balance sheet.

In addition to the contractual obligations included in the table above, we are party to an amended omnibus agreement with Phillips 66. The amended omnibus agreement contractually requires us to pay a monthly operational and administrative support fee in the amount of $8 million to Phillips 66 for certain administrative and operational support services provided to us. The amended omnibus agreement generally remains in full force and effect so long as Phillips 66 controls our General Partner. Due to the indefinite nature of the agreement’s term, the fixed fee is not included in the contractual obligations table above.

Our preferred units are contractually entitled to receive cumulative quarterly distributions. Subject to certain conditions, we or the holders of the preferred units may convert the preferred units into common units at certain anniversary dates after the issuance date. Due to the uncertain timing of any potential conversion, distributions related to the preferred units were not included in the contractual obligations table above.

See Note 13—Equity, in the Notes to Consolidated Financial Statements, for additional information.

**Contingencies**
From time to time, lawsuits involving a variety of claims that arise in the ordinary course of business are filed against us. We also may be required to remove or mitigate the effects on the environment of the placement, storage, disposal or release of certain chemical, mineral and petroleum substances at various sites. We regularly assess the need for accounting recognition or disclosure of these contingencies. In the case of all known contingencies (other than those related to income taxes), we accrue a liability when the loss is probable and the amount is reasonably estimable. If a range of amounts can be reasonably estimated and no amount within the range is a better estimate than any other amount, then the minimum of the range is accrued. We do not reduce these liabilities for potential insurance or third-party recoveries. If applicable, we accrue receivables for probable insurance or other third-party recoveries. In the case of income-tax-related contingencies, we use a cumulative probability-weighted loss accrual in cases where sustaining a tax position is less than certain.

Based on currently available information, we believe it is remote that future costs related to known contingent liability exposures 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. Estimates particularly sensitive to future changes include any contingent liabilities recorded for environmental remediation, tax and legal matters. Estimated future environmental remediation costs are subject to change due to such factors as the uncertain magnitude of cleanup costs, the unknown time and extent of such remedial actions that may be required, and the determination of our liability in proportion to that of other potentially responsible parties. Estimated future costs related to tax and legal matters are subject to change as events evolve and as additional information becomes available during the administrative and litigation processes.

*Regulatory Matters*
Our interstate common carrier crude oil and refined petroleum products pipeline operations are subject to rate regulation by the Federal Energy Regulatory Commission under the Interstate Commerce Act and Energy Policy Act of 1992, and certain of our pipeline systems providing intrastate service are subject to rate regulation by applicable state authorities under their respective laws and regulations. Our pipeline, rail rack and terminal operations are also subject to safety regulations adopted by the Department of Transportation, as well as to state regulations.

*Legal and Tax Matters*
Under our amended omnibus agreement, Phillips 66 provides certain services for our benefit, including legal and tax support services, and we pay an operational and administrative support fee for these services. Phillips 66’s legal and tax organizations apply their knowledge, experience and professional judgment to the specific characteristics of our cases and uncertain tax positions. Phillips 66’s legal organization employs a litigation management process to manage and monitor the legal proceedings against us. The process facilitates the early evaluation and quantification of potential exposures in individual cases and enables tracking of those cases that have been scheduled for trial and/or mediation. Based on professional judgment and experience in using these litigation management tools and available information about current developments in all our cases, Phillips 66’s legal organization regularly assesses the adequacy of current accruals and recommends if adjustment of existing accruals, or establishment of new accruals, is required. As of December 31, 2020 and 2019, we did not have any material accrued contingent liabilities associated with litigation matters.

*Environmental*
We are subject to extensive federal, state and local environmental laws and regulations. These requirements, which frequently change, regulate the discharge of materials into the environment or otherwise relate to protection of the environment. Compliance with these laws and regulations may require us to remediate environmental damage from any discharge of petroleum or chemical substances from our facilities or require us to install additional pollution control equipment at or on our facilities. Our failure to comply with these or any other environmental or safety-related regulations could result in the assessment of administrative, civil, or criminal penalties, the imposition of investigatory and remedial liabilities, and the issuance of governmental orders that may subject us to additional operational constraints. Future expenditures may be required to comply with the Federal Clean Air Act and other federal, state and local requirements in respect of our various sites, including our pipelines and storage assets. The impact of legislative and regulatory developments, if enacted or adopted, could result in increased compliance costs and additional operating restrictions on our business, each of which could have an adverse impact on our financial position, results of operations and liquidity.

As with all costs, if these expenditures are not ultimately recovered in the tariffs and other fees we receive for our services, our operating results will be adversely affected. We believe that substantially all similarly situated parties and holders of comparable assets must comply with similar environmental laws and regulations. However, the specific impact on each may vary depending on a number of factors, including, but not limited to, the age and location of its operating facilities.

We accrue for environmental remediation activities when the responsibility to remediate is probable and the amount of associated costs can be reasonably estimated. As environmental remediation matters proceed toward ultimate resolution or as additional remediation obligations arise, charges in excess of those previously accrued may be required. New or expanded environmental requirements, which could increase our environmental costs, may arise in the future. We believe we are in substantial compliance with all legal obligations regarding the environment and have established the environmental accruals that are currently required; however, it is not possible to predict all of the ultimate costs of compliance, including remediation costs that may be incurred and penalties that may be imposed, because not all of the costs are fixed or presently determinable (even under existing legislation) and the costs may be affected by future legislation or regulations.

*Indemnification and Excluded Liabilities*
Under our amended omnibus agreement and pursuant to the terms of various agreements under which we acquired assets from Phillips 66, Phillips 66 will indemnify us, or assume responsibility, for certain environmental liabilities, tax liabilities, litigation and any other liabilities attributable to the ownership or operation of the assets contributed to us and that arose prior to the effective date of each acquisition. These indemnifications and exclusions from liability have, in some cases, time limits and deductibles. When Phillips 66 performs under any of these indemnifications or exclusions from liability, we recognize non-cash expenses and associated non-cash capital contributions from our General Partner, as these are considered liabilities paid for by a principal unitholder.

## CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to select appropriate accounting policies and to make estimates and assumptions about future events that affect the reported amounts of assets, liabilities, revenues and expenses.

See Note 2—Summary of Significant Accounting Policies, in the Notes to Consolidated Financial Statements, for descriptions of our significant accounting policies. Certain of these accounting policies involve judgments and uncertainties to such an extent that there is a reasonable likelihood that materially different amounts would have been reported under different conditions, or if different assumptions had been used. The following discussions of critical accounting estimates, along with the discussion of contingencies in this report, address all important accounting areas where the nature of accounting estimates or assumptions could be material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change.

**Depreciation**
We calculate depreciation expense using the straight-line method over the estimated useful lives of our properties, plants and equipment (PP&E), currently ranging from 3 years to 45 years. Changes in the estimated useful lives of our PP&E could have a material effect on our results of operations.

**Impairments**
Long-lived assets used in operations are assessed for impairment whenever changes in facts and circumstances indicate the carrying value of an asset group may not be recoverable. If the sum of the undiscounted expected future pretax cash flows of an asset group is less than the carrying value, including applicable liabilities, the carrying value is written down to estimated fair value. Individual assets are grouped for impairment purposes based on a judgmental assessment of the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other assets, generally at a pipeline system, terminal, processing or fractionation system level. Because there usually is a lack of quoted market prices for long-lived assets, the fair value of impaired assets is typically determined using one or more of the following methods: present value of expected future cash flows using discount rates and other assumptions believed to be consistent with those used by principal market participants; estimated replacement cost; a market multiple of earnings for similar assets; or historical market transactions of similar assets, adjusted using principal market participant assumptions when necessary. The expected future cash flows used for impairment reviews and related fair value calculations are based on judgmental assessments of future volumes, commodity prices, operating costs, margins, discount rates and capital project decisions, considering all available information at the date of review.

Investments in nonconsolidated entities accounted for under the equity method are reviewed for impairment when there is evidence of a loss in value. Such evidence of a loss in value might include our inability to recover the carrying amount, the lack of sustained earnings capacity which would justify the current investment amount, or a current fair value less than the investment's carrying amount. When it is determined such a loss in value is other than temporary, an impairment charge is recognized for the difference between the investment's carrying value and its estimated fair value. When determining whether a decline in value is other than temporary, management considers factors such as the duration and extent of the decline, the investee's financial condition and near-term prospects, and our ability and intention to retain our investment for a period that will be sufficient to allow for any anticipated recovery in the market value of the investment. When quoted market prices are not available, the fair value is usually based on the present value of expected future cash flows using discount rates and other assumptions believed to be consistent with those used by principal market participants and a market analysis of comparable assets, if appropriate. Different assumptions could affect the timing and the amount of an impairment of an investment in any period. See Note 4—Equity Investments, in the Notes to Consolidated Financial Statements, for additional information on impairments recorded in 2020.

**Asset Retirement Obligations**

Under various contracts, permits and regulations, we have legal obligations to remove tangible equipment and restore the land at the end of operations at certain operational sites. Our largest asset removal obligations involve the abandonment or removal of pipelines. Fair values of legal obligations to abandon or remove long-lived assets are recorded in the period in which the obligation arises. Estimating the timing and cost of future asset removals is difficult and involves judgment in determining the estimated asset removal obligation. Most of these removal obligations are many years, or decades, in the future and the contracts and regulations often have vague descriptions of what removal practices and criteria must be met when the removal event actually occurs. Asset removal technologies and costs, regulatory and other compliance considerations, expenditure timing, and other inputs into valuation of the obligation, including discount and inflation rates, are also subject to change.

**Goodwill**

At December 31, 2020, we had $185 million of goodwill recorded in conjunction with past business combinations. The majority of our goodwill is related to acquisitions from Phillips 66. In these common control transactions, the net assets acquired are recorded at Phillips 66's historical carrying value, including any associated goodwill. Goodwill is not amortized. Instead, goodwill is subject to at least annual tests for impairment at a reporting unit level. A reporting unit is an operating segment or a component that is one level below an operating segment and they are determined primarily based on the manner in which the business is managed. We have one reporting unit with a goodwill balance.

We perform our annual goodwill impairment test using a qualitative assessment and a quantitative assessment, if one is deemed necessary. As part of our qualitative assessment, we evaluate relevant events and circumstances that could affect the fair value of our reporting unit, including macroeconomic conditions, overall industry and market considerations and regulatory changes, as well as partnership-specific market metrics, performance and events. The evaluation of partnership-specific events and circumstances includes evaluating changes in our unit price and cost of capital, actual and forecasted financial performance, as well as the effect of significant asset dispositions.

If our qualitative assessment indicates it is likely the fair value of our reporting unit has declined below its carrying value (including goodwill), a quantitative assessment is performed. When a quantitative assessment is performed, management applies judgment in determining the estimated fair value of our reporting unit because a quoted market price for this reporting unit is not available. Management uses available information to make this fair value determination, including estimated cash flows, cost of capital, observed market earnings multiples of comparable companies and partnerships, our common unit price and associated total partnership market capitalization.

We completed our annual qualitative impairment test as of October 1, 2020, and concluded that the fair value of our reporting unit continued to exceed its respective carrying value (including goodwill) by a significant percentage. A decline in the estimated fair value of our reporting unit in the future could result in an impairment. As such, we continue to monitor for indicators of impairment until our next annual impairment assessment is performed.

**Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Market risk is the risk of loss arising from adverse fluctuations in interest rates, the exchange rates of foreign currency markets, and commodity prices. Since we conduct our business in U.S. dollars, we are not exposed to foreign currency exchange-rate risk.

*Commodity Price Risk*
Since we neither take ownership of the crude oil, refined petroleum products or NGLs we transport or store for our customers nor engage in commodity trading, we have limited direct exposure to risks associated with fluctuating commodity prices. Certain of our pipeline tariffs include a contractual loss allowance, calculated as a percentage of throughput volume multiplied by the quoted market price of the commodities shipped. This loss allowance, which represented 2% of our total operating revenues in 2020 and 3% of our total operating revenues in 2019 and 2018, is more volatile than tariffs and terminaling fees, as it depends on and fluctuates with the commodity prices of the products we transport and store; however, we do not intend to mitigate this risk to our revenues by hedging this commodity price exposure.

*Interest Rate Risk*
Our use of fixed- or variable-rate debt directly exposes us to interest rate risk. Fixed-rate debt, such as our senior notes, exposes us to changes in the fair value of our debt due to changes in market interest rates. Fixed-rate debt also exposes us to the risk that we may need to refinance maturing debt with new debt at higher rates, or that we may be obligated to pay rates higher than the current market. Variable-rate debt, such as borrowings under our revolving credit facility and tax-exempt bonds, exposes us to short-term changes in market rates that impact our interest expense.

The following tables provide information about our debt instruments that are sensitive to changes in U.S. interest rates. These tables present principal cash flows and related weighted-average interest rates by expected maturity dates. Weighted-average variable rates are based on effective rates at the reporting date. The carrying amount of our floating-rate debt approximates its fair value. The fair value of the fixed-rate financial instruments is estimated based on observable market prices.

| | Millions of Dollars, Except as Indicated | | | |
|---|---|---|---|---|
| Expected Maturity Date | Fixed-Rate Maturity | Weighted-Average Interest Rate | Floating Rate Maturity | Weighted-Average Interest Rate |
| **At December 31, 2020** | | | | |
| 2021 | **$ —** | | **$ 465** | **1.3 %** |
| 2022 | **—** | | **—** | |
| 2023 | **—** | | **—** | |
| 2024 | **300** | **2.5 %** | **—** | |
| 2025 | **500** | **3.6 %** | **—** | |
| Thereafter | **2,675** | **4.0 %** | **—** | |
| Total | **$ 3,475** | | **$ 465** | |
| Fair value | **$ 3,752** | | **$ 465** | |

| | Millions of Dollars, Except as Indicated | | | |
|---|---|---|---|---|
| Expected Maturity Date | Fixed-Rate Maturity | Weighted-Average Interest Rate | Floating Rate Maturity | Weighted-Average Interest Rate |
| **At December 31, 2019** | | | | |
| 2020 | $ — | | $ 25 | 1.9 % |
| 2021 | — | | 50 | 1.9 % |
| 2022 | — | | — | |
| 2023 | — | | — | |
| 2024 | 300 | 2.5 % | — | |
| Thereafter | 3,175 | 3.9 % | — | |
| Total | $ 3,475 | | $ 75 | |
| Fair value | $ 3,650 | | $ 75 | |

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This report includes forward-looking statements. You can normally identify our forward-looking statements by the words “anticipate,” “estimate,” “believe,” “budget,” “continue,” “could,” “intend,” “may,” “plan,” “potential,” “predict,” “seek,” “should,” “will,” “would,” “expect,” “objective,” “projection,” “forecast,” “goal,” “guidance,” “outlook,” “effort,” “target” and similar expressions, although the absence of these words does not mean that statement is not forward-looking.

We based the forward-looking statements on our current expectations, estimates and projections about us, our operations, the operations of our joint ventures and the entities in which we own equity interests, as well as the industries in which we and they operate in general. We caution you these statements are not guarantees of future performance as they involve assumptions that, while made in good faith, may prove to be incorrect, and involve risks and uncertainties we cannot predict. In addition, we based many of these forward-looking statements on assumptions about future events that may prove to be inaccurate. Accordingly, our actual outcomes and results may differ materially from what we have expressed or forecast in the forward-looking statements. Any differences could result from a variety of factors, including the following:

- The continuing effects of the COVID-19 pandemic and its negative impact on the demand for crude oil and refined petroleum products, as well as the extent and duration of recovery of economies and the demand for crude oil and refined petroleum products after the pandemic subsides.
- Reductions in the volume of crude oil, refined petroleum products and NGL we or our equity affiliates transport, fractionate, process, terminal and store.
- The continued ability of Phillips 66 to satisfy its obligations under our commercial and other agreements.
- Fluctuations in the prices and demand for crude oil, refined petroleum products and NGL, including as a result of actions taken by Organization of Petroleum Exporting Countries and other countries impacting supply and demand and, correspondingly, commodity prices.
- Changes in governmental policies relating to crude oil, refined petroleum products or NGL pricing, regulation, taxation, or exports.
- Potential liabilities associated with the risks and operational hazards inherent in transporting, fractionating, processing, terminaling and storing crude oil, refined petroleum products and NGL.
- Curtailment of operations due to severe weather (including as a result of climate change) disruption or natural disasters; riots, strikes, lockouts or other industrial disturbances.
- Accidents or other unscheduled shutdowns affecting our pipelines, processing, fractionating, terminaling, and storage facilities or equipment, or those of our equity affiliates, suppliers or customers.
- Our, and our equity affiliates’, inability to obtain or maintain permits, in a timely manner, or at all, and the possibility of the revocation or modification of such permits.
- The operation, financing and distribution decisions of our joint ventures, which we may not control.
- The inability to comply with government regulations or make capital expenditures required to maintain compliance.
- The failure to complete construction of announced and future capital projects in a timely manner, cost overruns associated with such projects, and the ability to obtain or maintain permits necessary for such projects.
- Our ability to successfully execute our growth strategies, whether through organic growth or acquisitions.
- Costs or liabilities associated with federal, state, and local laws and regulations relating to environmental protection and safety, including spills, releases and pipeline integrity.
- Failure of information technology systems due to various causes, including unauthorized access or attack.
- Changes to the tariff rates with respect to volumes transported through regulated assets, which rates are subject to review and possible adjustment by federal and state regulators.
- Changes in revenue we realize under the loss allowance provisions of our regulated tariffs resulting from changes in underlying commodity prices.
- Costs associated with compliance with evolving environmental laws and regulations on climate change.

- Costs associated with compliance with safety regulations, including pipeline integrity management program testing and related repairs.
- Changes in the cost or availability of third-party vessels, pipelines, railcars and other means of delivering and transporting crude oil, refined petroleum products and NGL.
- General domestic and international economic and political developments including armed hostilities, expropriation of assets, social unrest, insurrections, and other political, economic or diplomatic developments, including those caused by public health issues and outbreaks of diseases and pandemics.
- Direct or indirect effects on our business resulting from actual or threatened terrorist incidents or acts of war.
- Our ability to comply with the terms of our credit facility, indebtedness and other financing arrangements, which, if accelerated, we may not be able to repay.
- Our ability to incur additional indebtedness or our ability to obtain financing on terms that we deem acceptable, including the refinancing of our current obligations; higher interest rates and costs of financing would increase our expenses.
- Changes in tax, environmental and other laws and regulations.
- The factors generally described in “Item 1A. Risk Factors” in this report.

**Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**PHILLIPS 66 PARTNERS LP**

**INDEX TO FINANCIAL STATEMENTS**


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## Report of Management

The accompanying consolidated financial statements of Phillips 66 Partners LP (the Partnership) and the other information appearing in this Annual Report were prepared by, and are the responsibility of, management of the Partnership's general partner, Phillips 66 Partners GP LLC. The consolidated financial statements present fairly the Partnership's financial position, results of operations and cash flows in conformity with generally accepted accounting principles in the United States. In preparing its consolidated financial statements, the Partnership includes amounts that are based on estimates and judgments management of the Partnership's general partner believes are reasonable under the circumstances. The Partnership's financial statements have been audited by Ernst & Young LLP, an independent registered public accounting firm appointed by the Audit Committee of the Phillips 66 Partners GP LLC Board of Directors. The management of the Partnership's general partner has made available to Ernst & Young LLP all of the Partnership's financial records and related data, as well as the minutes of directors' meetings.

**Assessment of Internal Control Over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Phillips 66 Partners' internal control system was designed to provide reasonable assurance to the management and directors of the Partnership's general partner regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Partnership's internal control over financial reporting as of December 31, 2020. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control—Integrated Framework* (2013). Based on this assessment, management concluded the Partnership's internal control over financial reporting was effective as of December 31, 2020.

Ernst & Young LLP has issued an audit report on the Partnership's internal control over financial reporting as of December 31, 2020, and their report is included herein.

/s/ Greg C. Garland

**Greg C. Garland**
Chairman of the Board of Directors and
Chief Executive Officer
Phillips 66 Partners GP LLC
(the general partner of Phillips 66 Partners LP)

/s/ Kevin J. Mitchell

**Kevin J. Mitchell**
Director, Vice President and
Chief Financial Officer
Phillips 66 Partners GP LLC
(the general partner of Phillips 66 Partners LP)

Date: February 24, 2021

## Report of Independent Registered Public Accounting Firm

To the Board of Directors of Phillips 66 Partners GP LLC and
Unitholders of Phillips 66 Partners LP

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Phillips 66 Partners LP (the "Partnership") as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, based on our audits and the reports of other auditors, the financial statements present fairly, in all material respects, the consolidated financial position of the Partnership at December 31, 2020 and 2019, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We did not audit the consolidated financial statements of DCP Sand Hills Pipeline, LLC and DCP Southern Hills Pipeline, LLC (the "Pipelines") and Dakota Access, LLC ("Dakota"). The Partnership accounts for its 33.34% interest in each of the Pipelines and its 25% interest in Dakota using the equity method of accounting. In the financial statements, the Partnership's total investment in the Pipelines is stated at $799 million and $810 million as of December 31, 2020 and 2019, respectively, and the Partnership's total equity in net income of the Pipelines is stated at $180 million, $193 million and $156 million for the years ended December 31, 2020, 2019, and 2018, respectively. In the financial statements, the Partnership's total investment in Dakota is stated at $448 million and $461 million as of December 31, 2020 and 2019, respectively, and the Partnership's total equity in net income of Dakota is stated at $139 million, $177 million, and $139 million for the years ended December 31, 2020, 2019, and 2018, respectively. The Pipelines' and Dakota's consolidated financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pipelines and Dakota for 2020, 2019 and 2018, are based on the reports of the other auditors.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Partnership's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 24, 2021 expressed an unqualified opinion thereon.

**Basis for Opinion**

These financial statements are the responsibility of the management of the Partnership's general partner, Phillips 66 Partners GP LLC. Our responsibility is to express an opinion on the Partnership's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

**Critical Audit Matter**

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

| | |
|---|---|
| | ***Impairment review of equity method investments*** |
| *Description of the Matter* | As discussed in Note 4 to the consolidated financial statements, the Partnership has investments in nonconsolidated entities accounted for using the equity method totaling $3.2 billion as of December 31, 2020. The carrying value of each equity method investment is evaluated for impairment when indicators of a loss in value below the carrying value exist, including a lack of sustained earnings or a deterioration of market conditions, among others. When there are indicators of impairment, the Partnership estimates the fair value of the equity method investment. Fair value is primarily determined by the present value of expected cash flows using the weighted average cost of capital ("discount rate") and other assumptions. When the estimated fair value is lower than the carrying value, the Partnership considers whether that impairment is other-than-temporary.<br><br>Auditing the Partnership’s impairment assessments was complex and judgmental due to the estimation required in determining whether an investment had an indicator of impairment, the determination of fair value of the investment if an impairment was indicated, and to the extent that the estimated fair value is lower than carrying value, whether that impairment was other-than-temporary. |
| *How We Addressed the Matter in Our Audit* | We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Partnership’s equity method impairment review process, including controls over the identification of factors that may indicate an equity method investment is impaired, and as necessary, the subsequent determination of fair value and assessment of whether indicated impairments are other-than-temporary.<br><br>In order to test whether an impairment was indicated, we tested the Partnership’s evaluation of the investments’ earnings history and sustainability under current and expected market conditions. When impairment indicators were present, we performed audit procedures that included, among others, assessing the methodologies used by management to determine fair value, testing the significant assumptions, including projected revenues, operating expenses, discount rates and the underlying data used by the Partnership in its analyses. For example, we compared the estimated cash flows used within the assessment to current operating results and future expected economic trends. We also performed sensitivity analyses of significant assumptions to evaluate the impact of changes in significant assumptions to management’s fair value estimate and recalculated management’s estimate. Lastly, we evaluated management’s determination as to whether an indicated impairment was other than temporary, considering factors such as the duration and magnitude of the decline in value. |

/s/ Ernst & Young LLP

Houston, Texas
February 24, 2021

We have served as the Partnership’s auditor since 2012.

## Report of Independent Registered Public Accounting Firm

To the Board of Directors of Phillips 66 Partners GP LLC and
Unitholders of Phillips 66 Partners LP

### Opinion on Internal Control over Financial Reporting

We have audited Phillips 66 Partners LP's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Phillips 66 Partners LP (the Partnership) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Partnership as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and our report dated February 24, 2021, expressed an unqualified opinion thereon.

### Basis for Opinion

Management of the Partnership's general partner, Phillips 66 Partners GP LLC, is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included under the heading "Assessment of Internal Control Over Financial Reporting" in the accompanying "Report of Management." Our responsibility is to express an opinion on the Partnership's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Houston, Texas
February 24, 2021

## Report of Independent Registered Public Accounting Firm

To the Management Committee and Members of
DCP Sand Hills Pipeline, LLC

### Opinion on the Financial Statements

We have audited the consolidated balance sheets of DCP Sand Hills Pipeline, LLC and subsidiary (the “Company”) as of December 31, 2020 and 2019, the related consolidated statements of operations, changes in members’ equity, and cash flows, for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

### Emphasis of a Matter

As discussed in Note 5 and Note 6 to the financial statements, the Company has significant transactions with related parties.

### Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

Critical audit matters are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ Deloitte & Touche LLP

Denver, Colorado
February 5, 2021

We have served as the Company’s auditor since 2013.

## Report of Independent Registered Public Accounting Firm

To the Management Committee and Members of
DCP Southern Hills Pipeline, LLC

**Opinion on the Financial Statements**

We have audited the consolidated balance sheets of DCP Southern Hills Pipeline, LLC and subsidiary (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of operations, changes in members' equity, and cash flows, for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

**Emphasis of a Matter**

As discussed in Note 5 and Note 6 to the financial statements, the Company has significant transactions with related parties.

**Basis for Opinion**

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

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical Audit Matters**

Critical audit matters are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ Deloitte & Touche LLP

Denver, Colorado
February 5, 2021

We have served as the Company's auditor since 2013.

**Report of Independent Registered Public Accounting Firm**

Board of Managers and Members
Dakota Access, LLC

**Opinion on the financial statements**
We have audited the consolidated balance sheets of Dakota Access, LLC (a Delaware limited liability company) and subsidiaries (the "Company") as of December 31, 2020, and 2019, the related consolidated statements of operations, members' equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

**Basis for opinion**
These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the auditing standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical audit matters**
Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgements. We determined that there are no critical audit matters.

**Pending litigation**
As disclosed in the Company's financial statements, the Company is currently party to legal proceedings, the ultimate outcome of which could adversely impact its operations. Currently, the resolution of these matters or the impact they may have on the Company and its operations cannot be determined. Our opinion is not modified with respect to this matter.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2015.

Dallas, Texas
February 11, 2021

**Consolidated Statement of Income** **Phillips 66 Partners LP**

| | Millions of Dollars | | |
|---|---|---|---|
| Years Ended December 31 | **2020** | 2019 | 2018 |
| **Revenues and Other Income** | | | |
| Operating revenues—related parties | **$ 1,008** | 1,097 | 1,012 |
| Operating revenues—third parties | **30** | 29 | 33 |
| Equity in earnings of affiliates | **493** | 535 | 439 |
| Gain from equity interest transfer | **84** | — | — |
| Other income | **3** | 6 | 2 |
| Total revenues and other income | **1,618** | 1,667 | 1,486 |
| **Costs and Expenses** | | | |
| Operating and maintenance expenses | **342** | 405 | 354 |
| Depreciation | **135** | 120 | 117 |
| Impairments | **96** | — | — |
| General and administrative expenses | **66** | 67 | 64 |
| Taxes other than income taxes | **40** | 39 | 35 |
| Interest and debt expense | **121** | 108 | 115 |
| Other expenses | **7** | 2 | 1 |
| Total costs and expenses | **807** | 741 | 686 |
| Income before income taxes | **811** | 926 | 800 |
| Income tax expense | **3** | 3 | 4 |
| **Net Income** | **808** | 923 | 796 |
| Less: Net income attributable to noncontrolling interest | **17** | — | — |
| **Net Income Attributable to the Partnership** | **791** | 923 | 796 |
| Less: Preferred unitholders' interest in net income attributable to the Partnership | **41** | 37 | 37 |
| Less: General partner's interest in net income attributable to the Partnership | **—** | 140 | 240 |
| **Limited Partners' Interest in Net Income Attributable to the Partnership** | **$ 750** | 746 | 519 |
| **Net Income Attributable to the Partnership Per Limited Partner Unit *(dollars)*** | | | |
| Common units—basic | **$ 3.29** | 4.45 | 4.22 |
| Common units—diluted | **3.27** | 4.29 | 4.00 |
| **Weighted-Average Limited Partner Units Outstanding (*thousands*)** | | | |
| Common units—basic | **228,333** | 167,655 | 122,769 |
| Common units—diluted | **242,153** | 181,475 | 136,588 |

*See Notes to Consolidated Financial Statements.*

**Consolidated Statement of Comprehensive Income** **Phillips 66 Partners LP**

| | Millions of Dollars | | |
|---|---|---|---|
| Years Ended December 31 | **2020** | 2019 | 2018 |
| **Net Income** | **$ 808** | 923 | 796 |
| Defined benefit plans | | | |
| Plan sponsored by equity affiliates, net of income taxes | **—** | — | — |
| Other comprehensive income | **—** | — | — |
| **Comprehensive Income** | **808** | 923 | 796 |
| Less: Comprehensive income attributable to noncontrolling interest | **17** | — | — |
| **Comprehensive Income Attributable to the Partnership** | **$ 791** | 923 | 796 |

*See Notes to Consolidated Financial Statements.*

**Consolidated Balance Sheet** **Phillips 66 Partners LP**

| | | Millions of Dollars | |
|---|---|---|---|
| At December 31 | | **2020** | 2019 |
| **Assets** | | | |
| Cash and cash equivalents | **$** | **7** | 286 |
| Accounts receivable—related parties | | **103** | 101 |
| Accounts receivable—third parties | | **3** | 4 |
| Materials and supplies | | **16** | 13 |
| Prepaid expenses and other current assets | | **11** | 10 |
| Total current assets | | **140** | 414 |
| Equity investments | | **3,244** | 2,961 |
| Net properties, plants and equipment | | **3,639** | 3,349 |
| Goodwill | | **185** | 185 |
| Other assets | | **50** | 52 |
| Total Assets | **$** | **7,258** | 6,961 |
| | | | |
| **Liabilities** | | | |
| Accounts payable—related parties | **$** | **19** | 19 |
| Accounts payable—third parties | | **73** | 84 |
| Accrued interest | | **35** | 42 |
| Deferred revenues | | **27** | 16 |
| Short-term debt | | **465** | 25 |
| Accrued property and other taxes | | **11** | 10 |
| Other current liabilities | | **3** | 3 |
| Total current liabilities | | **633** | 199 |
| Long-term debt | | **3,444** | 3,491 |
| Obligation from equity interest transfer | | **—** | 343 |
| Other liabilities | | **90** | 94 |
| Total Liabilities | | **4,167** | 4,127 |
| | | | |
| **Equity** | | | |
| Preferred unitholders (2020 and 2019—13,819,791 units issued and outstanding) | | **749** | 746 |
| Common unitholders—public (2020—58,580,009 units issued and outstanding; 2019—58,539,439 units issued and outstanding) | | **2,706** | 2,717 |
| Common unitholder—Phillips 66 (2020 and 2019—169,760,137 units issued and outstanding) | | **(656)** | (628) |
| Accumulated other comprehensive loss | | **(1)** | (1) |
| Total unitholders’ equity | | **2,798** | 2,834 |
| Noncontrolling interest | | **293** | — |
| Total Equity | | **3,091** | 2,834 |
| Total Liabilities and Equity | **$** | **7,258** | 6,961 |

*See Notes to Consolidated Financial Statements.*

**Consolidated Statement of Cash Flows** **Phillips 66 Partners LP**

| | Millions of Dollars | | |
|---|---|---|---|
| Years Ended December 31 | **2020** | 2019 | 2018 |
| **Cash Flows From Operating Activities** | | | |
| Net income | $ **808** | 923 | 796 |
| Adjustments to reconcile net income to net cash provided by operating activities | | | |
| Depreciation | **135** | 120 | 117 |
| Impairments | **96** | — | — |
| Undistributed equity earnings | **7** | (3) | (5) |
| Gain from equity interest transfer | **(84)** | — | — |
| Other | **8** | 10 | (36) |
| Working capital adjustments | | | |
| Accounts receivable | **(1)** | (11) | (8) |
| Materials and supplies | **(1)** | — | — |
| Prepaid expenses and other current assets | **(1)** | 10 | (11) |
| Accounts payable | **(16)** | 7 | 11 |
| Accrued interest | **(7)** | 5 | 2 |
| Deferred revenues | **11** | (45) | 30 |
| Other accruals | **—** | — | (4) |
| Net Cash Provided by Operating Activities | **955** | 1,016 | 892 |
| | | | |
| **Cash Flows From Investing Activities** | | | |
| Cash capital expenditures and investments | **(910)** | (1,095) | (738) |
| Advances/loans—related party | **—** | (95) | — |
| Collection of advances/loans—related party | **—** | 95 | — |
| Liberty acquisition | **(75)** | — | — |
| Return of investment from equity affiliates | **177** | 67 | 43 |
| Proceeds from sale of equity interest | **—** | 81 | — |
| Net Cash Used in Investing Activities | **(808)** | (947) | (695) |
| | | | |
| **Cash Flows From Financing Activities** | | | |
| Issuance of debt | **415** | 1,758 | 675 |
| Repayment of debt | **(25)** | (1,286) | (575) |
| Issuance of common units | **2** | 169 | 128 |
| Debt issuance costs | **—** | (8) | — |
| Quarterly distributions to preferred unitholders | **(38)** | (37) | (37) |
| Quarterly distributions to common unitholders—public | **(205)** | (192) | (158) |
| Quarterly distributions to common unitholder—Phillips 66 | **(594)** | (321) | (202) |
| Quarterly distributions to General Partner—Phillips 66 | **—** | (206) | (216) |
| Net proceeds from equity interest transfer | **40** | 342 | — |
| Proceeds from noncontrolling interest | **3** | — | — |
| Distributions to noncontrolling interest | **(32)** | — | — |
| Other contributions from (distributions to) Phillips 66 | **8** | (3) | 4 |
| Net Cash Provided by (Used in) Financing Activities | **(426)** | 216 | (381) |
| | | | |
| **Net Change in Cash and Cash Equivalents** | **(279)** | 285 | (184) |
| Cash and cash equivalents at beginning of period | **286** | 1 | 185 |
| Cash and Cash Equivalents at End of Period | $ **7** | 286 | 1 |

*See Notes to Consolidated Financial Statements.*

**Consolidated Statement of Changes in Equity** **Phillips 66 Partners LP**

| | Millions of Dollars | | | | | | |
|---|---|---|---|---|---|---|---|
| | Partnership | | | | | | |
| | Preferred Unitholders Public | Common Unitholders Public | Common Unitholder Phillips 66 | General Partner Phillips 66 | Accum. Other Comprehensive Loss | Noncontrolling Interest | Total |
| December 31, 2017 | $ 746 | 2,274 | 487 | (1,345) | (1) | — | 2,161 |
| Cumulative effect of accounting change | — | 13 | 16 | 1 | — | — | 30 |
| Issuance of common units | — | 128 | — | — | — | — | 128 |
| Net income | 37 | 228 | 291 | 240 | — | — | 796 |
| Quarterly cash distributions to unitholders and General Partner ($2.936 per common unit) | (37) | (158) | (202) | (216) | — | — | (613) |
| Other contributions from Phillips 66 | — | — | — | 7 | — | — | 7 |
| December 31, 2018 | 746 | 2,485 | 592 | (1,313) | (1) | — | 2,509 |
| Cumulative effect of accounting change | — | (1) | — | — | — | — | (1) |
| Issuance of common units | — | 173 | — | — | — | — | 173 |
| Net income | 37 | 252 | 494 | 140 | — | — | 923 |
| Quarterly cash distributions to unitholders and General Partner ($3.400 per common unit) | (37) | (192) | (321) | (206) | — | — | (756) |
| Conversion of GP economic interest | — | — | (1,385) | 1,381 | — | | (4) |
| Other distributions to Phillips 66 | — | — | (8) | (2) | — | — | (10) |
| December 31, 2019 | 746 | 2,717 | (628) | — | (1) | — | 2,834 |
| Issuance of common units | **—** | **2** | **—** | **—** | **—** | **—** | **2** |
| Net income | **41** | **192** | **558** | **—** | **—** | **17** | **808** |
| Quarterly cash distributions to unitholders ($3.500 per common unit) | **(38)** | **(205)** | **(594)** | **—** | **—** | **—** | **(837)** |
| Transfer of equity interest | **—** | **—** | **—** | **—** | **—** | **305** | **305** |
| Proceeds from noncontrolling interest | **—** | **—** | **—** | **—** | **—** | **3** | **3** |
| Distributions to noncontrolling interest | **—** | **—** | **—** | **—** | **—** | **(32)** | **(32)** |
| Other contributions from Phillips 66 | **—** | **—** | **8** | **—** | **—** | **—** | **8** |
| **December 31, 2020** | **$ 749** | **2,706** | **(656)** | **—** | **(1)** | **293** | **3,091** |

*See Notes to Consolidated Financial Statements.*

| | Units | | | | |
|---|---|---|---|---|---|
| | Preferred Units Public | Common Units Public | Common Units Phillips 66 | General Partner Units Phillips 66 | Total Units |
| December 31, 2017 | 13,819,791 | 52,811,822 | 68,760,137 | 2,480,051 | 137,871,801 |
| Units issued in public equity offerings | — | 2,532,096 | — | — | 2,532,096 |
| December 31, 2018 | 13,819,791 | 55,343,918 | 68,760,137 | 2,480,051 | 140,403,897 |
| Units issued in public equity offerings | — | 3,195,521 | — | — | 3,195,521 |
| Units issued in conversion of GP economic interest | — | — | 101,000,000 | (2,480,051) | 98,519,949 |
| December 31, 2019 | 13,819,791 | 58,539,439 | 169,760,137 | — | 242,119,367 |
| Units issued in public equity offerings | **—** | **40,570** | **—** | **—** | **40,570** |
| **December 31, 2020** | **13,819,791** | **58,580,009** | **169,760,137** | **—** | **242,159,937** |

*See Notes to Consolidated Financial Statements.*

**Note 1—Business and Basis of Presentation**

Unless otherwise stated or the context otherwise indicates, all references to “Phillips 66 Partners,” “the Partnership,” “us,” “our,” “we,” or similar expressions refer to Phillips 66 Partners LP, including its consolidated subsidiaries. References to Phillips 66 may refer to Phillips 66 and/or its subsidiaries, depending on the context. References to our “General Partner” or “GP” refer to Phillips 66 Partners GP LLC, and references to “Phillips 66 PDI” refer to Phillips 66 Project Development Inc., the Phillips 66 subsidiary that holds a limited partner interest in us and wholly owns our General Partner.

**Description of the Business**
We are a Delaware limited partnership formed in 2013 by wholly owned subsidiaries of Phillips 66. We are a growth-oriented master limited partnership formed to own, operate, develop and acquire primarily fee-based midstream assets.

Our operations consist of crude oil, refined petroleum products and natural gas liquids (NGL) transportation, terminaling, processing and storage assets. We conduct our operations through both wholly owned and joint venture operations. The majority of our wholly owned assets are associated with, and are integral to the operation of, nine of Phillips 66’s owned or joint venture refineries. Our operations consist of one reportable segment.

We primarily generate revenue by providing fee-based transportation, terminaling, processing, storage and fractionation services to Phillips 66 and other customers. Our equity affiliates primarily generate revenue from transporting and terminaling crude oil, refined petroleum products and NGL. Since we do not own any of the crude oil, refined petroleum products and NGL we handle and do not engage in the trading of those commodities, we have limited direct exposure to risks associated with fluctuating commodity prices, although these risks indirectly influence our activities and results of operations over the long term.

The COVID-19 pandemic continues to disrupt economic activities globally. Reduced demand for petroleum products has resulted in decreased volumes through logistics infrastructure. The depth and duration of the economic consequences of the COVID-19 pandemic remain unknown. We continuously monitor our asset and investment portfolio for impairments in this challenging business environment. We recorded impairments totaling $96 million in 2020, and additional impairments may be required in the future.

**Basis of Presentation**
The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (GAAP).

## Note 2—Summary of Significant Accounting Policies

### Consolidation Principles and Investments in Affiliates
Our consolidated financial statements include the accounts of majority-owned, controlled subsidiaries. The equity method is used to account for investments in affiliates in which we have the ability to exert significant influence over the affiliates' operating and financial policies, including any variable interest entities of which we are not the primary beneficiary. Undivided interests in pipelines are consolidated on a proportionate basis.

### Use of Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

### Common Control Transactions
Businesses acquired from Phillips 66 and its subsidiaries are accounted for as common control transactions whereby the net assets acquired are combined with ours at their carrying value. Any difference between carrying value and recognized consideration is treated as a capital transaction. Cash consideration up to the carrying value of net assets acquired is presented as an investing activity in our consolidated statement of cash flows. Cash consideration in excess of the carrying value of net assets acquired is presented as a financing activity in our consolidated statement of cash flows.

### Revenue Recognition
Revenues are primarily recognized for pipeline transportation, terminaling, storage, processing and fractionation services generated under long-term agreements. A significant portion of our revenues are derived from Phillips 66. The majority of these agreements with Phillips 66 are considered operating leases under GAAP.

Effective for periods after January 1, 2019, we elected to account for lease and service elements of contracts classified as leases on a combined basis under the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, "Leases (Topic 842)," except for leases of processing-type assets, which contain non-ratable fees related to turnaround activity. For these types of leases, we continued to separate the lease and service elements based on relative standalone prices and applied the new lease standard to the lease element and the revenue standard to the service element.

For new or modified leases, our determination of lease classification involves estimates, primarily related to the fair value of the leased asset based on comparable replacement cost and obsolescence estimates, and the allocation of contract consideration between the lease and non-lease components based on the relative stand-alone selling price.

Revenues from fixed minimum volume commitments are recognized over the performance obligation period for stand-ready service contracts. Revenues from the variable element of these stand-ready contracts and other contracts without fixed elements are recognized based on the actual volumes transported, stored, processed and fractionated at contractual rates because the actual volumes specifically relate to our efforts to transfer the distinct services. Generally, our services are billed and payments are received on a monthly basis.

Billings to Phillips 66 for shortfall volumes under its quarterly minimum volume commitments are recorded as "Deferred revenues" in our consolidated balance sheet, as Phillips 66 generally has the right to make up the shortfall volumes in the following four quarters. For the lease element of the contracts, the deferred revenue will be recognized at the earlier of when shortfall volumes are made up, when the make-up rights contractually expire or when we determine the system will not have the necessary capacity to enable a customer to make up the shortfall volumes. For the service element of the contracts, the deferred revenue will be recognized when the performance obligation is complete or it is probable that the shortfall volumes will not be made up.

Billings for tolling services relating to maintenance turnaround activities are billed in advance of such activities.  These billings are initially recorded as "Deferred revenues" in our consolidated balance sheet and are recognized when the maintenance turnaround activity commences.  Deferred revenue relating to maintenance turnaround operating expenses is recognized in the period the work is performed.  Deferred revenue relating to capital projects performed concurrently with a maintenance turnaround is recognized ratably over the remaining tolling services agreement once the equipment is placed into service.

**Cash Equivalents**
Cash equivalents are highly liquid, short-term investments that are readily convertible to known amounts of cash and will mature within 90 days or less from the date of acquisition. We carry these at cost plus accrued interest, which approximates fair value.

**Imbalances**
We do not purchase or produce crude oil, refined petroleum or NGL product inventories. We experience imbalances as a result of variances in meter readings and in other measurement methods, and volume fluctuations within our crude oil, refined petroleum products and NGL systems due to pressure and temperature changes. Certain of our transportation contracts provide for the shipper to pay a contractual loss allowance, which is valued using quoted market prices of the applicable commodity being shipped. These contractual loss allowances, which are received from the shipper irrespective of, and independently calculated from, actual volumetric gains or losses, are recorded as revenue. Any actual volumetric gains or losses are valued using quoted market prices of the applicable commodities and are recorded as decreases or increases to operating and maintenance expenses, respectively.

**Fair Value Measurements**
We measure assets and liabilities requiring fair value presentation or disclosure using the price that would be received to sell an asset or paid to transfer a liability (i.e., an exit price), and disclose such amounts according to the quality of valuation inputs under the following hierarchy:

Level 1: Quoted prices in an active market for identical assets or liabilities.

Level 2: Observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly through market-corroborated inputs.

Level 3: Unobservable inputs that are significant to the fair value of assets or liabilities.

We classify the fair value of an asset or liability based on the lowest level of input significant to its measurement. A fair value initially reported as Level 3 will be subsequently reported as Level 2 if the unobservable inputs become inconsequential to its measurement, or corroborating market data becomes available. Asset and liability fair values initially reported as Level 2 will be subsequently reported as Level 3 if corroborating market data becomes unavailable.

The carrying amounts of our trade receivables and payables approximate fair value.

*Nonrecurring Fair Value Measurements*
We apply the fair value measurements criteria to determine the fair value of nonfinancial assets and liabilities that are measured at fair value on a nonrecurring basis, primarily asset retirement obligations and, when impaired, long-lived assets.

**Properties, Plants and Equipment (PP&E)**
PP&E is recorded at cost. Costs of maintenance and repairs, which are not significant improvements, are expensed when incurred. Depreciation of PP&E is determined by the individual-unit-straight-line method or the group-straight-line method (for those individual units that are highly integrated with other units).

**Capitalized Interest**
Interest from external borrowings is capitalized on major projects with an expected construction period of six months or longer. Capitalized interest is added to the cost of the underlying asset's PP&E or the applicable equity investment and is amortized over the useful life of the asset.

**Major Maintenance Activities**
Costs for planned integrity management projects are expensed in the period incurred. These types of costs include inspection services, contractor repair services, materials and supplies, equipment rentals and labor costs.

**Impairment of PP&E**
PP&E used in operations are assessed for impairment whenever changes in facts and circumstances indicate a possible significant deterioration in the future cash flows expected to be generated by an asset group. If, upon review, the sum of the undiscounted expected future pretax cash flows of an asset group is less than the carrying value of the asset group, including applicable liabilities, then the carrying value is written down to estimated fair value and the write down is reported as an impairment in the period in which the determination is made. Individual assets are grouped for impairment purposes at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets—generally at the pipeline system, terminal, or processing or fractionation system level. Since there usually is a lack of quoted market prices for our long-lived assets, the fair value of potentially impaired assets is typically determined based on the present value of expected future cash flows using discount rates and other assumptions believed to be consistent with those used by principal market participants, based on estimated replacement cost, or based on a multiple of operating cash flow validated with historical market transactions of similar assets where possible.

The expected future cash flows used for impairment reviews and related fair value calculations are based on estimated future throughputs, tariffs and fees, operating costs and capital project decisions, considering all available evidence at the date of review.

**Impairment of Investments in Nonconsolidated Entities**
Investments in nonconsolidated entities are assessed for impairment whenever changes in the facts and circumstances indicate a loss in value has occurred. When indicators exist, the fair value is estimated and compared to the investment carrying value. If any impairment is judgmentally determined to be other than temporary, the carrying value of the investment is written down to fair value. The fair value of the impaired investment is determined based on quoted market prices, if available, or upon the present value of expected future cash flows using discount rates and other assumptions believed to be consistent with those used by principal market participants and a market analysis of comparable assets, if appropriate.

**Goodwill**
Goodwill represents the excess of the purchase price over the estimated fair value of the net assets acquired in the acquisition of a business. Goodwill is not amortized, but rather is assessed for impairment annually and when events or changes in circumstances indicate that the fair value of the reporting unit with goodwill has been reduced below carrying value. The majority of our goodwill is related to acquisitions from Phillips 66. In these common control transactions, the net assets acquired are recorded at Phillips 66's historical carrying value, including any associated goodwill. We have one reporting unit for our goodwill impairment assessment.

**Asset Retirement Obligations and Environmental Costs**
Fair values of legal obligations to abandon or remove long-lived assets are recorded in the period in which the obligation arises. When the liability is initially recorded, we capitalize this cost by increasing the carrying amount of the related PP&E. Over time, the liability is increased for the change in its present value, and the capitalized cost in PP&E is depreciated over the useful life of the related asset. Our estimate may change after initial recognition of the obligation, in which case we record an adjustment to the liability and PP&E.

Environmental expenditures are expensed or capitalized, depending upon their future economic benefit. Expenditures relating to an existing condition caused by past operations, and those having no future economic benefit, are expensed. Liabilities for environmental expenditures are recorded on an undiscounted basis (unless acquired in a business combination) when environmental assessments or cleanups are probable and the costs can be reasonably estimated.

**Income Taxes**
We follow the asset and liability method of accounting for income taxes. Under this method, deferred income taxes are recognized for the tax consequences of temporary differences between the financial statement carrying amounts and the tax basis of our assets and liabilities. Our operations are treated as a partnership for federal and state income tax purposes, with each partner being separately taxed on its share of taxable income. Therefore, we have excluded income taxes from these consolidated financial statements, except for the income tax provision resulting from state laws that apply to entities organized as partnerships. Our tax provision is computed as if we were a stand-alone tax paying entity. Any interest and penalties related to income taxes would be reported in interest and debt expense and operating and maintenance expenses, respectively, in our consolidated statement of income.

**Note 3—Operating Revenues**

Operating revenues are primarily generated from long-term pipeline transportation, terminaling, storage, processing and fractionation lease and service agreements, mainly with Phillips 66. These agreements typically include escalation clauses to adjust transportation tariffs and terminaling and storage fees to reflect changes in price indices. In addition, most of these agreements contain renewal options, which typically require the mutual consent of both our customers and us.

Total operating revenues disaggregated by asset type were as follows:

| | | Millions of Dollars | | |
|---|---|---|---|---|
| | | **2020** | 2019 | 2018 |
| Pipelines | $ | **436** | 473 | 454 |
| Terminals | | **153** | 167 | 157 |
| Storage, processing and other revenues | | **449** | 486 | 434 |
| Total operating revenues | $ | **1,038** | 1,126 | 1,045 |

The majority of our agreements with Phillips 66 are considered operating leases under GAAP. The classification of a lease as either an operating or a financing lease requires judgment in assessing the contract's lease and service components and in determining the asset's fair value. For reporting periods prior to our adoption of the new lease accounting standard, ASU No. 2016-02, as of January 1, 2019, the lease and service elements included in these contracts were separated with the lease element recognized in accordance with the existing lease accounting standard and service element recognized in accordance with the revenue accounting standard. Effective for periods after January 1, 2019, we elected to account for lease and service elements of contracts classified as leases on a combined basis under the provisions of ASU No. 2016-02, except for leases of processing-type assets, which contain non-ratable fees related to turnaround activity. For these types of leases, we continue to separate the lease and service elements based on relative standalone prices and apply the lease standard to the lease element and the revenue standard to the service element.

Total operating revenues disaggregated by lease and service revenues were as follows:

| | | Millions of Dollars | |
|---|---|---|---|
| | | **2020** | 2019 |
| Lease revenues | $ | **875** | 930 |
| Service revenues | | **163** | 196 |
| Total operating revenues | $ | **1,038** | 1,126 |

**Accounts Receivable**
We bill our customers, mainly Phillips 66, under our lease and service contracts generally on a monthly basis.

Total accounts receivable by revenue type was as follows:

| | | Millions of Dollars | |
|---|---|---|---|
| | | **2020** | 2019 |
| Lease receivables | $ | **87** | 87 |
| Service receivables | | **19** | 18 |
| Total accounts receivable | $ | **106** | 105 |

**Deferred Revenues**

Our deferred revenues represent payments received from our customers, mainly Phillips 66, in advance of the period in which lease and service contract performance obligations have been fulfilled. The majority of our deferred revenues relate to a tolling agreement and a storage agreement that are classified as leases. The remainder of our deferred revenues relate to lease and service agreements that contain minimum volume commitments with recovery provisions. Our deferred revenues are recorded in the "Deferred revenues" and "Other liabilities" line items on our consolidated balance sheet.

Total deferred revenues under our lease and service agreements were as follows:

| | Millions of Dollars | |
|---|---|---|
| | **2020** | 2019 |
| Deferred lease revenues | **$ 45** | 41 |
| Deferred service revenues | **4** | 1 |
| Total deferred revenues | **$ 49** | 42 |

**Future Minimum Lease Payments from Customers**

At December 31, 2020, future minimum payments to be received under our lease agreements with customers were estimated to be:

| | Millions of Dollars |
|---|---|
| 2021 | $ 765 |
| 2022 | 752 |
| 2023 | 706 |
| 2024 | 588 |
| 2025 | 530 |
| Remaining years | 1,297 |
| Total future minimum lease payments from customers | $ 4,638 |

**Remaining Performance Obligations**
We typically have long-term service contracts with our customers, of which the original durations range from 5 to 15 years. The weighted-average remaining duration of these contracts is 9 years. These contracts include both fixed and variable transaction price components. At December 31, 2020, future service revenues expected to be recognized for the fixed component of the transaction price of our remaining performance obligations from service contracts with our customers that have an original expected duration of greater than one year were:

| | Millions of Dollars |
|---|---|
| 2021 | $ 124 |
| 2022 | 124 |
| 2023 | 124 |
| 2024 | 99 |
| 2025 | 95 |
| Remaining years | 381 |
| Total future service revenues | $ 947 |

For the remaining service performance obligations, we applied the exemption for variable prices allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer distinct services as part of a performance obligation.

**Note 4—Equity Investments**

The following table summarizes the carrying value of our equity investments:

| | Percentage Ownership | Millions of Dollars 2020 | Millions of Dollars 2019 |
|---|---|---|---|
| Dakota Access, LLC and Energy Transfer Crude Oil Company, LLC (Bakken Pipeline) | 25.00 % | $ **577** | 592 |
| Bayou Bridge Pipeline, LLC (Bayou Bridge) | 40.00 | **288** | 294 |
| DCP Sand Hills Pipeline, LLC (Sand Hills) | 33.34 | **582** | 595 |
| DCP Southern Hills Pipeline, LLC (Southern Hills) | 33.34 | **217** | 215 |
| Explorer Pipeline Company (Explorer) | 21.94 | **92** | 105 |
| Gray Oak Pipeline, LLC | 65.00 | **860** | 759 |
| Liberty Pipeline LLC (Liberty) | 50.00 | **241** | — |
| Paradigm Pipeline LLC (Paradigm) | 50.00 | **141** | 143 |
| Phillips 66 Partners Terminal LLC (Phillips 66 Partners Terminal) | 70.00 | **15** | 70 |
| South Texas Gateway Terminal LLC (South Texas Gateway Terminal) | 25.00 | **167** | 74 |
| STACK Pipeline LLC (STACK) | 50.00 | **64** | 114 |
| Total equity investments | | $ **3,244** | 2,961 |

Earnings (losses) from our equity investments were as follows:

| | Millions of Dollars 2020 | 2019 | 2018 |
|---|---|---|---|
| Bakken Pipeline | $ **173** | 226 | 177 |
| Bayou Bridge | **31** | 31 | 14 |
| Sand Hills | **138** | 150 | 119 |
| Southern Hills | **42** | 43 | 37 |
| Explorer | **20** | 33 | 43 |
| Gray Oak Pipeline, LLC | **68** | 3 | 1 |
| Liberty | **—** | — | — |
| Paradigm | **15** | 14 | 10 |
| Phillips 66 Partners Terminal | **(2)** | 25 | 28 |
| South Texas Gateway Terminal | **5** | — | — |
| STACK | **3** | 10 | 10 |
| Total equity in earnings of affiliates | $ **493** | 535 | 439 |

Distributions received from our equity affiliates were $677 million, $599 million, and $477 million in 2020, 2019 and 2018, respectively.

**Dakota Access, LLC (Dakota Access) and Energy Transfer Crude Oil Company, LLC (ETCO)**
Dakota Access owns a pipeline system that transports crude oil from the Bakken/Three Forks production area in North Dakota to Patoka, Illinois, and ETCO owns a connecting crude oil pipeline system from Patoka to Nederland, Texas. These two pipeline systems collectively form the Bakken Pipeline system, which is operated by a co-venturer. The Bakken Pipeline system went into service in June 2017. We have a positive basis difference of $48 million for this investment, which represents capitalized interest incurred during construction of the pipeline and a capital contribution disbursed to the co-venturer. The positive basis difference is being amortized over periods between 17 and 42 years.

In March 2019, a wholly owned subsidiary of Dakota Access closed an offering of $2.5 billion aggregate principal amount of senior unsecured notes, consisting of:

- $650 million aggregate principal amount of 3.625% Senior Notes due 2022.
- $1.0 billion aggregate principal amount of 3.900% Senior Notes due 2024.
- $850 million aggregate principal amount of 4.625% Senior Notes due 2029.

Dakota Access and ETCO have guaranteed repayment of the notes. In addition, we and our co-venturers in Dakota Access provided a Contingent Equity Contribution Undertaking (CECU) in conjunction with the notes offering. Under the CECU, the co-venturers may be severally required to make proportionate equity contributions to Dakota Access if there is an unfavorable final judgment in the ongoing litigation related to an easement granted by the U.S. Army Corps of Engineers (USACE) to allow the pipeline to be constructed under Lake Oahe in North Dakota. Contributions may be required if Dakota Access determines that the issues included in any such final judgment cannot be remediated and Dakota Access has or is projected to have insufficient funds to satisfy repayment of the notes. If Dakota Access undertakes remediation to cure issues raised in a final judgment, contributions may be required if any series of the notes become due, whether by acceleration or at maturity, during such time, to the extent Dakota Access has or is projected to have insufficient funds to pay such amounts. At December 31, 2020, our share of the maximum potential equity contributions under the CECU was approximately $631 million.

In March 2020, the trial court presiding over this litigation ordered the USACE to prepare an Environmental Impact Statement (EIS) and requested additional information to enable a decision on whether the Dakota Access Pipeline should be shut down while the EIS is being prepared. In July 2020, the trial court ordered the Dakota Access Pipeline to be shut down and emptied of crude oil within 30 days and that the pipeline should remain shut down pending the preparation of the EIS by the USACE, which the USACE has indicated is expected to take approximately 13 months. Dakota Access filed an appeal and a request for a stay of the order, which was granted. In January 2021, the appellate court affirmed the trial court's order that: (1) vacated Dakota Access's easement under Lake Oahe, and (2) directed the USACE to prepare an EIS. The appellate court did not affirm the trial court's order that the Dakota Access Pipeline be shut down and emptied of crude oil. However, the appellate court acknowledged the precise consequences of the vacated easement remain uncertain. Since the pipeline is now an encroachment, the USACE could seek a shutdown of the pipeline during the preparation of the EIS. Alternatively, the trial court could again issue an injunction that the pipeline be shut down, assuming it makes all findings necessary for injunctive relief. A status hearing is scheduled for April 9, 2021, at which time the parties will discuss the appellate court's decision and how the USACE plans to proceed given the vacating of the easement.

If the pipeline is required to cease operations pending the preparation of the EIS, and should Dakota Access and ETCO not have sufficient funds to pay ongoing expenses, we also could be required to support our share of the ongoing expenses, including scheduled interest payments on the notes of approximately $25 million annually, in addition to the potential obligations under the CECU.

**Gray Oak Pipeline, LLC**
Gray Oak Pipeline, LLC was formed to develop and construct the Gray Oak Pipeline, which transports crude oil from the Permian and Eagle Ford to Texas Gulf Coast destinations that include Corpus Christi, Texas, and the Sweeny area, including the Phillips 66 Sweeny Refinery. We have a consolidated holding company that owns 65% of Gray Oak Pipeline, LLC.

In April 2018, we entered into a Purchase and Sale Agreement with Phillips 66 PDI to acquire its 100% interest in Gray Oak Holdings LLC (Holdings LLC), a limited liability company that, at that time, owned a 100% interest in Gray Oak Pipeline, LLC. We accounted for the acquisition of Holdings LLC as an acquisition of assets under common control. Also in April 2018, a co-venturer acquired a 25% interest in Gray Oak Pipeline, LLC, along with sufficient voting rights over key governance provisions such that we no longer could assert control over Gray Oak Pipeline, LLC. As a result, we (through our consolidated subsidiary Holdings LLC) began using the equity method of accounting for our investment in Gray Oak Pipeline, LLC at that time.

In December 2018, a third party exercised its option to acquire a 35% interest in Holdings LLC. Because Holdings LLC's sole asset was its 75% ownership interest in Gray Oak Pipeline, LLC, which was considered a financial asset, and because certain restrictions were placed on the third party's ability to transfer or sell its interest in Holdings LLC during the construction of the Gray Oak Pipeline, the legal sale of the 35% interest did not qualify as a sale under GAAP. Rather, the third party's subsequent cash contributions to Holdings LLC to fund its share of previously incurred and future construction costs plus a premium to us were reflected as a long-term obligation in the "Obligation from equity interest transfer" line item on our consolidated balance sheet and as financing cash inflows in the "Proceeds from equity interest transfer" line item on our consolidated statement of cash flows. The Gray Oak Pipeline commenced full operations in the second quarter of 2020 and the restrictions placed on the co-venturer were lifted on June 30, 2020, resulting in the recognition of the sale under GAAP. Accordingly, at June 30, 2020, the co-venturer's 35% interest in the holding company was recharacterized from a long-term obligation to a noncontrolling interest on our consolidated balance sheet, and the premium of $84 million previously paid by the co-venturer in 2019 was recharacterized from a long-term obligation to a gain in our consolidated statement of income. During 2020 and 2019, the co-venturer contributed an aggregate of $61 million and $342 million, respectively, into Holdings LLC, and Holdings LLC used these contributions to fund its portion of Gray Oak Pipeline, LLC's cash calls. We have an effective ownership interest of 42.25% in Gray Oak Pipeline, LLC, after considering our co-venturer's 35% interest in the consolidated holding company.

In February 2019, Holdings LLC transferred a 10% interest in Gray Oak Pipeline, LLC, to a third party that exercised a purchase option, for proceeds of $81 million. The proceeds received from this sale are reflected as an investing cash inflow in the "proceeds from sale of equity interest" line item on our consolidated statement of cash flows.

In June 2019, Gray Oak Pipeline, LLC entered into a third-party term loan facility. We and our co-venturers provided a guarantee through an equity contribution agreement requiring proportionate equity contributions to Gray Oak Pipeline, LLC up to the total outstanding loan amount. The net proceeds from the term loan were used by Gray Oak Pipeline, LLC for construction of the Gray Oak Pipeline and repayment of amounts borrowed under a related party loan agreement that we and our co-venturers executed in March 2019 and terminated upon the repayment by Gray Oak Pipeline, LLC in June 2019. Our total related party loan to and repayment received from Gray Oak Pipeline, LLC was $95 million.

In September 2020, Gray Oak Pipeline, LLC closed its offering of $1.4 billion aggregate principal amount of senior unsecured notes with maturities ranging from 2023 to 2027. These senior notes are not guaranteed by the Partnership or any of its co-venturers. Net proceeds from the offering were used to repay the $1,379 million outstanding under the third-party term loan facility described above, and for general company purposes. Concurrent with the full repayment of the third-party term loan facility, the associated guarantee we issued through an equity contribution agreement was terminated.

During its development phase, Gray Oak Pipeline, LLC was considered a variable interest entity (VIE) because it did not have sufficient equity at risk to fully fund the construction of all assets required for principal operations. We determined we were not the primary beneficiary because we and our co-venturers jointly directed the activities of Gray Oak Pipeline, LLC that most significantly impact economic performance. The Gray Oak Pipeline commenced full operations in the second quarter of 2020 and ceased being a VIE.

**Liberty**
In February 2020, we entered into a Purchase and Sale Agreement with Phillips 66 PDI to acquire its 50% interest in the Liberty Pipeline joint venture for $75 million. The purchase price reflected the reimbursement of project costs incurred by Phillips 66 prior to the effective date of the transaction. The transaction was funded through a combination of cash on hand and our revolving credit facility, and closed on March 2, 2020. Liberty was formed to develop and construct the Liberty Pipeline system which, upon completion, will transport crude oil from the Rockies and Bakken production areas to Cushing, Oklahoma. On March 24, 2020, we and our co-venturer announced we are deferring the development and construction of the Liberty Pipeline system as a result of the challenging business environment.

Liberty is considered a VIE because it does not have sufficient equity at risk to fully fund the construction of all assets required for principal operations. We have determined we are not the primary beneficiary because we and our co-venturer jointly direct the activities of Liberty that most significantly impact economic performance. At December 31, 2020, our maximum exposure to loss was $241 million, which represented the aggregate book value of our equity investment in Liberty.

**Bayou Bridge**
Bayou Bridge is a joint venture that owns a pipeline that transports crude oil from Nederland, Texas, to St. James, Louisiana. The Bayou Bridge Pipeline is operated by our co-venturer.

**Sand Hills**
Sand Hills is a joint venture with DCP Partners that owns an NGL pipeline system that extends from the Permian Basin and Eagle Ford to facilities along the Texas Gulf Coast and the Mont Belvieu, Texas market hub. The Sand Hills Pipeline system is operated by DCP Partners.

**Southern Hills**
Southern Hills is a joint venture with DCP Partners that owns an NGL pipeline system that extends from the Midcontinent region to the Mont Belvieu market hub. The Southern Hills Pipeline system is operated by DCP Partners. We have a negative basis difference of $88 million for this investment, which originated when the pipeline, formerly known as Seaway Products, was sold by Phillips 66 to a related party. The negative basis difference represents a deferred gain and is being amortized over 41 years.

**Explorer**
Explorer owns and operates a pipeline system that extends from the Texas Gulf Coast to Indiana. The Explorer Pipeline system transports refined petroleum products to more than 70 major cities in 16 U.S. states. We have a positive basis difference of $71 million for this investment, which represents fair value adjustments attributable to ownership increases in the pipeline. The positive basis difference is being amortized over periods between 7 and 15 years.

**Paradigm**
Paradigm is a joint venture that owns the Sacagawea pipelines and Keene Terminal in North Dakota. We account for the joint venture under the equity method of accounting due to governance provisions that require supermajority or unanimous voting on all decisions that significantly impact the governance, management and economic performance of the joint venture.

**Phillips 66 Partners Terminal**
Phillips 66 Partners Terminal is a joint venture that owns the Palermo Terminal in North Dakota. We account for the joint venture under the equity method of accounting due to governance provisions that require supermajority or unanimous voting on all decisions that significantly impact the governance, management and economic performance of the joint venture.

At December 31, 2020, we estimated the fair value of our investment in Phillips 66 Partners Terminal was below our book value, and we concluded the decline in fair value was not temporary, based upon our projections of future crude oil production in the joint venture's area of operation. As a result, we recorded a $50 million impairment in the fourth quarter of 2020. The impairment is included in the "Impairments" line item on our consolidated statement of income. The fair value of this equity method investment was calculated by weighting the results of different economic scenarios using the income approach. The income approach uses a discounted cash flow model that requires various observable and unobservable inputs, including volumes, rates, expenses and discount rates. This valuation resulted in a Level 3 nonrecurring fair value measurement.

**South Texas Gateway Terminal**
In April 2018, we acquired a 25% interest in the South Texas Gateway Terminal under construction by a co-venturer, which connects to the Gray Oak Pipeline in Corpus Christi. The first dock of the marine export terminal began crude oil export operations in July 2020. The second dock commenced crude oil export operations in the fourth quarter of 2020.

During its development phase, South Texas Gateway Terminal was considered a VIE because it did not have sufficient equity at risk to fully fund the construction of all assets required for principal operations. We determined we were not the primary beneficiary because we and our co-venturers jointly directed the activities of the terminal that most significantly impact economic performance. South Texas Gateway Terminal commenced primary operations in the fourth quarter of 2020 and ceased being a VIE.

**STACK**
STACK is a joint venture that owns and operates a crude storage terminal and a common carrier pipeline that transports crude oil from the Sooner Trend, Anadarko Basin, Canadian and Kingfisher Counties play in northwestern Oklahoma to Cushing, Oklahoma.

At December 31, 2020, we estimated the fair value of our investment in STACK was below our book value, and we concluded the decline in fair value was not temporary, based upon our projections of future crude oil production in the joint venture's area of operation. As a result, we recorded a $46 million impairment in the fourth quarter of 2020. The impairment is included in the "Impairments" line item on our consolidated statement of income. The fair value of this equity method investment was calculated by weighting the results of different economic scenarios using the income approach. The income approach uses a discounted cash flow model that requires various observable and unobservable inputs, including volumes, tariffs, expenses and discount rates. This valuation resulted in a Level 3 nonrecurring fair value measurement.

Summarized 100% financial information for all equity investments is presented on a combined basis below:

| | Millions of Dollars | | |
|---|---|---|---|
| | **2020** | 2019 | 2018 |
| Revenues | $ **2,670** | 2,753 | 2,294 |
| Income before income taxes | **1,583** | 1,894 | 1,536 |
| Net income | **1,545** | 1,832 | 1,518 |
| Current assets | **671** | 642 | 751 |
| Noncurrent assets | **12,884** | 12,072 | 9,561 |
| Current liabilities | **381** | 662 | 3,008 |
| Noncurrent liabilities | **4,673** | 4,322 | 496 |

*From acquisition date forward.*

**Note 5—Net Income Per Limited Partner Unit**

We calculate net income attributable to the Partnership per limited partner unit by dividing the limited partners' interest in net income by the weighted-average number of common units outstanding for the period. After considering the period's cash distributions declared, the remaining undistributed earnings or excess distributions declared over earnings, if any, are allocated to participating securities in accordance with the contractual terms of our partnership agreement and as prescribed under the two-class method for those periods in which we have participating securities. Participating securities included general partner units and associated incentive distribution rights prior to the restructuring transaction effective August 1, 2019. Our preferred units became participating securities effective October 1, 2020. See Note 13—Equity for information on the restructuring transaction and our preferred units.

For the diluted net income per limited partner unit calculation, the preferred units are assumed to be converted at the beginning of the period into common limited partner units on a one-for-one basis, and the distribution formula for available cash in our partnership agreement is recalculated, using the original available cash amount increased only for the preferred distributions declared which would not have been paid after conversion. Any potentially dilutive securities are excluded from the diluted earnings per unit computation if the effect of including such securities would be anti-dilutive.

| | Millions of Dollars | | |
|---|---|---|---|
| | **2020** | 2019 | 2018 |
| Net income attributable to the Partnership | $ **791** | 923 | 796 |
| Less: | | | |
| General partner's distributions declared (including IDRs)* | **—** | 139 | 236 |
| Limited partners' distributions declared on preferred units* | **41** | 37 | 37 |
| Limited partners' distributions declared on common units* | **799** | 609 | 382 |
| Distributions less than (more than) net income attributable to the Partnership | $ **(49)** | 138 | 141 |

**Distributions declared are attributable to the indicated periods.*

| | **2020** | | |
|---|---|---|---|
| | Limited Partners' Common Units | Limited Partners' Preferred Units | Total |
| Net income attributable to the Partnership *(millions):* | | | |
| Distributions declared | $ **799** | **41** | **840** |
| Distributions more than net income attributable to the Partnership | **(49)** | **—** | **(49)** |
| Net income attributable to the Partnership (basic) | **750** | **41** | **791** |
| Dilutive effect of preferred units | **41** | | |
| Net income attributable to the Partnership (diluted) | $ **791** | | |
| | | | |
| Weighted-average units outstanding—basic | **228,333,213** | | |
| Dilutive effect of preferred units | **13,819,791** | | |
| Weighted-average units outstanding—diluted | **242,153,004** | | |
| | | | |
| Net income attributable to the Partnership per limited partner unit—basic *(dollars)* | $ **3.29** | | |
| Net income attributable to the Partnership per limited partner unit—diluted *(dollars)* | **3.27** | | |

| | 2019 | | | | |
|---|---|---|---|---|---|
| | | Limited Partners' Common Units | General Partner (including IDRs) | Limited Partners' Preferred Units | Total |
| Net income attributable to the Partnership *(millions)*: | | | | | |
| Distributions declared | $ | 609 | 139 | 37 | 785 |
| Distributions less than net income attributable to the Partnership | | 137 | 1 | — | 138 |
| Net income attributable to the Partnership (basic) | | 746 | 140 | 37 | 923 |
| Dilutive effect of preferred units[1] | | 32 | | | |
| Net income attributable to the Partnership (diluted) | $ | 778 | | | |
| | | | | | |
| Weighted-average units outstanding—basic | | 167,655,306 | | | |
| Dilutive effect of preferred units[1] | | 13,819,791 | | | |
| Weighted-average units outstanding—diluted | | 181,475,097 | | | |
| | | | | | |
| Net income attributable to the Partnership per limited partner unit—basic *(dollars)* | $ | 4.45 | | | |
| Net income attributable to the Partnership per limited partner unit—diluted *(dollars)* | | 4.29 | | | |

*[1] The dilutive effect of the preferred units assumes the reallocation of net income attributable to the Partnership to the limited and general partners, including a reallocation associated with IDRs, pursuant to the available cash formula in the partnership agreement.*

| | 2018 | | | | |
|---|---|---|---|---|---|
| | | Limited Partners' Common Units | General Partner (including IDRs) | Limited Partners' Preferred Units | Total |
| Net income attributable to the Partnership *(millions)*: | | | | | |
| Distributions declared | $ | 382 | 236 | 37 | 655 |
| Distributions less than net income attributable to the Partnership | | 137 | 4 | — | 141 |
| Net income attributable to the Partnership (basic) | | 519 | 240 | 37 | 796 |
| Dilutive effect of preferred units[1] | | 28 | | | |
| Net income attributable to the Partnership (diluted) | $ | 547 | | | |
| | | | | | |
| Weighted-average units outstanding—basic | | 122,768,582 | | | |
| Dilutive effect of preferred units[1] | | 13,819,791 | | | |
| Weighted-average units outstanding—diluted | | 136,588,373 | | | |
| | | | | | |
| Net income attributable to the Partnership per limited partner unit—basic *(dollars)* | $ | 4.22 | | | |
| Net income attributable to the Partnership per limited partner unit—diluted *(dollars)* | | 4.00 | | | |

*[1] The dilutive effect of the preferred units assumes the reallocation of net income attributable to the Partnership to the limited and general partners, including a reallocation associated with IDRs, pursuant to the available cash formula in the partnership agreement.*

On January 19, 2021, the Board of Directors of our General Partner declared a quarterly cash distribution of $0.875 per common unit, which resulted in a total distribution to common unitholders of $200 million attributable to the fourth quarter of 2020. This distribution was paid February 12, 2021, to common unitholders of record as of January 29, 2021.

Beginning with the distribution to preferred unitholders attributable to the fourth quarter of 2020, the preferred unitholders are entitled to receive cumulative quarterly distributions equal to the greater of $0.678375 per unit, or the per-unit distribution amount paid to the common unitholders. Preferred unitholders received $12 million of distributions attributable to the fourth quarter of 2020. This distribution was paid February 12, 2021, to preferred unitholders of record as of January 29, 2021.

## Note 6—Major Customer and Concentration of Credit Risk

Phillips 66 accounted for 98%, 97% and 96% of our total operating revenues for the years ended December 31, 2020, 2019 and 2018, respectively. Through our wholly owned and joint venture operations, we provide crude oil, refined petroleum products and NGL pipeline transportation, terminaling and storage, and crude oil gathering, NGL fractionation, crude oil processing, and rail-unloading services to Phillips 66 and other related parties.

We are potentially exposed to concentration of credit risk primarily through our accounts receivable from Phillips 66. These receivables have payment terms of 30 days or less and are settled against any existing payables we may have to Phillips 66 through Phillips 66's interaffiliate settlement process. We monitor the creditworthiness of Phillips 66, which has an investment grade credit rating.

## Note 7—Properties, Plants and Equipment

Our investment in PP&E, with the associated accumulated depreciation, at December 31 was:

| | | Millions of Dollars | |
|---|---|---|---|
| | Estimated Useful Lives | **2020** | 2019 |
| Land | | $ **19** | 19 |
| Buildings and improvements | 3 to 30 years | **115** | 94 |
| Pipelines and related assets* | 10 to 45 years | **1,518** | 1,424 |
| Terminals and related assets* | 25 to 45 years | **847** | 741 |
| Rail racks and related assets* | 33 years | **137** | 137 |
| Processing and related assets* | 25 years | **1,063** | 1,041 |
| Caverns and related assets* | 25 to 45 years | **732** | 585 |
| Construction-in-progress | | **394** | 367 |
| Gross PP&E | | **4,825** | 4,408 |
| Accumulated depreciation | | **(1,186)** | (1,059) |
| Net PP&E | | $ **3,639** | 3,349 |

**Assets for which we are the lessor.*

## Note 8—Goodwill

The carrying amount of goodwill was as follows:

| | Millions of Dollars | |
|---|---|---|
| | **2020** | 2019 |
| Beginning balance January 1 | $ **185** | 185 |
| Activity during the year | **—** | — |
| Ending balance December 31 | $ **185** | 185 |

**Note 9—Lease Assets and Liabilities**

We have agreements with Phillips 66 to lease land underlying or associated with certain of our assets. These agreements are classified as operating leases. Due to the economic infeasibility of canceling these leases, we consider them non-cancellable. Certain leases include escalation clauses for adjusting rental payments to reflect changes in price indices. Our lease agreements do not impose any significant restrictions on distribution payments, asset dispositions or borrowing ability.

Effective with our implementation of ASU No. 2016-02, we elected to discount lease obligations using our incremental borrowing rate. For all leases, we elected the practical expedient not to separate service and lease costs. Our right-of way agreements in effect prior to January 1, 2019, were not accounted for as leases as they were not initially determined to be leases at their commencement dates. However, modifications to these agreements or new agreements will be assessed and accounted for accordingly under ASU No. 2016-02. For short-term leases, which are leases that, at the commencement date, have a lease term of 12 months or less and do not include an option to purchase the underlying asset that is reasonably certain to be exercised, we elected to not recognize the ROU asset and corresponding lease liability on our consolidated balance sheet.

Operating lease ROU assets are recorded in the "Other assets" line item and lease liabilities are recorded in the "Other current liabilities" and "Other liabilities" line items on our consolidated balance sheet. During the years ended December 31, 2020 and 2019, the total operating lease ROU asset was $44 million.

Future minimum lease payments and recorded short- and long-term lease liabilities at December 31, 2020, for operating leases were:

| | Millions of Dollars |
|---|---|
| 2021 | $ 3 |
| 2022 | 3 |
| 2023 | 3 |
| 2024 | 3 |
| 2025 | 3 |
| Remaining years | 87 |
| Future minimum lease payments | 102 |
| Amount representing interest or discounts | (58) |
| Total lease liabilities | 44 |
| Short-term lease liabilities | (1) |
| Long-term lease liabilities | $ 43 |

Operating lease costs and operating cash outflows for the year ended December 31, 2020 and 2019, were not material.

The weighted-average remaining lease term for our operating leases as of December 31, 2020 and 2019, was 34 and 35 years, respectively. The weighted-average discount rate for our operating leases as of December 31, 2020 and 2019, was 5.9%.

**Note 10—Debt**

Debt at December 31 was:

| | | Millions of Dollars | |
|---|---|---|---|
| | | **2020** | 2019 |
| 2.450% Senior Notes due December 2024 | $ | **300** | 300 |
| 3.605% Senior Notes due February 2025 | | **500** | 500 |
| 3.550% Senior Notes due October 2026 | | **500** | 500 |
| 3.750% Senior Notes due March 2028 | | **500** | 500 |
| 3.150% Senior Notes due December 2029 | | **600** | 600 |
| 4.680% Senior Notes due February 2045 | | **450** | 450 |
| 4.900% Senior Notes due October 2046 | | **625** | 625 |
| Tax-exempt bonds due April 2020 and April 2021, at weighted-average rates of 0.360% and 1.850% at December 31, 2020 and 2019, respectively | | **50** | 75 |
| Revolving credit facility borrowings due January 2021 at weighted-average rate of 1.397% | | **415** | — |
| Debt at face value | | **3,940** | 3,550 |
| Net unamortized discounts and debt issuance costs | | **(31)** | (34) |
| Total debt | | **3,909** | 3,516 |
| Short-term debt | | **(465)** | (25) |
| Long-term debt | $ | **3,444** | 3,491 |

The fair value of our fixed-rate and floating-rate debt is estimated based on observable market prices and is classified as Level 2 of the fair value hierarchy. The fair value of our fixed-rate debt amounted to $3,752 million and $3,650 million at December 31, 2020 and 2019, respectively. The fair value of our floating-rate debt approximated carrying value of $465 million and $75 million at December 31, 2020 and 2019, respectively.

Maturities of borrowings outstanding at December 31, 2020, inclusive of net unamortized discounts and debt issuance costs, for the five-year period ending 2025 were $465 million in 2021, $298 million in 2024 and $498 million in 2025.

During the year ended December 31, 2020, our debt at face value increased $390 million due to:

- Borrowings of $415 million under the revolving credit facility.
- Repayment of a $25 million tranche of the tax-exempt bonds.

**Revolving Credit Facility**
Our $750 million revolving credit facility may be used for direct bank borrowings and as support for issuances of letters of credit. We have an option to increase the overall capacity to $1 billion, subject to certain conditions. We also have the option to extend the facility for two additional one-year terms after its July 30, 2024, maturity date, subject to, among other things, the consent of the lenders holding the majority of the commitments and of each lender extending its commitment.

The facility is with a broad syndicate of financial institutions and contains covenants that are usual and customary for an agreement of this type, including that, as of the last day of each fiscal quarter, the ratio of total debt to EBITDA for the prior four fiscal quarters must be no greater than 5.0:1.0 (and 5.5:1.0 during the period following certain specified acquisitions). The facility has customary events of default, such as nonpayment of principal when due; nonpayment of interest, fees or other amounts; and violation of covenants.

Outstanding revolving borrowings under the facility bear interest, at our option, at either: (a) the Eurodollar rate in effect from time to time plus the applicable margin; or (b) the reference rate (as described in the facility) plus the applicable margin. The facility also provides for customary fees, including commitment fees. The pricing levels for the commitment fees and interest-rate margins are determined based on our credit ratings in effect from time to time. Borrowings under the facility may be short-term or long-term in duration, and we may at any time prepay outstanding borrowings under the facility, in whole or in part, without premium or penalty. At December 31, 2020, borrowings of $415 million were outstanding under this facility, compared with no borrowings outstanding under this facility at December 31, 2019. At both December 31, 2020 and 2019, $1 million in letters of credit had been issued that were supported by this facility.

**Tax-Exempt Bonds**
In 2017, we assumed four $25 million tranches of tax-exempt bonds issued by the Brazos River Harbor Navigation District. We repaid one tranche in 2018 and another tranche in April 2020. The two remaining tranches, totaling $50 million, mature in April 2021.

The tranches accrue interest monthly based on a daily rate derived by the remarketing agent for the bonds. The interest rates are designed to represent the lowest rate acceptable by the tax-exempt, variable-rate bond market and approximate the tax-exempt bonds trading at par.

**2019 Senior Notes**
On September 6, 2019, we closed on a public offering of $900 million aggregate principal amount of unsecured notes consisting of:

- $300 million aggregate principal amount of 2.450% Senior Notes due December 15, 2024.
- $600 million aggregate principal amount of 3.150% Senior Notes due December 15, 2029.

Interest on each series of senior notes is payable semi-annually in arrears on June 15 and December 15 of each year, commencing on June 15, 2020. Total proceeds received from the offering were $892 million, net of underwriting discounts and commissions. Net proceeds from the Senior Notes offering were used for general partnership purposes, including debt repayments. On September 13, 2019, we used a portion of the proceeds to repay the $400 million outstanding principal balance of the senior unsecured term loan facility that was drawn during the first half of 2019. On October 15, 2019, we used a portion of the proceeds to repay the aggregate $300 million outstanding principal balance of our 2.646% Senior Notes due February 2020.

**Note 11—Contingencies**

From time to time, lawsuits involving a variety of claims that arise in the ordinary course of business are filed against us. We also may be required to remove or mitigate the effects on the environment of the placement, storage, disposal or release of certain chemical, mineral and petroleum substances at various sites. We regularly assess the need for accounting recognition or disclosure of these contingencies. In the case of all known contingencies (other than those related to income taxes), we accrue a liability when the loss is probable and the amount is reasonably estimable. If a range of amounts can be reasonably estimated and no amount within the range is a better estimate than any other amount, then the minimum of the range is accrued. We do not reduce these liabilities for potential insurance or third-party recoveries. If applicable, we accrue receivables for probable insurance or other third-party recoveries. In the case of income-tax-related contingencies, we use a cumulative probability-weighted loss accrual in cases where sustaining a tax position is less than certain.

Based on currently available information, we believe it is remote that future costs related to known contingent liability exposures 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. Estimates particularly sensitive to future changes include any contingent liabilities recorded for environmental remediation, tax and legal matters. Estimated future environmental remediation costs are subject to change due to such factors as the uncertain magnitude of cleanup costs, the unknown time and extent of such remedial actions that may be required, and the determination of our liability in proportion to that of other potentially responsible parties. Estimated future costs related to tax and legal matters are subject to change as events evolve and as additional information becomes available during the administrative and litigation processes.

**Environmental**
We are subject to federal, state and local environmental laws and regulations. We record accruals for contingent environmental liabilities based on management's best estimates, using all information that is available at the time. We measure estimates and base liabilities on currently available facts, existing technology, and presently enacted laws and regulations, taking into account stakeholder and business considerations. When measuring environmental liabilities, we also consider our prior experience in remediation of contaminated sites, other companies' cleanup experience, and data released by the U.S. Environmental Protection Agency or other organizations. We consider unasserted claims in our determination of environmental liabilities, and we accrue them in the period they are both probable and reasonably estimable.

In the future, we may be involved in additional environmental assessments, cleanups and proceedings.

**Legal Proceedings**
Under our amended omnibus agreement, Phillips 66 provides certain services for our benefit, including legal support services, and we pay an operational and administrative support fee for these services. Phillips 66's legal organization applies its knowledge, experience and professional judgment to the specific characteristics of our cases, employing a litigation management process to manage and monitor the legal proceedings against us. The process facilitates the early evaluation and quantification of potential exposures in individual cases and enables tracking of those cases that have been scheduled for trial and/or mediation. Based on professional judgment and experience in using these litigation management tools and available information about current developments in all our cases, Phillips 66's legal organization regularly assesses the adequacy of current accruals and determines if adjustment of existing accruals, or establishment of new accruals, is required. At December 31, 2020 and 2019, we did not have any material accrued contingent liabilities associated with litigation matters.

**Indemnification and Excluded Liabilities**
Under our amended omnibus agreement and pursuant to the terms of various agreements under which we acquired assets from Phillips 66, Phillips 66 will indemnify us, or assume responsibility, for certain environmental liabilities, tax liabilities, litigation and any other liabilities attributable to the ownership or operation of the assets contributed to us and that arose prior to the effective date of each acquisition. These indemnifications and exclusions from liability have, in some cases, time limits and deductibles. When Phillips 66 performs under any of these indemnifications or exclusions from liability, we recognize noncash expenses and associated noncash capital contributions from our General Partner, as these are considered liabilities paid for by a principal unitholder.

**Note 12—Asset Retirement Obligations and Accrued Environmental Costs**

Asset retirement obligations and accrued environmental costs at December 31 were:

| | Millions of Dollars | |
|---|---|---|
| | **2020** | 2019 |
| Asset retirement obligations | $ **11** | 11 |
| Accrued environmental costs | **2** | 3 |
| Total asset retirement obligations and accrued environmental costs | **13** | 14 |
| Asset retirement obligations and accrued environmental costs due within one year | **(1)** | (1) |
| Long-term asset retirement obligations and accrued environmental costs | $ **12** | 13 |

**Asset Retirement Obligations**
We have asset retirement obligations we are required to perform under law or contract once an asset is permanently taken out of service. These obligations primarily relate to the abandonment or removal of certain pipelines. Most of these obligations are not expected to be paid until many years in the future.

During 2020 and 2019, our asset retirement obligations changed as follows:

| | Millions of Dollars | |
|---|---|---|
| | **2020** | 2019 |
| Balance at January 1 | $ **11** | 11 |
| Accretion of discount | **1** | — |
| New obligations | **—** | — |
| Changes in estimates of existing obligations | **(1)** | — |
| Balance at December 31 | $ **11** | 11 |

**Note 13—Equity**

**ATM Programs**
We have authorized an aggregate of $750 million under three $250 million continuous offerings of common units, or at-the-market (ATM) programs. The first two programs concluded in June 2018 and December 2019, respectively. For the year ended December 31, 2020, on a settlement-date basis, we issued an aggregate of 40,570 common units, generating net proceeds of $2 million. We temporarily suspended issuances under the ATM program in the first quarter of 2020 due to low common unit prices. During the year ended December 31, 2019, on a settlement-date basis, we issued an aggregate of 3,195,521 common units, generating net proceeds of $173 million. Since inception in June 2016 through December 31, 2020, we issued an aggregate of 9,487,055 common units under our ATM programs, and generated net proceeds of $494 million, after broker commissions of $5 million and other costs of $3 million. The net proceeds from sales under the ATM programs are used for general partnership purposes, which may include debt repayment, acquisitions, capital expenditures and additions to working capital.

**Restructuring Transaction**
On August 1, 2019, we closed on the transactions contemplated by the Partnership Interests Restructuring Agreement, dated July 24, 2019, entered into with our General Partner. Pursuant to this agreement, all of the outstanding IDRs held by our General Partner were eliminated and its approximately 2% general partner interest in us was converted into a non-economic general partner interest; both in exchange for an aggregate of 101 million common units issued to Phillips 66 PDI. Because these transactions were between entities under common control, the common units issued to Phillips 66 PDI were not assigned any value; rather, our General Partner's negative equity balance of $1.4 billion at August 1, 2019, was transferred to Phillips 66's limited partner equity account.

**Preferred Units**
The preferred units rank senior to all common units with respect to distributions and rights upon liquidation. The holders of the preferred units were entitled to receive cumulative quarterly distributions equal to $0.678375 per unit, beginning for the quarter ended December 31, 2017, with a prorated amount from the date of issuance. Beginning with the distribution to preferred unitholders attributable to the fourth quarter of 2020, the preferred unitholders are entitled to receive cumulative quarterly distributions equal to the greater of $0.678375 per unit, or the per-unit distribution amount paid to the common unitholders as if such preferred units had converted into common units immediately prior to the record date.

The holders of the preferred units may convert their preferred units into common units, on a one-for-one basis, at any time after the second anniversary of the issuance date, in full or in part, subject to minimum conversion amounts and conditions. After the third anniversary of the issuance date, we may convert the preferred units into common units at any time, in whole or in part, subject to certain minimum conversion amounts and conditions, if the arithmetic average of the volume-weighted trading price of our common units is greater than $73.2645 per unit for the 20 day trading period immediately preceding the conversion notice date and the average trading volume of the common units is at least 100,000 for the preceding 20 trading days. The conversion rate for the preferred units shall be the quotient of (a) the sum of (i) $54.27, plus (ii) any unpaid cash distributions on the applicable preferred unit, divided by (b) $54.27. The holders of the preferred units are entitled to vote on an as-converted basis with the common unitholders and have certain other class voting rights with respect to any amendment to our partnership agreement that would adversely affect any rights, preferences or privileges of the preferred units. In addition, upon certain events involving a change in control, the holders of preferred units may elect, among other potential elections, to convert their preferred units to common units at the then change of control conversion rate.

## Note 14—Related Party Transactions

### Commercial Agreements

We have entered into long-term, fee-based commercial agreements with Phillips 66 to provide transportation, terminaling, storage, stevedoring, fractionation, processing, and rail terminal services. Under these agreements, Phillips 66 commits to provide us with minimum transportation, throughput or storage volumes, or minimum monthly service fees. If Phillips 66 does not meet its minimum volume commitments under an agreement, Phillips 66 pays us a deficiency payment based on the calculation described in the agreement.

### Amended and Restated Operational Services Agreement

Under our amended and restated operational services agreement, we reimburse Phillips 66 for certain operational services provided in support of our pipelines, terminaling, processing, and storage facilities. These services include routine and emergency maintenance and repair services, routine operational activities, routine administrative services, construction and related services and such other services as we and Phillips 66 may mutually agree upon from time to time.

### Amended Omnibus Agreement

The amended omnibus agreement addresses our payment of an operating and administrative support fee and our obligation to reimburse Phillips 66 for all other direct or allocated costs and expenses incurred by Phillips 66 in providing general and administrative services. Additionally, the omnibus agreement addresses Phillips 66's indemnification to us and our indemnification to Phillips 66 for certain environmental and other liabilities. Further, it addresses the granting of a license from Phillips 66 to us with respect to the use of certain Phillips 66 trademarks.

The operational and administrative support fee is for the provision of certain services, including: logistical services; asset oversight, such as operational management and supervision; corporate engineering services, including asset integrity and regulatory services; business development services; executive services; financial and administrative services (including treasury and accounting); information technology; legal services; corporate health, safety and environmental services; facility services; human resources services; procurement services; investor relations; tax matters; and public company reporting services. We pay Phillips 66 an operational and administrative support fee under the terms of our amended omnibus agreement in the amount of $8 million per month.

We also reimburse Phillips 66 for all other direct or allocated costs incurred on behalf of us, pursuant to the terms of our amended omnibus agreement. The classification of these charges between operating and maintenance expenses and general and administrative expenses is based on the functional nature of the services performed for our operations. Under our amended and restated operational services agreement, we reimburse Phillips 66 for the provision of certain operational services in support of our operating assets. Additionally, we pay Phillips 66 for insurance services provided to us, and recoveries under these policies are recorded as an offset to our expenses. Operating and maintenance expenses also include volumetric gains and losses associated with volumes transported by Phillips 66.

### Tax Sharing Agreement

Under our tax sharing agreement, we reimburse Phillips 66 for our share of state and local income and other taxes incurred by Phillips 66 due to our results of operations being included in a combined or consolidated tax return filed by Phillips 66. Any reimbursement is limited to the tax that we (and our subsidiaries) would have paid had we not been included in a combined group with Phillips 66. Phillips 66 may use its tax attributes to cause its combined or consolidated group to owe no tax; however, we would nevertheless reimburse Phillips 66 for the tax we would have owed, even though Phillips 66 had no cash expense for that period.

**Related Party Transactions**
Significant related party transactions included in our costs and expenses were:

| | Millions of Dollars | | |
|---|---|---|---|
| | **2020** | 2019 | 2018 |
| Operating and maintenance expenses | $ **184** | 258 | 214 |
| General and administrative expenses | **62** | 65 | 60 |

Other related party balances were included in the following line items on our consolidated balance sheet, all of which were related to commercial agreements with Phillips 66:

| | Millions of Dollars | |
|---|---|---|
| | **2020** | 2019 |
| Prepaid expenses and other current assets | $ **7** | 7 |
| Other assets | **47** | 44 |
| Deferred revenues | **27** | 16 |
| Other current liabilities | **1** | 1 |
| Other liabilities | **64** | 70 |

**Equity Affiliate Arrangements**
In March 2019, we and our co-venturers in Dakota Access provided a CECU in conjunction with a senior unsecured notes offering. See Note 4—Equity Investments, for additional information.

In September 2020, concurrent with the full repayment of a third-party term loan facility by Gray Oak Pipeline, LLC, the associated guarantee we issued through an equity contribution agreement was terminated. See Note 4—Equity Investments, for additional information.

## Note 15—Employee Benefit Plans

**Pension and Retirement Savings Plans**
Neither we nor our subsidiaries have any employees. Our General Partner has the sole responsibility for providing the employees and other personnel necessary to conduct our operations. All of the employees that conduct our wholly owned businesses are employed by Phillips 66. Those employees participate in benefit plans sponsored by Phillips 66. Most employees of Phillips 66 who provide direct support to our operations do so under the provisions of the amended and restated operational services agreement, which fees include a burden for benefit costs.

## Note 16—Unit-Based Compensation

In 2013, the Board of Directors of our General Partner adopted the Phillips 66 Partners LP 2013 Incentive Compensation Plan (the ICP). Awards under the ICP are available for officers, directors and employees of our General Partner or its affiliates, and any consultants or other individuals who perform services for the Partnership. The ICP allows for the grant of unit awards, restricted units, phantom units, unit options, unit appreciation rights, distribution equivalent rights, profits interest units and other unit-based awards. The ICP limits the number of common units that may be delivered pursuant to awards to 2,500,000, subject to proportionate adjustment in the event of unit splits and similar events.

From the closing of our initial public offering through December 31, 2020, we have only issued phantom units under the ICP and have only made issuances to non-employee directors. A phantom unit entitles the recipient to receive cash equal to the fair market value of a common unit on the date the phantom unit is settled after the vesting period (settlement date), and to also receive a distribution equivalent each quarter between the grant date and the settlement date in an amount equal to any cash distributions paid on a common unit during that time. During the year ended December 31, 2020, we granted a total of 6,092 phantom units to non-employee directors of the Partnership. For the years ended December 31, 2019 and 2018, we granted a total of 4,950 and 4,326 phantom units, respectively. On the grant date, phantom units awarded to non-employee directors become non-forfeitable; therefore, we immediately recognize expense equal to the grant-date fair value of the award. Phantom units awarded under the ICP do not have voting rights.

**Note 17—Income Taxes**

We are not a taxable entity for U.S. federal income tax purposes or for the majority of states that impose an income tax. Taxes on our net income are borne generally by our limited partners through the allocation of taxable income. Our income tax provision results from state laws that apply to entities organized as partnerships. For us, this is primarily the state of Texas.

At December 31, 2020 and 2019, we had a net deferred tax liability of $10 million and $9 million, respectively. The net deferred tax liability was primarily associated with PP&E and equity investments.

Our effective tax rate was less than 1% for the years ended December 31, 2020, 2019 and 2018.

At December 31, 2020 and 2019, we had no liability reported for uncertain tax positions. We also did not have any interest or penalties related to income taxes for the years ended December 31, 2020, 2019 and 2018. Texas tax returns for the years 2014 and forward are subject to examination.

**Note 18—Cash Flow Information**

**Capital Expenditures and Investments**
Our capital expenditures and investments consisted of:

| | | Millions of Dollars | | |
|---|---|---|---|---|
| | | **2020** | 2019 | 2018 |
| Cash capital expenditures and investments | $ | **910** | 1,095 | 738 |
| Change in capital expenditure accruals | | **5** | (13) | 38 |
| Total capital expenditures and investments | $ | **915** | 1,082 | 776 |

| | | Millions of Dollars | | |
|---|---|---|---|---|
| | | **2020** | 2019 | 2018 |
| **Cash Payments** | | | | |
| Interest and debt expense | $ | **124** | 100 | 109 |

**Note 19—Other Financial Information**

| | Millions of Dollars | | |
|---|---|---|---|
| | **2020** | 2019 | 2018 |
| **Interest and Debt Expense** | | | |
| Incurred | | | |
| Debt | **$ 138** | 133 | 119 |
| Other | **4** | 3 | 3 |
| | **142** | 136 | 122 |
| Capitalized | **(21)** | (28) | (7) |
| Expensed | **$ 121** | 108 | 115 |
| | | | |
| **Other Income** | | | |
| Interest income | **$ 1** | 3 | 1 |
| Other | **2** | 3 | 1 |
| Total other income | **$ 3** | 6 | 2 |

**Selected Quarterly Financial Data (Unaudited)**

| | | Millions of Dollars | | | | Per Common Unit | |
|---|---|---|---|---|---|---|---|
| | | | | | | Net Income Attributable to the Partnership | |
| | | Total Revenues and Other Income | Income Before Income Taxes | Net Income Attributable to the Partnership | Limited Partners' Interest in Net Income Attributable to the Partnership | Basic | Diluted |
| **2020** | | | | | | | |
| First | **$** | **404** | **227** | **226** | **216** | **0.95** | **0.93** |
| Second | | **430** | **255** | **255** | **246** | **1.07** | **1.05** |
| Third | | **394** | **217** | **206** | **196** | **0.86** | **0.85** |
| Fourth | | **390** | **112** | **104** | **92** | **0.40** | **0.40** |
| | | | | | | | |
| 2019 | | | | | | | |
| First | $ | 423 | 199 | 198 | 119 | 0.96 | 0.92 |
| Second | | 401 | 234 | 233 | 153 | 1.23 | 1.15 |
| Third | | 411 | 238 | 237 | 228 | 1.18 | 1.15 |
| Fourth | | 432 | 255 | 255 | 246 | 1.08 | 1.06 |

**Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**Item 9A. CONTROLS AND PROCEDURES**

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports we file or submit under the Securities Exchange Act of 1934, as amended (the Act), is recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission (the SEC) rules and forms, and that such information is accumulated and communicated to our General Partner's management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure. As of December 31, 2020, our General Partner's Chairman and Chief Executive Officer and its Vice President and Chief Financial Officer, with the participation of the General Partner's management, carried out an evaluation, pursuant to Rule 13a-15(b) of the Act, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Act). Based upon that evaluation, our General Partner's Chairman and Chief Executive Officer and its Vice President and Chief Financial Officer concluded that our disclosure controls and procedures were operating effectively as of December 31, 2020.

There have been no changes in our internal control over financial reporting, as defined in Rule 13a-15(f) of the Act, in the quarterly period ended December 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Management's Annual Report on Internal Control Over Financial Reporting**

This report is included in Item 8. Financial Statements and Supplementary Data and is incorporated herein by reference.

**Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting**

This report is included in Item 8. Financial Statements and Supplementary Data and is incorporated herein by reference.

**Item 9B. OTHER INFORMATION**

None.

# PART III

## Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

**Management of Phillips 66 Partners LP**
Phillips 66 Partners GP LLC, our General Partner, is a wholly-owned subsidiary of Phillips 66. Our General Partner manages our operations and activities through its directors and executive officers. Our unitholders do not nominate candidates for, or vote for the election of, the directors of our General Partner. Through its indirect ownership of all of the membership interests in our General Partner, Phillips 66 elects all members of our General Partner's board of directors (the "Board"). Directors are elected by the sole member of our General Partner and hold office until their successors have been elected or qualified or until their earlier death, resignation, removal or disqualification. Our General Partner's executive officers are appointed by, and serve at the discretion of, the Board.

References in this Part III to our "Board," "directors" or "officers" refer to the board, directors and officers of our General Partner.

Neither we nor our subsidiaries have any employees. Our General Partner has the sole responsibility for providing the employees and other personnel necessary to conduct our operations. All of the employees that conduct our business are directly employed by affiliates of our General Partner, but we sometimes refer to these individuals as our employees for ease of reference.

**Directors and Executive Officers of Phillips 66 Partners GP LLC**
The following table shows our directors and executive officers and their ages as of February 24, 2021. Rosy Zuklic served as Vice President and Chief Operating Officer of our General Partner until November 2020 when she assumed a role in the Global Marketing organization of Phillips 66. In connection with Ms. Zuklic's change in responsibilities, Timothy D. Roberts assumed the role of Vice President and Chief Operating Officer and became an executive officer, as that term is defined under Rule 3b-7 of the Securities Exchange Act of 1934, as amended.

| Name | | Age |
|---|---|---|
| Greg C. Garland | Chairman of the Board of Directors and Chief Executive Officer | 63 |
| Kevin J. Mitchell | Director, Vice President and Chief Financial Officer | 54 |
| Timothy D. Roberts | Director, Vice President and Chief Operating Officer | 59 |
| Robert A. Herman | Director | 61 |
| Paula A. Johnson | Director | 57 |
| P.D. (David) Bairrington | Director | 65 |
| Mark A. Haney | Director | 66 |
| C. Douglas Johnson | Director | 61 |
| Joseph W. O'Toole | Director | 82 |
| Chukwuemeka A. Oyolu | Vice President and Controller | 51 |

**Greg C. Garland** has served as Chief Executive Officer and Chairman of the Board since March 2013. He has been Chairman of the Board of Directors and Chief Executive Officer of Phillips 66 since April 2012. Mr. Garland previously served as Senior Vice President, Exploration and Production—Americas for ConocoPhillips from 2010 to 2012 and as President and Chief Executive Officer of Chevron Phillips Chemical Company LLC (CPChem) from 2008 to 2010.

*Qualifications*: Mr. Garland brings to the Board extensive energy industry expertise and knowledge of all aspects of our business.

*Other Public Company Directorships*: Phillips 66 (since 2012) and Amgen Inc. (since 2013)

**Kevin J. Mitchell** was elected to the Board in January 2016 and has served as Vice President and Chief Financial Officer since that time. Mr. Mitchell has been Executive Vice President, Finance and Chief Financial Officer of Phillips 66 since January 2016, having previously served as Vice President, Investor Relations since September 2014. Mr. Mitchell also has been a member of the board of directors of CPChem since 2016.

*Qualifications*: Mr. Mitchell brings to the Board extensive energy industry experience, specifically in the areas of finance and accounting, compliance, risk management, and investor relations.

*Other Public Company Directorship*: None in the past five years.

**Timothy D. Roberts** was elected to the Board in April 2016 and has been Vice President and Chief Operating Officer, since November 2020. Mr. Roberts previously served as Vice President, Operations, from August 2018 to November 2020. Mr. Roberts has been Executive Vice President, Midstream for Phillips 66 since August 2018, previously serving as Executive Vice President, Marketing and Commercial from January 2017 to August 2018 and Executive Vice President, Strategy and Business Development from April 2016 through January 2017. Before joining Phillips 66, Mr. Roberts was a senior executive at LyondellBasell Industries NV, where he served in various executive positions. Mr. Roberts also has been a member of the board of directors of CPChem since 2018.

*Qualifications*: Mr. Roberts brings to the Board significant industry experience in the energy industry as well as unique perspective and guidance from his role as Executive Vice President, Midstream for Phillips 66.

*Other Public Company Directorships*: None in the past five years.

**Robert A. Herman** was elected to the Board in June 2014. Mr. Herman also currently serves as a Vice President and previously served as our Senior Vice President, Operations from 2014 to 2018. Mr. Herman has been Executive Vice President, Refining of Phillips 66 since September 2017, previously serving as Executive Vice President, Midstream, from June 2014 to September 2017.

*Qualifications*: Mr. Herman brings to the Board significant industry experience he has gained over more than 35 years in various technical and leadership roles within the oil and gas industry, including his prior role as Executive Vice President, Midstream of Phillips 66.

*Other Public Company Directorships*: None in the past five years.

**Paula A. Johnson** was elected to the Board in October 2020. Ms. Johnson has served as our Vice President and General Counsel since 2013. Ms. Johnson has been Executive Vice President, Legal and Government Affairs, General Counsel and Corporate Secretary of Phillips 66 since 2012. Prior to joining Phillips 66, Ms. Johnson held a series of positions between 2002 and 2012 in the ConocoPhillips legal department.

*Qualifications*: Ms. Johnson brings to the Board considerable experience in legal and business affairs, transactional law, regulatory compliance and corporate governance, ethics and risk management matters, as well as an energy industry background.

*Other Public Company Directorships*: None in the past five years.

**P.D. (David) Bairrington** was elected to the Board in August 2016. Mr. Bairrington is the managing partner of a family owned real estate development company, JDMD Development, LLC. Mr. Bairrington previously spent 33 years in the energy industry with Phillips Petroleum Company and ConocoPhillips, from which he retired in June 2011, including a number of executive positions as a former board member of joint venture companies.

*Qualifications*: Mr. Bairrington brings extensive experience in the energy industry, including leadership experience with operating responsibilities and oversight of joint ventures.

*Other Public Company Directorships*: None in the past five years.

**Mark A. Haney** was elected to the Board in July 2013. Mr. Haney previously served in various executive and management roles at CPChem, including as Executive Vice President of Olefins and Polyolefins of CPChem until his retirement in December 2011. Prior to that, Mr. Haney served in numerous management roles with Phillips Petroleum Company.

*Qualifications*: Mr. Haney brings extensive experience in the energy industry, including leadership experience with operating responsibilities as well as other public company board service.

*Other Public Company Directorships*: Advanced Drainage Systems, Inc. (since 2014)

**C. Douglas Johnson** was elected to the Board in October 2020. Mr. Johnson served as Vice President and Controller of both Phillips 66 Partners and Phillips 66 from 2012 to 2014. Prior to that, Mr. Johnson served in various finance roles at ConocoPhillips. Mr. Johnson also served as a member of the board of directors of CPChem from 2012 to 2014.

*Qualifications*: Mr. Johnson brings to the Board considerable energy industry expertise, particularly in finance and accounting, as well as experience serving on public company boards.

*Other Public Company Directorships*: Gulfport Energy Corporation (since 2015) and Altus Midstream Company (2018-2020)

**Joseph W. O'Toole** was elected to the Board in July 2014. Mr. O'Toole is currently the managing partner of Maeve Investment Company, LP, a private investment company. Mr. O'Toole retired as Vice President General Tax Officer and General Tax Counsel of Phillips Petroleum Company in 1999, a position he held since 1977.

*Qualifications*: Mr. O'Toole brings extensive experience in the energy industry and knowledge of industry accounting, tax and financial practices.

*Other Public Company Directorships*: None in the past five years.

**Chukwuemeka A. Oyolu** has served as Vice President and Controller since December 2014. Mr. Oyolu has also served as Vice President and Controller of Phillips 66 since December 2014.

*Other Public Company Directorships*: None in the past five years.

## DIRECTOR INDEPENDENCE

The Board currently consists of nine directors. The NYSE does not require a publicly traded limited partnership like us to have a majority of independent directors on our Board. We are, however, required to have an Audit Committee comprised solely of independent directors. The Board considered all relevant facts and circumstances including, without limitation, transactions between the director directly or organizations with which the director is affiliated and us, any service by the director on the board of a company with which we conduct business, and the frequency and dollar amounts associated with these transactions, and has determined that each of Messrs. Haney, O'Toole, Bairrington and Johnson meets the independence standards and has no material relationship with us other than as a director, and satisfies the independence requirements of the NYSE and applicable SEC rules.

## BOARD LEADERSHIP STRUCTURE

Our Corporate Governance Guidelines provide the Board with the flexibility to determine the optimal leadership for the Board depending upon our particular needs and circumstances. The Board has determined that Mr. Garland is in the best position at this time to serve as Chairman due to his extensive knowledge of all aspects of our business, as well as our continued relationship with Phillips 66. Mr. Haney, an independent director, has been appointed as the Lead Director to preside at executive sessions of the non-management and independent Board of Directors.

## COMMITTEES OF THE BOARD

Our Board has a standing Audit Committee and Conflicts Committee, and may have such other committees as the Board shall determine from time to time. Each committee operates under a written charter, which is available on the "Corporate Governance" page of our website. Each charter requires the applicable committee to annually assess and report to the Board on the adequacy of the charter. Because we are a limited partnership, we are not required to have a compensation committee or a nominating/corporate governance committee.

### Audit Committee

Our General Partner has an Audit Committee consisting of four directors, each of whom meets the independence and experience standards established by the NYSE and the SEC. The members of the Audit Committee are Messrs. Bairrington, Haney, O'Toole and Johnson. Mr. O'Toole serves as the chair of the Audit Committee, and the Board has determined that Mr. O'Toole is an audit committee financial expert. The Audit Committee assists the Board in its oversight of the integrity of our financial statements and our compliance with legal and regulatory requirements and corporate policies and controls. The Audit Committee has the sole authority to retain and terminate our independent registered public accounting firm, pre-approve all auditing services and related fees and the terms thereof, and pre-approve any non-audit services to be rendered by our independent registered public accounting firm. The Audit Committee is also responsible for confirming the independence and objectivity of our independent registered public accounting firm. Our independent registered public accounting firm has unrestricted access to the Audit Committee. The Audit Committee has a written charter adopted by the Board, which is available on our website.

### Conflicts Committee

The Conflicts Committee reviews specific matters that may involve conflicts of interest in accordance with the terms of our partnership agreement. The members of our Conflicts Committee may not be officers or employees of our General Partner or directors, officers, or employees of its affiliates, and must meet the independence and experience standards established by the NYSE and the SEC to serve on an audit committee of a board of directors. In addition, the members of our Conflicts Committee may not own any interest in our General Partner or its affiliates other than common units or awards under our incentive compensation plan. The members of the Conflicts Committee are Messrs. Bairrington, Haney, and Johnson. Mr. Haney serves as the chair. The Board determines whether to refer a matter to the Conflicts Committee on a case-by-case basis.

### Code of Business Ethics and Conduct

Our General Partner has adopted a Code of Business Ethics and Conduct that applies to all directors and employees designed to help directors and employees resolve ethical issues in an increasingly complex global business environment. Our Code of Business Ethics and Conduct covers topics including, but not limited to, conflicts of interest, insider trading, competition and fair dealing, discrimination and harassment, confidentiality, payments to government personnel, anti-boycott laws, U.S. embargoes and sanctions, compliance procedures and employee complaint procedures. We also have a Code of Ethics for the Principal Executive Officer and Senior Financial Officers. This code supplements the Code of Business Ethics and Conduct and is applicable to our Chief Executive Officer, Chief Financial Officer and Controller. Any amendments to or waivers from the Code of Ethics for the Principal Executive Officer and Senior Financial Officers will be posted on our website. Both codes are available on our website under the "Corporate Governance" caption. Unitholders may also request printed copies of our Code of Business Ethics and Conduct by following the instructions located under the section "Website Access to SEC Reports" in Items 1 and 2. Business and Properties.

### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires directors and executive officers of our General Partner, and persons who own more than 10% of a registered class of our equity securities, to file reports of ownership and changes in ownership of our common units with the SEC and to furnish us with copies of the forms they file. To our knowledge, based solely upon a review of the copies of such reports furnished to us and written representations of our officers and directors, during the year ended December 31, 2020, all Section 16(a) reports applicable to our officers and directors were filed on a timely basis.

**Item 11. EXECUTIVE COMPENSATION**

Neither we nor our General Partner employ the individuals who serve as executive officers of our General Partner and are responsible for managing our business. We are managed by our General Partner, the executive officers of which are employees of Phillips 66. We and our General Partner have entered into an omnibus agreement, as amended, with Phillips 66 pursuant to which, among other matters:

- Phillips 66 makes available to our General Partner the services of the Phillips 66 employees who serve as the executive officers of our General Partner.

- Our General Partner is obligated to reimburse Phillips 66 for an allocated portion of the costs that Phillips 66 incurs in providing compensation and benefits to certain Phillips 66 employees, including the executive officers of our General Partner who devote at least a majority of their working time to our business (but not the executive officers of our General Partner who devote less than a majority of their working time to our business).

- Our General Partner pays an operational and administrative support fee to Phillips 66 to cover, among other things, the services provided to us by the executive officers of our General Partner who devote less than a majority of their working time to our business.

Pursuant to SEC rules, we are required to disclose certain compensation information for our "named executive officers," which generally includes our chief executive officer, chief financial officer and the three other most highly compensated executive officers serving as such as of the end of the last fiscal year. As of December 31, 2020, our executive officers included Messrs. Garland, Mitchell, Roberts and Oyolu. However, SEC rules also state that it is appropriate to include up to two additional executive officers who would have been included in the definition of named executive officer had they been serving as an executive officer as of the end of the year. For this reason, we are including Ms. Zuklic in our list of named executive officers (NEOs) notwithstanding that she was not serving as an executive officer at the end of 2020. Our NEOs for 2020 were:

- Greg C. Garland, Chairman and Chief Executive Officer

- Kevin J. Mitchell, Vice President and Chief Financial Officer

- Timothy D. Roberts, Vice President and Chief Operating Officer (from November 2020)

- Rosy Zuklic, Vice President and Chief Operating Officer (until November 2020)

- Chukwuemeka A. Oyolu, Vice President and Controller

**Compensation Discussion and Analysis**
Messrs. Garland, Mitchell, Roberts and Oyolu, who were also officers of Phillips 66 during 2020, devoted the majority of their time to their respective roles at Phillips 66 and also spent time, as needed, directly managing our business and affairs. Pursuant to the terms of the amended omnibus agreement, we pay a fixed operational and administrative support fee to Phillips 66, which covers, among other things, the services provided to us by these individuals. Messrs. Garland, Mitchell, Roberts and Oyolu do not receive any separate amounts of compensation for their services to our business or as executive officers of our General Partner and, except for the fixed operational and administrative support fee we pay to Phillips 66, we did not otherwise pay or reimburse any compensation amounts to or for them during 2020.

Prior to assuming her role at Phillips 66 in November 2020, Ms. Zuklic devoted substantially all her working time to our business and, pursuant to the terms of the amended omnibus agreement, we reimbursed Phillips 66 for all the compensation and benefits paid to her with respect to time spent managing our business. Mr. Roberts assumed the role of Chief Operating Officer in November 2020; however, he will continue to devote the majority of his time at his role at Phillips 66 as Executive Vice President, Midstream. Mr. Roberts will not receive any separate compensation for his services to our business or as an executive officer of the General Partner.

Neither we nor our General Partner has a compensation committee. The Human Resources and Compensation Committee of the Board of Directors of Phillips 66 (the Compensation Committee) has ultimate decision-making authority with respect to the compensation of Phillips 66's senior officers. The elements of compensation discussed below, and Phillips 66's decisions with respect to determinations on payments, were approved by the Compensation Committee, and were not subject to approvals by the Board of Directors of our General Partner.

See Note 14—Related Party Transactions—Amended Omnibus Agreement, in the Notes to Consolidated Financial Statements, for additional information.

**Elements of Compensation**
Phillips 66 provides compensation to its executives in the form of base salaries, annual cash incentive awards, long-term equity incentive awards and participation in various employee benefits plans and arrangements, including broad-based and supplemental defined contribution plans, defined benefit retirement plans and executive life insurance arrangements. Phillips 66 also provides additional benefits to approved senior officers, such as executive physicals, executive financial planning and physical security. In addition, although our NEOs have not entered into employment agreements with Phillips 66, our NEOs are eligible to participate in Phillips 66's severance or executive severance and change in control plans, pursuant to which they would receive severance payments and benefits from Phillips 66 in the event of an involuntary termination of employment (sometimes with an enhanced level of payment if such termination occurs in connection with a change in control of Phillips 66). In the future, Phillips 66 and/or our General Partner may provide different and/or additional compensation components, benefits and/or perquisites to our NEOs, to ensure that they are provided with a comprehensive and competitive compensation structure.

Other than the fixed operational and administrative support fee that we pay to Phillips 66 pursuant to the terms of the amended omnibus agreement, and any awards that may be granted in the future to Messrs. Garland, Mitchell, Roberts and Oyolu under the Incentive Compensation Plan (ICP), we will not pay or reimburse any compensation amounts to or for these individuals. For a detailed discussion of the compensation and benefits that Phillips 66 provides to its NEOs, and its philosophy, objectives and policies related to executive compensation, please refer to the Compensation Discussion and Analysis section of Phillips 66's 2021 Proxy Statement, which will be available upon its filing on the SEC's website at *http://www.sec.gov*. The following sets forth a more detailed explanation of the elements of Phillips 66's executive compensation program for Ms. Zuklic.

*Base Salary.* Base salary is designed to provide a competitive fixed rate of pay recognizing employees' different levels of responsibility and performance. In setting an executive's base salary, Phillips 66 considers factors including, but not limited to, the responsibility level for the position held, market data for its relevant peer group, experience and expertise, individual performance and business results.

*Annual Cash Bonus.* Phillips 66's annual cash incentive program provides participants with an opportunity to earn annual cash bonus awards generally based on company, business unit and individual performance. Target annual bonus levels are established at the beginning of each year and are based on a percentage of the executive's eligible earnings. For 2020, Ms. Zuklic had an annualized target bonus of 45% of her eligible earnings.

For 2020, Phillips 66 used the following metrics in relation to the corporate performance of Phillips 66 as a whole for annual bonus program purposes, with the weightings specified as follows:

| | |
|---|---|
| Adjusted EBITDA | 40% |
| Operating Excellence | 35% |
| Adjusted Controllable Cost | 15% |
| High-Performing Organization | 10% |

The Compensation Committee used its judgment in assessing results in relation to the foregoing categories of criteria to award between zero and 200% of each NEO's target bonus. There are multiple award units within Phillips 66 designed to measure performance and reward employees according to business unit performance. Performance criteria include quantitative and qualitative metrics specific to each business unit, such as EBITDA, cost control, safety and operational excellence, and resource and talent management. Finally, an individual performance adjustment may be applied for its executives and key employees. For 2020, Phillips 66 paid a cash bonus to Ms. Zuklic at a level of approximately 119% of her target award to recognize the overall performance of Phillips 66, the performance of Midstream, including Phillips 66 Partners, and her individual contributions.

*Long-Term Equity-Based Compensation Awards.* Phillips 66 maintains a long-term incentive program pursuant to which it grants equity-based awards in Phillips 66 stock to its executives and key employees. Awards are paid out from zero to 200% of target depending on Phillips 66's performance relative to the applicable targets. For the performance periods presented, payout levels for the Performance Share Program (PSP) awards were based on Phillips 66's Total Shareholder Return (TSR) (50%), as compared to a group of Phillips 66's peer companies, and after-tax Return on Capital Employed (ROCE) (50%), as compared to both its weighted average cost of capital and a group of Phillips 66's peer companies. Generally, performance at the 50th percentile of the peer group would result in a target payout subject to any adjustments made by the Compensation Committee. For performance periods that ended in 2020, payouts for the PSP were made in cash at the end of the performance period, with no escrow period.

We apply individual performance adjustments to targets at the beginning of the period. The Compensation Committee believes in applying performance adjustments at the beginning of the performance period, rather than the end, so that performance adjusted compensation is subject to company performance and market volatility throughout the performance period, aligning executive compensation with shareholder interests.

For 2020, Phillips 66's long-term incentive program delivered 50% of long-term target value in the form of performance share units through the PSP, 25% in the form of stock options and 25% in the form of restricted stock units. This reflects the cyclical nature of its business, promotes retention of high-performing talent and supports succession planning.

*Retirement, Health, Welfare and Additional Benefits.* Our NEOs are eligible to participate in the employee benefit plans and programs that Phillips 66 may from time to time offer to its employees, subject to the terms and eligibility requirements of those plans. Our NEOs are also eligible to participate in tax-qualified defined contribution and defined benefit retirement plans to the same extent as all other Phillips 66 employees. Phillips 66 also maintains three supplemental retirement plans in which its executives and key employees participate. Its voluntary deferred compensation plan (the Phillips 66 Key Employee Deferred Compensation Plan) allows executives to defer both the receipt and taxation of a portion of their base salary until separation and annual bonus until a specific date or when they separate from employment. Its defined contribution restoration plan (the Phillips 66 Defined Contribution Make-Up Plan) restores benefits capped under Phillips 66's qualified defined contribution plan due to Internal Revenue Code limits. Finally, its defined benefit restoration plan (the Phillips 66 Key Employee Supplemental Retirement Plan) restores company sponsored benefits capped under the qualified defined benefit pension plan due to Internal Revenue Code limits. Our NEOs, including Ms. Zuklic, participate in these programs and Phillips 66 remains responsible for providing 100% of the benefits thereunder. However, with respect to the executives for whom we are obligated to reimburse Phillips 66 for an allocated portion of compensation and benefits costs, we will pay periodic amounts to Phillips 66 pursuant to the terms of the amended omnibus agreement representing Phillips 66's estimated costs for providing these benefits. Phillips 66 also provides executive health and financial planning benefits to our NEOs, subject to certain eligibility requirements.

*Severance and Change in Control Programs.* Phillips 66 does not maintain individual severance or change in control agreements with its executives. Rather, Phillips 66 maintains a severance plan to provide and preserve an economic motivation for participating executives to consider a business combination that might result in an executive's job loss and to compete effectively in attracting and retaining executives in an industry that features frequent acquisitions and divestitures.

The severance plan provides that if Phillips 66 terminates the employment of an executive other than for cause, the executive will receive the following benefits:

- An amount equal to three weeks of pay for each year of service up to a maximum of 60 weeks of pay.
- Continued eligibility for a pro rata portion of the annual bonus paid with respect to the year of termination.
- Layoff treatment under compensation plans that generally allows the executive to retain grants of Phillips 66 stock options and restricted stock units, and maintain eligibility for Phillips 66 PSP awards for ongoing periods in which the NEO had participated for at least one year.

In addition, upon severance following a change in control, an executive becomes eligible for vesting in all Phillips 66 equity awards and lapsing of any restrictions, with continued ability to exercise any stock options for their remaining terms. Stock options shall be exercisable at the original times set forth in the applicable award documents.

**Our Incentive Compensation Plan**
Our General Partner adopted the ICP for officers, directors and employees of our General Partner or its affiliates, and any consultants, affiliates of our General Partner or other individuals who perform services for us. Our General Partner may issue our executive officers and other service providers long-term equity-based awards under the ICP. These awards are intended to compensate the recipients thereof based on the performance of our common units and their continued employment during the vesting period, as well as align their long-term interests with those of our unitholders. We will be responsible for the cost of awards granted under the ICP, and all determinations with respect to awards to be made under the ICP will be made by the Board of Directors of our General Partner or any committee thereof that may be established for such purpose or by any delegate of the Board of Directors or such committee, subject to applicable law, which we refer to as the plan administrator. The Board of Directors of our General Partner is currently designated as the plan administrator. The following description reflects the principal terms of the ICP.

*General.* The ICP provides for the grant, from time to time at the discretion of the Board of Directors of our General Partner or any applicable committee or delegate thereof, subject to applicable law, of unit awards, restricted units, phantom units, unit options, unit appreciation rights, distribution equivalent rights, profits interest units and other unit-based awards. The purpose of awards under the ICP is to provide additional incentive compensation to individuals providing services to us, and to align the economic interests of such individuals with the interests of our unitholders. The ICP limits the number of units that may be delivered pursuant to vested awards to 2,500,000 common units, subject to proportionate adjustment in the event of unit splits and similar events. Common units subject to awards that are canceled, forfeited, or otherwise terminated without delivery of the common units will be available for delivery pursuant to other awards. Common units canceled for payment of taxes will not be available for delivery pursuant to other awards.

*Restricted Units and Phantom Units.* A restricted unit is a common unit that is subject to forfeiture if the terms of vesting are not met. Upon vesting, the forfeiture restrictions lapse and the recipient holds a common unit that is not subject to forfeiture. A phantom unit is a notional unit that entitles the grantee to receive a common unit upon the vesting of the phantom unit or on a deferred basis upon specified future dates or events or, in the discretion of the plan administrator, cash equal to the fair market value of a common unit. The plan administrator may make grants of restricted and phantom units under the ICP that contain such terms, consistent with the ICP, as the administrator may determine are appropriate, including the period over which restricted or phantom units will vest. The plan administrator may, in its discretion, base vesting on the grantee's completion of a period of service or upon the achievement of specified financial objectives or other criteria or upon a change of control (as defined in the ICP) or as otherwise described in an award agreement. Distributions made by us with respect to awards of restricted units may be subject to the same vesting requirements as the restricted units.

*Distribution Equivalent Rights.* The plan administrator, in its discretion, may also grant distribution equivalent rights, either as stand-alone awards or in tandem with other awards. Distribution equivalent rights are rights to receive an amount in cash, restricted units or phantom units equal to all or a portion of the cash distributions made on units during the period in which an award remains outstanding.

*Unit Options and Unit Appreciation Rights.* The ICP also permits the grant of options covering common units. Unit options represent the right to purchase a number of common units at a specified exercise price. Unit appreciation rights represent the right to receive the appreciation in the value of a number of common units over a specified exercise price, either in cash or in common units. Unit options and unit appreciation rights may be granted to such eligible individuals and with such terms as the plan administrator may determine, consistent with the ICP; however, a unit option or unit appreciation right must have an exercise price equal to at least the fair market value of a common unit on the date of grant.

*Unit Awards.* Awards covering common units may be granted under the ICP with such terms and conditions, including restrictions on transferability, as the plan administrator may establish.

*Profits Interest Units.* Awards granted to grantees who are partners, or granted to grantees in anticipation of the grantee becoming a partner or granted as otherwise determined by the plan administrator, may consist of profits interest units. The plan administrator will determine the applicable vesting dates, conditions to vesting and restrictions on transferability and any other restrictions for profits interest awards.

*Other Unit-Based Awards.* The ICP may also permit the grant of "other unit-based awards," which are awards that, in whole or in part, are valued or based on or related to the value of a common unit. The vesting of another unit-based award may be based on a participant's continued service, the achievement of performance criteria or other measures. On vesting or on a deferred basis upon specified future dates or events, other unit-based awards may be paid in cash and/or in units (including restricted units), or any combination thereof as the plan administrator may determine.

*Source of Common Units.* Common units to be delivered with respect to awards may be newly issued units, common units acquired by us or our General Partner in the open market, common units already owned by our General Partner or us, common units acquired by our General Partner directly from us or any other person or any combination of the foregoing.

*Anti-Dilution Adjustments and Change in Control.* If an "equity restructuring" event occurs, and any adjustments to awards under the ICP with respect to such event were discretionary, the plan administrator will equitably adjust the number and type of units covered by each outstanding award and the terms and conditions of such award to equitably reflect the restructuring event, and the plan administrator will adjust the number and type of units with respect to which future awards may be granted under the ICP. With respect to other similar events, including, for example, a combination or exchange of units, a merger or consolidation or an extraordinary distribution of our assets to unitholders, that would not result in an accounting charge if adjustment to awards were discretionary, the plan administrator will have discretion to adjust awards in the manner it deems appropriate and to make equitable adjustments, if any, with respect to the number of units available under the ICP and the kind of units or other securities available for grant under the ICP. Furthermore, upon any such event, including a change in control of us or our General Partner, or a change in any law or regulation affecting the ICP or outstanding awards or any relevant change in accounting principles, the plan administrator will generally have discretion to (1) accelerate the time of exercisability or vesting or payment of an award, (2) require awards to be surrendered in exchange for a cash payment or substitute other rights or property for the award, (3) provide for the award to be assumed by a successor or one of its affiliates, with appropriate adjustments thereto, (4) cancel unvested awards without payment or (5) make other adjustments to awards as the plan administrator deems appropriate to reflect the applicable transaction or event.

*Termination of Employment.* The consequences of the termination of a grantee's employment, membership on our General Partner's Board of Directors or other service arrangement will generally be determined by the Compensation Committee in the terms of the relevant award agreement.

*Amendment or Termination of ICP.* The plan administrator, at its discretion, may terminate the ICP at any time with respect to the common units for which a grant has not previously been made. The ICP automatically terminates in July 2023. The plan administrator also has the right to alter or amend the ICP or any part of it from time to time or to amend any outstanding award made under the ICP, provided that no change in any outstanding award may be made that would materially impair the vested rights of the participant without the consent of the affected participant or result in taxation to the participant under Section 409A of the Internal Revenue Code.

**Compensation Consultants**
Our General Partner does not have a compensation committee, and its Board of Directors did not retain a compensation consultant in 2020.

**Unit Ownership Requirements**
Our General Partner does not have established unit ownership requirements.

**Guidelines for Trading by Insiders**
We maintain policies that govern trading in our units by the officers and directors of our General Partner who are required to report under Section 16 of the Exchange Act, as well as certain other employees who may have regular access to material non-public information about us. These policies include pre-approval requirements for all trades and periodic trading “black-out” periods designed with reference to our quarterly financial reporting schedule. We also require pre-approval of all trading plans adopted pursuant to Rule 10b5-1 promulgated under the Exchange Act. These policies also prohibit speculative transactions in our units that are designed to hedge the economic risks of unit ownership, as well as pledging our units.

**Compensation Risk Assessment**
The Compensation Committee oversees the risk assessment performed by Phillips 66 management of all elements of its compensation programs, policies and practices for all employees. A discussion of this risk assessment will be included in the Compensation Discussion and Analysis section of Phillips 66’s 2021 Proxy Statement, which will be available upon its filing on the SEC’s website at *http://www.sec.gov*.

**Chief Executive Officer Pay Ratio**
Neither we nor our General Partner have any employees. As a result, we have no basis for disclosing the annual compensation and corresponding ratio as required under Item 402(u) of Regulation S-K.

**Compensation Committee Interlocks and Insider Participation**
As discussed above, the listing rules of the New York Stock Exchange (NYSE) do not require us to maintain, and we do not maintain, a compensation committee.

**Compensation Committee Report**
The independent directors of our General Partner (the Independent Directors) have reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Independent Directors recommended to the Board of Directors of our General Partner that the Compensation Discussion and Analysis be included in this Annual Report on Form 10-K.

The Independent Directors have submitted this Report to the Board of Directors as of February 24, 2021:

- P.D. (David) Bairrington
- Mark A. Haney
- C. Douglas Johnson
- Joseph W. O’Toole

**Summary Compensation Table**

The following table summarizes the compensation for our NEOs for fiscal years 2020, 2019 and 2018.

| Name and Principal Position | Year | Salary[2] ($) | Stock Awards[3] ($) | Stock Options[4] ($) | Non-Equity Incentive Compensation Plan[5] ($) | Change in Pension Value and Nonqualified Deferred Compensation Earnings[6] ($) | All Other Compensation[7] ($) | Total ($) |
|---|---|---|---|---|---|---|---|---|
| Greg C. Garland, Chief Executive Officer [1] | 2020 | — | — | — | — | — | — | — |
| | 2019 | — | — | — | — | — | — | — |
| | 2018 | — | — | — | — | — | — | — |
| Kevin J. Mitchell, Vice President and Chief Financial Officer [1] | 2020 | — | — | — | — | — | — | — |
| | 2019 | — | — | — | — | — | — | — |
| | 2018 | — | — | — | — | — | — | — |
| Timothy D. Roberts, Vice President and Chief Operating Officer [1] | 2020 | — | — | — | — | — | — | — |
| Rosy Zuklic, Vice President and Chief Operating Officer [8] | 2020 | 339,786 | 298,806 | 99,540 | 182,210 | 53,716 | 69,912 | 1,043,970 |
| | 2019 | 328,300 | 357,742 | 94,932 | 298,425 | 53,253 | 76,850 | 1,209,502 |
| Chukwuemeka A. Oyolu, Vice President and Controller [1] | 2020 | — | — | — | — | — | — | — |
| | 2019 | — | — | — | — | — | — | — |
| | 2018 | — | — | — | — | — | — | — |

*(1) Messrs. Garland, Mitchell, Roberts and Oyolu do not receive separate compensation for services to us.*

*(2) Includes any amounts that were voluntarily deferred under Phillips 66's Key Employee Deferred Compensation Plan.*

*(3) Amounts shown represent the aggregate grant date fair value of awards determined in accordance with generally accepted accounting principles in the United States (GAAP) and reflect awards granted under Phillips 66's PSP and Phillips 66's Restricted Stock Program. These include awards that are expected to be finalized as late as 2022. Amounts shown relating to PSP are targets because target is the probable outcome for the applicable performance period, consistent with the accounting treatment under GAAP. If the maximum payout were used for the PSP awards the amounts shown relating to PSP would double, although the value of the actual payout would depend on the stock price at the time of the payout. If the minimum payout were used, the amounts for PSP awards would be reduced to zero. Actual payouts with regards to the targets set for the performance period that ended in 2020 were approved by the Compensation Committee at its February 2021 meeting. Earned payouts under the PSP 2020-2022 are expected to be made in cash at the end of the applicable performance period and will be forfeited if the NEO terminates prior to the end of the performance period (other than for death or following disability or after a change in control). If the NEO retires after age 55 and with five years of service, the NEO is entitled to a prorated award for any ongoing program in which he or she participated for at least 12 months.*

*(4) Amounts shown represent the aggregate grant date fair value of awards determined in accordance with GAAP and reflect awards granted under the Phillips 66 Stock Option Program.*

*(5) These are amounts paid under Phillips 66's annual bonus program (VCIP), including bonus amounts that were voluntarily deferred under the Key Employee Deferred Compensation Plan. These amounts were paid in February following the performance year.*

*(6) Reflects the actuarial increase in the present value of the benefits under Phillips 66's pension plans determined using interest rate and mortality rate assumptions consistent with those used in its financial statements. There are no Deferred Compensation Earnings reported in this column, as the nonqualified deferred compensation plans do not provide above-market or preferential earnings.*

*(7) Amounts shown represent company contributions under the Phillips 66 Matching Gift Program, company contributions made under our tax-qualified savings plan and non-qualified deferred compensation plan, costs associated with executive physicals, costs associated with financial counseling services with approved provider and occasionally, small gifts with associated tax protection.*

*(8) Ms. Zuklic is the former Vice President and Chief Operating Officer, and although she was not serving as an executive officer at the end of the year, disclosure is provided pursuant to Item 402(a)(3)(iv) of Regulation S-K.*

**Explanatory Note**

Each of the tables set forth below in this Item 11 include information only for Ms. Zuklic, as she is the only individual named in the Summary Compensation Table for whom we directly reimbursed Phillips 66 for compensation expense. Ms. Zuklic is the former Vice President and Chief Operating Officer, and although she was not serving as an executive officer at the end of the year, disclosure is provided pursuant to Item 402(a)(3)(iv) of Regulation S-K.

## Grants of Plan-Based Awards

The following table provides additional information about plan-based compensation disclosed in the Summary Compensation Table.

| | | Estimated Future Payouts Under Non-Equity Incentive Plan Awards[2] | | | Estimated Future Payouts Under Equity Incentive Plan Awards[3] | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Name | Grant Date[1] | Threshold ($) | Target ($) | Maximum ($) | Threshold (#) | Target (#) | Maximum (#) | All Other Stock Awards: Number of Shares of Stock or Units (#) | All Other Option Awards: Number of Securities Underlying Options (#) | Exercise or Base Price of Option Awards ($/sh) | Grant Date Fair Value of Stock and Option Awards[4] ($) |
| Ms. Zuklic | | — | 152,904 | 382,260 | — | — | — | — | — | — | — |
| | 2/4/2020 | — | — | — | — | — | — | 1,210 | — | — | 108,380 |
| | 2/4/2020 | — | — | — | — | 2,126 | 4,252 | — | — | — | 190,426 |
| | 2/4/2020 | — | — | — | — | — | — | — | 6,300 | 89.57 | 99,540 |

(1) *The grant date shown is the date on which the Compensation Committee approved the target awards.*

(2) *Threshold and maximum awards are based on the provisions in the VCIP. Actual awards earned can range from 0 to 200% of the target awards, with a further possible adjustment of +/- 50% of the target award depending on individual performance. The Compensation Committee retains the authority to make awards under the program and to use its judgment in adjusting awards, including making awards greater than the amounts shown in the table above, provided the award does not exceed amounts permitted under the 2013 Omnibus Stock and Performance Incentive Plan of Phillips 66. Actual payouts under the annual bonus program for 2020 are calculated using base salary earned in 2020 and reflected in the "Non-Equity Incentive Compensation Plan" column of the "Summary Compensation Table".*

(3) *Threshold and maximum awards are based on the provisions of the PSP. Actual awards earned can range from 0 to 200% of the target awards. Performance periods under the PSP cover a three-year period, and since a new three-year period commences each year, there could be three overlapping performance periods ongoing at any time. In 2020, targets were set for Ms. Zuklic with respect to an award for the three-year performance period beginning in 2020 and ending in 2022. The Compensation Committee retains the authority to make awards under the PSP using its judgment, including making awards greater than the maximum payout shown in the table above, provided the award does not exceed amounts permitted under the 2013 Omnibus Stock and Performance Incentive Plan of Phillips 66.*

(4) *For equity incentive plan awards, these amounts represent the grant date fair value at target level under the PSP as determined pursuant to GAAP. For Stock Option awards, these amounts represent the grant date fair value of the option awards using a Black-Scholes-Merton-based methodology. Actual value realized upon option exercise depends on market prices at the time of exercise. For other stock awards, these amounts represent the grant date fair value of the restricted stock unit awards determined pursuant to GAAP.*

## Outstanding Equity Awards at Fiscal Year End

We have not granted, and none of our NEOs have received any grants of, unit or unit-based awards and no such awards were outstanding as of December 31, 2020. We may make grants of unit and unit-based awards to our NEOs and other key employees under the ICP. See "Our Incentive Compensation Plan," for additional information.

Our NEOs have received and may continue to receive equity or equity-based awards in Phillips 66 under Phillips 66's equity compensation programs.

| Name | Grant Date [1] | Option Awards [2] | | | | Stock Awards | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Number of Securities Underlying Unexercised Options Exercisable[3] (#) | Number of Securities Underlying Unexercised Options Unexercisable (#) | Option Exercise Price ($) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested[4] (#) | Market Value of Shares or Units of Stock That Have Not Vested ($) | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested[5] (#) | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) |
| Ms. Zuklic | 2/7/2017 | 3,200 | — | 78.475 | 2/7/2027 | | | | |
| | 2/6/2018 | 1,800 | 900 | 94.850 | 2/6/2028 | | | | |
| | 2/5/2019 | 1,800 | 3,600 | 94.9675 | 2/5/2029 | | | | |
| | 2/4/2020 | — | 6,300 | 89.570 | 2/4/2030 | | | | |
| | | | | | | 2,948 | 206,183 | 9,596 | 671,144 |

*[1] The dates presented in this column represent the respective dates on which the awards were granted by Phillips 66.*

*[2] All options shown in the table have a maximum term for exercise of ten years from the grant date. Under certain circumstances, the terms for exercise may be shorter, and in certain circumstances, the options may be forfeited and canceled. All awards shown in the table have associated restrictions upon transferability.*

*[3] The options shown in this column vested and became exercisable in 2020 or prior years (although under certain termination circumstances, the options may still be forfeited). Options become exercisable in one-third increments on the first, second and third anniversaries of the grant date.*

*[4] These amounts include unvested restricted stock and restricted stock units. The awards have no voting rights, but do entitle the holder to receive dividend equivalents in cash. The value of the awards reflects the closing price of Phillips 66 stock, as reported on the NYSE, on December 31, 2020 ($69.94).*

*[5] Reflects potential awards from ongoing performance periods under the PSP for performance periods ending December 31, 2021, and December 31, 2022. These awards are shown at maximum; however, there is no assurance that awards will be granted at, below or above target after the end of the relevant performance periods, as the determination to make a grant and the amount of any grant is within the judgment of Phillips 66's Compensation Committee. Until an actual grant is made, these unearned awards pay no dividend equivalents. The value of these unearned awards reflects the closing price of Phillips 66 stock, as reported on the NYSE, on December 31, 2020 ($69.94).*

## Option Exercises and Stock Vested

The following table summarizes the value received from stock option exercises and stock grants vested during 2020.

| | Option Awards | | Stock Awards[1] | |
|---|---|---|---|---|
| Name | Number of Shares Acquired on Exercise(#) | Value Realized on Exercise($) | Number of Shares Acquired on Vesting(#) | Value Realized on Vesting($) |
| Ms. Zuklic | — | — | 9,530 | 804,195 |

*[1] Stock awards include restricted stock units that vested during the year, as well as the PSP 2017-2019 award that vested on December 31, 2020, and was paid out in cash in early 2021. The PSP award for Ms. Zuklic was 2,411 units valued at $164,375.*

## Pension Benefits

The following table lists the pension program participation and actuarial present value of defined benefit pension as of December 31, 2020.

| Name | Plan Name | Number of Years Credited Service[1](#) | Present Value of Accumulated Benefit($) | Payments During Last Fiscal Year($) |
|---|---|---|---|---|
| Ms. Zuklic | Phillips 66 Retirement Plan—Title II | 19 | 159,280 | — |
| | Phillips 66 Key Employee Supplemental Retirement Plan[2] | — | 84,426 | — |

*[1] Years of credited service include service recognized under the predecessor ConocoPhillips plans from which these plans were spun off effective May 1, 2012.*
*[2] The Phillips 66 Key Employee Supplemental Retirement Plan restores Company-sponsored benefits capped under the qualified defined benefit pension plan to Internal Revenue Code (IRC) limits. All employees, including Ms. Zuklic, are eligible to participate in the plan.*

## Nonqualified Deferred Compensation

The following table provides information on nonqualified deferred compensation of defined benefit pension as of December 31, 2020.

| Name | Beginning Balance[2]($) | Executive Contribution in Last Fiscal Year($) | Registrant Contribution in Last Fiscal Year[3]($) | Aggregate Earnings in Last Fiscal Year[4]($) | Aggregate Withdrawals/Distributions($) | Aggregate Balance at Last Fiscal Year-End[5]($) |
|---|---|---|---|---|---|---|
| Ms. Zuklic[1] | 50,716 | — | 33,888 | 12,897 | — | 97,501 |

*[1] Ms. Zuklic participates in the Phillips 66 Defined Contribution Make-Up Plan (DCMP). As of December 31, 2020, participants in this plan had 36 investment options. 28 of the options were the same as those available in Phillips 66's 401(k) plan and the remaining options were other mutual funds approved by the plan administrator.*
*[2] Beginning balance includes the final registrant contribution of fiscal year 2019 ($2,086).*
*[3] These amounts represent Phillips 66's contributions under the DCMP. These amounts are also included in the "All Other Compensation" column of the "Summary Compensation Table".*
*[4] These amounts represent earnings on plan balances from January 1 to December 31, 2020. These amounts are not included in the "Summary Compensation Table".*
*[5] The total reflects contributions by Ms. Zuklic, contributions by us, and earnings on balances prior to 2020; plus contributions by Ms. Zuklic and earnings from January 1, 2020, through December 31, 2020 (shown in the appropriate columns of this table, with amounts that are included in the "Summary Compensation Table" shown in footnote 2 above).*

**Potential Payments upon Termination or Change-in-Control**

The following table provides information about potential payments upon termination or change-in-control assuming the occurrence of a triggering event on December 31, 2020.

| Executive Benefits and Payments Upon Termination | Involuntary Not-for-Cause Termination (Not CIC)($) | Involuntary or Good Reason for Termination (CIC)($) | Death($) | Disability($) |
|---|---|---|---|---|
| Severance payment | 509,180 | 509,180 | — | — |
| Accelerated equity[1] | 552,556 | 559,326 | 552,556 | 552,556 |
| Life insurance | — | — | 342,084 | — |
| | 1,061,736 | 1,068,506 | 894,640 | 552,556 |

[1] *For the PSP, amounts for PSP 2018-2020 are shown based on the cash amount received in February 2021, while amounts for other periods are prorated to reflect the portion of the performance period completed by the end of 2020 and shown at target payout levels. These amounts reflect the closing price of Phillips 66 stock as reported on the NYSE on December 31, 2020 ($69.94). Restricted Stock and RSU amounts reflect the closing price of Phillips 66 stock as reported on the NYSE on December 31, 2020 ($69.94). For Stock Options with an exercise price lower than Phillips 66 stock's closing price on December 31, 2020, amounts reflect the intrinsic value as if the options had been exercised on December 31, 2020, but only for options the NEO would have retained for the specific termination event.*

**Compensation of Our Directors**

The officers or employees of our General Partner or of Phillips 66 who also serve as directors of our General Partner do not receive additional compensation for their service as a director of our General Partner. Directors of our General Partner who are not officers or employees of our General Partner or of Phillips 66, or independent directors, receive compensation as described below. In addition, independent directors are reimbursed for out-of-pocket expenses in connection with attending meetings of the Board of Directors or its committees. Each director will be indemnified for their actions associated with being a director to the fullest extent permitted under Delaware law.

Each of our General Partner’s independent directors receives an annual compensation package, which currently consists of $95,000 in annual cash compensation and $105,000 in annual equity-based compensation. In addition, the chairman of the Audit Committee and the chairman of the Conflicts Committee each receives an additional $15,000 in annual cash compensation and each member of the Conflicts Committee other than the Chairman receives a cash retainer of $10,000. Our Board of Directors periodically benchmarks our independent director compensation with a group of peer partnerships.

The equity portion of the independent directors’ compensation consists of phantom units granted under the ICP, which are subject to a three-year restriction period. The phantom units are expected to be granted in tandem with distribution equivalent rights and will be settled upon the expiration of the three-year restriction period. No deferral elections are expected to be permitted with respect to the equity-based portion of the annual compensation package. The cash portion of the annual compensation package is paid monthly, unless a timely election is made by the independent director to defer payment.

**Non-Employee Director Compensation Table**

The following table summarizes the compensation for our non-employee directors for 2020.

| Name | Fees Earned or Paid in Cash[1] ($) | Unit Awards[2] ($) | Option Awards ($) | Non-Equity Incentive Plan Compensation ($) | Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) | All Other Compensation[3] ($) | Total ($) |
|---|---|---|---|---|---|---|---|
| P.D. (David) Bairrington | 96,667 | 96,735 | — | — | — | 15,000 | 208,402 |
| Mark A. Haney | 101,667 | 96,735 | — | — | — | 250 | 198,652 |
| C. Douglas Johnson | 26,250 | 26,268 | — | — | — | — | 52,518 |
| Joseph W. O'Toole | 101,667 | 96,735 | — | — | — | 13,000 | 211,402 |

[1] *Reflects 2020 base cash compensation of $80,000 payable to each non-employee director and the applicable committee retainers (increased to $95,000 effective May 2020). In 2020, non-employee directors serving in specified committee positions also received the additional cash compensation described above. Compensation amounts reflect adjustments related to various changes in committee assignments by board members through the year, if any. Amounts shown in the "Fees Earned or Paid in Cash" column include any amounts that were voluntarily deferred. No directors elected to defer their cash compensation in 2020. Mr. Johnson joined the Board in October 2020 and received pro-rated compensation for the remainder of the year.*

[2] *Amounts represent the grant date fair value of unit awards. In 2020, non-employee directors received a grant of phantom units valued at $80,000 on the date of grant based on the average of the high and low prices for Phillips 66 Partners LP units on the grant date. In May 2020, an additional phantom unit grant valued at $16,667 was made. These grants are made in whole units with fractional units rounded up, resulting in units with a value of $80,030 being granted on January 15, 2020 and $16,705 being granted on May 15, 2020 ($26,268 was granted on October 1, 2020 for Mr. Johnson's pro-rated grant).*

[3] *"All Other Compensation" is made up primarily of certain gifts by directors to charities and educational institutions (excluding certain religious, political, fraternal, or athletic organizations) that are tax-exempt under Section 501(c)(3) of the IRC or meet similar requirements under the applicable law of other countries that we match under our Matching Gifts Program (Mr. Bairrington $15,000; Mr. Haney $250; and Mr. O'Toole $13,000). For active directors, the program matches up to $15,000 with regard to each program year. The amounts shown reflect the actual payments made by us in 2020, which due to processing delays can include contributions in 2019 that were matched by the Company in 2020 and therefore reported in 2020. "All Other Compensation" also includes any smaller gifts, such as books, ornaments and jackets, as well as associated tax protection.*

## Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

### Equity Compensation Plan Information

The following table sets forth information about Phillips 66 Partners LP common units that may be issued under all existing equity compensation plans as of December 31, 2020.

| Plan Category | Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights[1] | Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights[3] | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) |
|---|---|---|---|
| | (a) | (b) | (c) |
| Equity compensation plans approved by security holders | 15,368 [2] | $ — | 2,466,283 |
| Equity compensation plans not approved by security holders | — | — | — |
| Total | 15,368 | $ — | 2,466,283 |

[1] *Includes awards issued under the Incentive Compensation Plan (ICP).*
[2] *Includes 15,368 phantom units issued to non-employee directors that will be settled in cash upon lapsing of restrictions; however, the Partnership reserves the right to settle the phantom units with common units representing limited partner interests.*
[3] *There were no options outstanding under the ICP as of December 31, 2020.*

### Security Ownership of Certain Beneficial Owners

The following table sets forth information regarding persons who we know to be the beneficial owners of more than 5% of our issued and outstanding common units and Series A preferred units as of February 15, 2021. Percentages shown in the table are based on 228,340,146 common units and 13,819,791 Series A preferred units outstanding as of February 15, 2021.

| Name and Address | Common Units Beneficially Owned | Percentage of Common Units Beneficially Owned | Series A Preferred Units Beneficially Owned | Percentage of Series A Preferred Units Beneficially Owned |
|---|---|---|---|---|
| Phillips 66 Project Development Inc.[1]<br>2331 CityWest Blvd.<br>Houston, TX 77042 | 169,760,137 | 74.3 % | — | — |
| Stonepeak Screwdriver SPV LLC<br>717 5th Avenue<br>New York, NY 10022 | — | — | 11,608,624 | 84.0 % |
| FR XIII PSXP Holdings Holdco, L.L.C.<br>One Lafayette Place<br>Greenwich, CT 06830 | — | — | 1,842,639 | 13.3 % |

[1] *Phillips 66 is the parent company of Phillips 66 Company, which is the parent company of Phillips 66 Project Development Inc., the sole owner of the member interests of our General Partner. Phillips 66 and Phillips 66 Company may, therefore, be deemed to beneficially own the units held by Phillips 66 Project Development Inc.*

## Security Ownership of Directors and Executive Officers

The following table sets forth the number of our common units and shares of Phillips 66 common stock beneficially owned as of February 15, 2021 by each director and named executive officer of our General Partner, and by all directors and executive officers of our General Partner as a group. The address for each person named below is 2331 CityWest Blvd., Houston, Texas 77042.

| | Amount and Nature of Beneficial Ownership | | Percent of Total Outstanding (%) | |
|---|---|---|---|---|
| Name of Beneficial Owner | Phillips 66 Partners Common Units | Phillips 66 Common Stock[1] | Phillips 66 Partners | Phillips 66 |
| Greg C. Garland | 35,000 | 1,754,592 | * | * |
| Kevin J. Mitchell | 10,000 | 261,424 | * | * |
| Timothy D. Roberts | — | 163,024 | * | * |
| Rosy Zuklic | 7,500 | 18,067 | * | * |
| Chukwuemeka A. Oyolu | 5,000 | 71,661 | * | * |
| Robert A. Herman | 25,000 | 285,388 | * | * |
| Paula A. Johnson | 1,000 | 297,536 | * | * |
| P.D. (David) Bairrington | 43,698 | — | * | * |
| Mark A. Haney | 32,477 | — | * | * |
| C. Douglas Johnson | 8,000 | — | * | * |
| Joseph W. O’Toole | 35,000 | — | * | * |
| **All Directors and Executive Officers as a Group (11 Persons)** | 202,675 | 2,851,692 | * | * |

** Less than 1% of common units or common stock outstanding, as applicable.*

[1] *Phillips 66 Common Stock ownership amounts include:*

- *Stock options exercisable within 60 days of February 15, 2021 as follows: Mr. Garland, 1,111,733; Mr. Mitchell, 172,559; Mr. Roberts, 122,166; Ms. Zuklic, 11,600; Mr. Oyolu, 42,566; Mr. Herman, 169,866; and Ms. Johnson, 193,333*
- *Restricted or deferred stock units that may be voted or sold upon the passage of time as follows: Mr. Garland, 109,885; Mr. Mitchell, 39,777; Mr. Roberts, 29,491; Ms. Zuklic, 3,679; Mr. Oyolu, 7,605; Mr. Herman, 75,762; Ms. Johnson, 26,787*

## Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

At December 31, 2020, our General Partner, Phillips 66 Partners GP LLC, and its affiliates owned 169,760,137 common units, representing approximately 74% of our total outstanding common units, and approximately 70% of our total outstanding common units and Series A preferred units (on an as-converted basis) in the aggregate.

**Distributions and Payments to Our General Partner and Its Affiliates**

The following table summarizes the distributions and payments to be made by us to our General Partner and its affiliates in connection with the ongoing operations or liquidation of Phillips 66 Partners LP. These distributions and payments were determined by and among affiliated entities and, consequently, are not the result of arm's-length negotiations. Upon our liquidation, the partners will be entitled to receive liquidating distributions according to their respective capital account balances.

| | |
|---|---|
| Distributions of available cash to our General Partner and its affiliates | We generally make cash distributions to the unitholders pro rata, including Phillips 66 Project Development Inc., as a holder of 169,760,137 common units. |
| Payments to our General Partner and its affiliates | Under our partnership agreement, we are required to reimburse our General Partner and its affiliates for all costs and expenses that they incur on our behalf for managing and controlling our business and operations. Except to the extent specified under certain agreements described below, our General Partner determines the amount of these expenses, which must be made in good faith under the terms of our partnership agreement. Under our amended omnibus agreement, we reimburse Phillips 66 for expenses incurred by Phillips 66 and its affiliates in providing operational support and general and administrative services to us, including the provision of executive management services by certain officers of our General Partner. The expenses of other employees are allocated to us based on the amount of time actually spent by those employees on our business. These reimbursable expenses also include an allocable portion of the compensation and benefits of employees and executive officers of other affiliates of our General Partner who provide services to us. The costs and expenses for which we are required to reimburse our General Partner and its affiliates are not subject to any caps or other limits.<br><br>Under our amended and restated operational services agreement, we pay Phillips 66 for any direct costs actually incurred by Phillips 66 in providing our pipelines, terminals, processing and storage facilities with certain maintenance, operational, administrative and construction services.<br><br>Under our tax sharing agreement, we reimburse Phillips 66 for our share of state and local income and other taxes incurred by Phillips 66 as a result of our results of operations being included in a combined or consolidated tax return filed by Phillips 66 with respect to taxable periods on or after the completion of our initial public offering in 2013. |
| Withdrawal or removal of our General Partner | If our General Partner withdraws or is removed, its general partner interest will either be sold to the new general partner for cash or converted into common units, in each case for an amount equal to the fair market value of those interests. |

**Transactions and Commercial and Other Agreements with Phillips 66 and Related Parties**
See “2020 Developments” in Items 1 and 2. Business and Properties, for a description of our transactions and related agreements with Phillips 66 in 2020. See the “Commercial Agreements,” “Amended and Restated Operational Services Agreement,” “Amended Omnibus Agreement” and “Tax Sharing Agreement” sections of Note 14—Related Party Transactions, in the Notes to Consolidated Financial Statements, for summaries of the terms of these and other agreements with Phillips 66.

**Procedures for Review, Approval and Ratification of Related Person Transactions**
The Board of Directors of our General Partner adopted a related person transactions policy that provides that the Board of Directors of our General Partner or its authorized committee will review on at least a quarterly basis all related person transactions that are required to be disclosed under the SEC rules and, when appropriate, initially authorize or ratify all such transactions. In the event that the Board of Directors of our General Partner or its authorized committee considers ratification of a related person transaction and determines not to so ratify, the Code of Business Ethics and Conduct provides that our management will make all reasonable efforts to cancel or annul the transaction.

The related person transactions policy provides that, in determining whether or not to recommend the initial approval or ratification of a related person transaction, the Board of Directors of our General Partner or its authorized committee should consider all of the relevant facts and circumstances available, including (if applicable) but not limited to: (1) whether there is an appropriate business justification for the transaction; (2) the benefits that accrue to us as a result of the transaction; (3) the terms available to unrelated third parties entering into similar transactions; (4) the impact of the transaction on a director’s independence (in the event the related person is a director, an immediate family member of a director or an entity in which a director or an immediate family member of a director is a partner, shareholder, member or executive officer); (5) the availability of other sources for comparable products or services; (6) whether it is a single transaction or a series of ongoing, related transactions; and (7) whether entering into the transaction would be consistent with the Code of Business Ethics and Conduct.

**Director Independence**
See Item 10. Directors, Executive Officers and Corporate Governance, for information on director independence required by Item 407(a) of Regulation S-K.

**Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The following table presents fees for the years ended December 31, 2020 and 2019, for professional services performed by our independent registered public accounting firm, Ernst & Young LLP (EY).

| | Millions of Dollars | | |
|---|---|---|---|
| | | **2020** | 2019 |
| **Fees** | | | |
| Audit fees[1] | **$** | **0.9** | 1.3 |
| Audit-related fees | | **—** | — |
| Tax fees | | **—** | — |
| All other fees | | **—** | — |
| Total | **$** | **0.9** | 1.3 |

[1] *Fees for audit services related to the fiscal year consolidated audit, quarterly reviews and registration statements.*

The Audit Committee has adopted a pre-approval policy that provides guidelines for the audit, audit-related, tax and other non-audit services that may be provided by EY to the Partnership. All of the fees in the table above were approved in accordance with this policy. The policy (a) identifies the guiding principles that must be considered by the Audit Committee in approving services to ensure that EY's independence is not impaired; (b) describes the audit, audit-related, tax and other services that may be provided and the non-audit services that are prohibited; and (c) sets forth pre-approval requirements for all permitted services. Under the policy, all services to be provided by EY must be pre-approved by the Audit Committee. The Audit Committee has delegated authority to approve permitted services to the Audit Committee's Chair. Such approval must be reported to the entire Audit Committee at the next scheduled Audit Committee meeting.

## PART IV

### Item 15. EXHIBIT AND FINANCIAL STATEMENT SCHEDULES

(a) 1. Financial Statements and Supplementary Data
The financial statements and supplementary data listed in the Index to Financial Statements, which appears on page 54, are filed as part of this Annual Report on Form 10-K.

2. Financial Statement Schedules
Financial statement schedules are omitted because they are not required, not significant, not applicable or the information is shown in the Financial Statements or the Notes to Consolidated Financial Statements.

3. Exhibits
The exhibits listed in the Index to Exhibits, which appears on pages 116 to 119, are filed as part of this Annual Report on Form 10-K.

### Item 16. FORM 10-K SUMMARY

None.

**PHILLIPS 66 PARTNERS LP**

**INDEX TO EXHIBITS**

| | | Incorporated by Reference | | | |
|---|---|---|---|---|---|
| **Exhibit Number** | **Exhibit Description** | **Form** | **Exhibit Number** | **Filing Date** | **SEC File No.** |
| 3.1 | Certificate of Limited Partnership of Phillips 66 Partners LP. | S-1 | 3.1 | 3/27/2013 | 333-187582 |
| 3.2 | Amendment to Certificate of Limited Partnership, dated October 5, 2017. | 8-K | 3.1 | 10/10/2017 | 001-36011 |
| 3.3 | Third Amended and Restated Agreement of Limited Partnership of Phillips 66 Partners LP dated as of August 1, 2019. | 8-K | 3.1 | 8/1/2019 | 001-36011 |
| 4.1 | Registration Rights Agreement dated as of October 6, 2017 by and among Phillips 66 Partners LP and the Purchasers party thereto. | 8-K | 4.1 | 10/10/2017 | 001-36011 |
| 4.2 | Description of Phillips 66 Partners L.P.'s securities. | 10-K | 4.2 | 2/21/2020 | 001-36011 |
| 4.3 | Indenture, dated as of February 23, 2015, between Phillips 66 Partners LP and The Bank of New York Mellon Trust Company, N.A., as trustee, in respect of senior debt securities of Phillips 66 Partners L.P. | 8-K | 4.1 | 2/23/2015 | 001-36011 |
| 4.4 | First Supplemental Indenture, dated as of February 23, 2015, between Phillips 66 Partners LP and The Bank of New York Mellon Trust Company, N.A., as trustee, in respect of the 2020 Notes. | 8-K | 4.2 | 2/23/2015 | 001-36011 |
| 4.5 | Second Supplemental Indenture, dated as of February 23, 2015, between Phillips 66 Partners LP and The Bank of New York Mellon Trust Company, N.A., as trustee, in respect of the 2025 Notes. | 8-K | 4.3 | 2/23/2015 | 001-36011 |
| 4.6 | Third Supplemental Indenture, dated as of February 23, 2015, between Phillips 66 Partners LP and The Bank of New York Mellon Trust Company, N.A., as trustee, in respect of the 2045 Notes. | 8-K | 4.4 | 2/23/2015 | 001-36011 |
| 4.7 | Fourth Supplemental Indenture, dated as of October 14, 2016, between Phillips 66 Partners LP and the Bank of New York Mellon Trust Company, N.A., as trustee, in respect of the 2026 Notes. | 8-K | 4.2 | 10/17/2016 | 001-36011 |
| 4.8 | Fifth Supplemental Indenture, dated as of October 14, 2016, between Phillips 66 Partners LP and The Bank of New York Mellon Trust Company, N.A., as trustee, in respect of the 2046 Notes. | 8-K | 4.3 | 10/17/2016 | 001-36011 |
| 4.9 | Sixth Supplemental Indenture, dated as of October 13, 2017, between Phillips 66 Partners LP and The Bank of New York Mellon Trust Company, N.A., as trustee, in respect of the 2028 Notes. | 8-K | 4.2 | 10/13/2017 | 001-36011 |
| 4.10 | Indenture, dated as of July 26, 2019, between Phillips 66 Partners LP and U.S. Bank National Association, as trustee, in respect of senior debt securities of Phillips 66 Partners LP. | S-3 | 4.5 | 7/26/2019 | 333-232865 |

| Exhibit Number | Exhibit Description | Incorporated by Reference Form | Exhibit Number | Filing Date | SEC File No. |
|---|---|---|---|---|---|
| 4.11 | First Supplemental Indenture, dated as of September 6, 2019, between Phillips 66 Partners LP and U.S. Bank National Association, as trustee, in respect of the 2024 Notes. | 8-K | 4.2 | 9/6/2019 | 001-36011 |
| 4.12 | Second Supplemental Indenture, dated as of September 6, 2019, between Phillips 66 Partners LP and U.S. Bank National Association, as trustee, in respect of the 2029 Notes. | 8-K | 4.3 | 9/6/2019 | 001-36011 |
| 10.1 | Eighth Amendment to the Omnibus Agreement, dated as of March 1, 2020, by and among Phillips 66 Partners LP, Phillips 66 Partners GP LLC, Phillips 66 Company, Phillips 66 Pipeline LLC, Phillips 66 Partners Holdings LLC, and Phillips 66 Carrier LLC. | 10-Q | 10.1 | 5/1/2020 | 001-36011 |
| 10.2 | Contingent Equity Contribution Undertaking (Senior Notes), dates as of March 11, 2019, between Energy Transfer Operating, L.P., Phillips 66 Partners LP, Enbridge Inc., and MPLXLP, as Contributors, and Midwest Connector Capital Company LLC, as the Company, and U.S. Bank National Association, as trustee, in respect of the Senior Notes. | 10-Q | 10.1 | 5/1/2020 | 001-36011 |
| 10.3 | Amended and Restated Credit Agreement dated as of July 30, 2019, among Phillips 66 Partners Holdings LLC, the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent. | 8-K | 10.1 | 8/1/2019 | 001-36011 |
| 10.4 | Omnibus Agreement dated as of July 26, 2013, by and among Phillips 66 Company, Phillips 66 Pipeline LLC, Phillips 66 Partners LP, Phillips 66 Partners Holdings LLC, Phillips 66 Carrier LLC, and Phillips 66 Partners GP LLC. | 8-K | 10.2 | 7/30/2013 | 001-36011 |
| 10.5 | First Amendment to the Omnibus Agreement, dated as of February 28, 2014, by and among Phillips 66 Company, on behalf of itself and the other Phillips 66 Entities (as defined in the Omnibus Agreement), Phillips 66 Pipeline LLC, Phillips 66 Partners LP, Phillips 66 Partners Holdings LLC, Phillips 66 Carrier LLC and Phillips 66 Partners GP LLC. | 8-K | 10.1 | 3/3/2014 | 001-36011 |
| 10.6 | Second Amendment to the Omnibus Agreement, dated as of December 1, 2014, by and among Phillips 66 Company, on behalf of itself and the other Phillips 66 Entities (as defined in the Omnibus Agreement), Phillips 66 Pipeline LLC, Phillips 66 Partners LP, Phillips 66 Partners Holdings LLC, Phillips 66 Carrier LLC and Phillips 66 Partners GP LLC. | 8-K | 10.1 | 12/2/2014 | 001-36011 |
| 10.7 | Third Amendment to the Omnibus Agreement, dated as of March 2, 2015, by and among Phillips 66 Company, on behalf of itself and the other Phillips 66 Entities (as defined in the Omnibus Agreement), Phillips 66 Pipeline LLC, Phillips 66 Partners LP, Phillips 66 Partners Holdings LLC, Phillips 66 Carrier LLC and Phillips 66 Partners GP LLC. | 8-K | 10.1 | 3/2/2015 | 001-36011 |
| 10.8 | Fourth Amendment to the Omnibus Agreement, dated as of March 1, 2016, by and among Phillips 66 Company, on behalf of itself and the other Phillips 66 Entities (as defined in the Omnibus Agreement), Phillips 66 Pipeline LLC, Phillips 66 Partners LP, Phillips 66 Partners Holdings LLC, Phillips 66 Carrier LLC and Phillips 66 Partners GP LLC. | 8-K | 10.1 | 3/1/2016 | 001-36011 |

| Exhibit Number | Exhibit Description | Incorporated by Reference Form | Exhibit Number | Filing Date | SEC File No. |
|---|---|---|---|---|---|
| 10.9 | Fifth Amendment to the Omnibus Agreement, dated as of October 14, 2016, by and among Phillips 66 Partners LP, Phillips 66 Partners GP LLC, Phillips 66 Company, Phillips 66 Pipeline LLC, Phillips 66 Partners Holdings LLC, and Phillips 66 Carrier LLC. | 8-K | 10.1 | 10/17/2016 | 001-36011 |
| 10.10 | Sixth Amendment to the Omnibus Agreement, dated as of January 11, 2017, by and among Phillips 66 Partners LP, Phillips 66 Partners GP LLC, Phillips 66 Company, Phillips 66 Pipeline LLC, Phillips 66 Partners Holdings LLC, and Phillips 66 Carrier LLC. | 10-K | 10.19 | 2/17/2017 | 001-36011 |
| 10.11 | Seventh Amendment to the Omnibus Agreement, dated as of October 1, 2017, by and among Phillips 66 Partners LP, Phillips 66 Partners GP LLC, Phillips 66 Company, Phillips 66 Pipeline LLC, Phillips 66 Partners Holdings LLC, and Phillips 66 Carrier LLC. | 8-K | 10.1 | 10/10/2017 | 001-36011 |
| 10.12 | Amended and Restated Operational Services Agreement, dated as of October 1, 2017, by and among Phillips 66 Carrier LLC, Phillips 66 Partners Holdings LLC, and Phillips 66 Pipeline LLC. | 8-K | 10.2 | 10/10/2017 | 001-36011 |
| 10.13 | First Amendment to the Amended and Restated Operational Services Agreement, dated as of May 30, 2018, by and among Phillips 66 Carrier LLC, Phillips 66 Partners Holdings LLC, and Phillips 66 Pipeline LLC. | 10-Q | 10.1 | 7/27/2018 | 001-36011 |
| 10.14 | Tax Sharing Agreement dated as of July 26, 2013, between Phillips 66 and Phillips 66 Partners LP. | 8-K | 10.9 | 7/30/2013 | 001-36011 |
| 10.15 | Natural Gas Liquids Storage Agreement (Clemens Facility), dated March 1, 2016, by and between Phillips 66 Sweeny Frac LLC and Phillips 66 Company. | 8-K | 10.4 | 3/1/2016 | 001-36011 |
| 10.16 | Fractionation Agreement, dated March 1, 2016, by and between Phillips 66 Sweeny Frac LLC and Phillips 66 Company. | 8-K | 10.3 | 3/1/2016 | 001-36011 |
| 10.17 | Amendment No. 1 to Fractionation Agreement, dated December 11, 2019, by and between Phillips 66 Sweeny Frac LLC and Phillips 66 Company. | 8-K | 10.15 | 2/21/2020 | 001-36011 |
| 10.18† | Amended and Restated Tolling Services Agreement, dated as of October 1, 2017, by and between Merey Sweeny, L.P. and Phillips 66 Company. | 8-K | 10.3 | 10/10/2017 | 001-36011 |
| 10.19** | Phillips 66 Partners LP 2013 Incentive Compensation Plan. | 8-K | 10.1 | 7/26/2013 | 001-36011 |
| 10.20** | Phillips 66 Partners GP LLC Deferred Compensation Plan for Non-Employee Directors. | 10-Q | 10.12 | 8/20/2013 | 001-36011 |
| 10.21** | Form of Phantom Unit Award Agreement for Non-Employee Directors under the Phillips 66 Partners LP 2013 Incentive Compensation Plan. | 10-Q | 10.13 | 8/20/2013 | 001-36011 |

| Exhibit Number | Exhibit Description | Incorporated by Reference Form | Exhibit Number | Filing Date | SEC File No. |
|---|---|---|---|---|---|
| 10.22 | Equity Distribution Agreement, dated as of February 25, 2020, by and among the Partnership and the General Partner, on the one hand, and RBC Capital Markets, LLC, BofA Securities, Inc., Barclays Capital Inc., BMO Capital Markets Corp., BNP Paribas Securities Corp., BTIG, LLC, CIBC World Markets Corp., Citigroup Global Markets Inc., Commerz Markets LLC, Credit Agricole Securities (USA) Inc., Credit Suisse Securities (USA) LLC, Goldman Sachs & Co. LLC, HSBC Securities (USA) Inc., J.P. Morgan Securities LLC, Jefferies LLC, Mizuho Securities USA LLC, MUFG Securities Americas Inc., Scotia Capital (USA) Inc., SMBC Nikko Securities America, Inc., SunTrust Robinson Humphrey, Inc., TD Securities (USA) LLC, and Wells Fargo Securities, LLC. | 8-K | 1.1 | 2/25/2020 | 001-36011 |
| 21* | List of Subsidiaries of Phillips 66 Partners LP. | | | | |
| 23.1* | Consent of Ernst & Young LLP, independent registered public accounting firm. | | | | |
| 23.2* | Consent of Deloitte & Touche LLP, independent registered public accounting firm. | | | | |
| 23.3* | Consent of Grant Thornton, independent registered public accounting firm. | | | | |
| 31.1* | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. | | | | |
| 31.2* | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. | | | | |
| 32* | Certifications pursuant to 18 U.S.C. Section 1350. | | | | |
| 101.INS* | Inline XBRL Instance Document. | | | | |
| 101.SCH* | Inline XBRL Taxonomy Extension Schema Document. | | | | |
| 101.CAL* | Inline XBRL Taxonomy Extension Calculation Linkbase Document. | | | | |
| 101.DEF* | Inline XBRL Taxonomy Extension Definition Linkbase Document. | | | | |
| 101.LAB* | Inline XBRL Taxonomy Extension Labels Linkbase Document. | | | | |
| 101.PRE* | Inline XBRL Taxonomy Extension Presentation Linkbase Document. | | | | |
| 104* | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101). | | | | |

* Filed herewith.
** Compensatory plan or arrangement.
† Confidential treatment has been requested for certain portions of this Exhibit pursuant to a confidential treatment request filed with the Securities and Exchange Commission on October 10, 2017. Such portions have been omitted and filed separately with the Securities and Exchange Commission.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**PHILLIPS 66 PARTNERS LP**

By: Phillips 66 Partners GP LLC, its general partner

Date: February 24, 2021

/s/ Greg C. Garland
*Greg C. Garland*
Chairman of the Board of Directors
and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below, as of February 24, 2021, by the following persons on behalf of the registrant and in the capacities indicated.

| Signature | Title |
|---|---|
| /s/ Greg C. Garland<br>*Greg C. Garland* | Chairman of the Board of Directors<br>and Chief Executive Officer<br>(Principal executive officer)<br>Phillips 66 Partners GP LLC |
| /s/ Kevin J. Mitchell<br>*Kevin J. Mitchell* | Director, Vice President<br>and Chief Financial Officer<br>(Principal financial officer)<br>Phillips 66 Partners GP LLC |
| /s/ Chukwuemeka A. Oyolu<br>*Chukwuemeka A. Oyolu* | Vice President and Controller<br>(Principal accounting officer)<br>Phillips 66 Partners GP LLC |

| | |
|---|---|
| /s/ P.D. Bairrington<br>*P.D. Bairrington* | Director<br>Phillips 66 Partners GP LLC |
| /s/ Mark A. Haney<br>*Mark A. Haney* | Director<br>Phillips 66 Partners GP LLC |
| /s/ Robert A. Herman<br>*Robert A. Herman* | Director<br>Phillips 66 Partners GP LLC |
| /s/ C. Doug Johnson<br>*C. Doug Johnson* | Director<br>Phillips 66 Partners GP LLC |
| /s/ Paula A. Johnson<br>*Paula A. Johnson* | Director<br>Phillips 66 Partners GP LLC |
| /s/ Joseph W. O'Toole<br>*Joseph W. O'Toole* | Director<br>Phillips 66 Partners GP LLC |
| /s/ Timothy D. Roberts<br>*Timothy D. Roberts* | Director<br>Phillips 66 Partners GP LLC |

Exhibit 21

**SUBSIDIARY LISTING OF PHILLIPS 66 PARTNERS LP**
At December 31, 2020

| Company Name | Incorporation Location |
|---|---|
| ACE Pipeline LLC | Delaware |
| Gray Oak Holdings LLC | Delaware |
| Merey Sweeny LLC | Delaware |
| Phillips 66 Carrier LLC | Delaware |
| Phillips 66 DAPL Holdings LLC | Delaware |
| Phillips 66 ETCO Holdings LLC | Delaware |
| Phillips 66 LCR Isomerization LLC | Delaware |
| Phillips 66 Partners Finance Corporation | Delaware |
| Phillips 66 Partners Holdings LLC | Delaware |
| Phillips 66 Sand Hills LLC | Delaware |
| Phillips 66 Southern Hills LLC | Delaware |
| Phillips 66 Sweeny Frac LLC | Delaware |

Exhibit 23.1

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the following Registration Statements:

(1) Amendment No. 1 to the Registration Statement (Form S-3 No. 333-234334) of Phillips 66 Partners LP,

(2) Registration Statement (Form S-3 No. 333-232865) of Phillips 66 Partners LP,

(3) Amendment No. 1 to the Registration Statement (Form S-3 No. 333-221353) of Phillips 66 Partners LP, and

(4) Registration Statement (Form S-8 No. 333-190195) of Phillips 66 Partners LP;

of our reports dated February 24, 2021, with respect to the consolidated financial statements of Phillips 66 Partners LP and the effectiveness of internal control over financial reporting of Phillips 66 Partners LP included in this Annual Report (Form 10-K) of Phillips 66 Partners LP for the year ended December 31, 2020.

/s/ Ernst & Young LLP

Houston, Texas
February 24, 2021

Exhibit 23.2

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the following Registration Statements of our reports dated February 5, 2021, relating to the financial statements of DCP Sand Hills Pipeline, LLC, and the financial statements of DCP Southern Hills Pipeline, LLC, each appearing in this Annual Report on Form 10-K of Phillips 66 Partners LP for the year ended December 31, 2020:

- Registration Statement No. 333-190195 on Form S-8 of Phillips 66 Partners LP,
- Amendment No. 1 to Registration Statement Nos. 333-221353 and 333-234334 on Form S-3 of Phillips 66 Partners LP, and
- Registration Statement No. 333-232865 on Form S-3 of Phillips 66 Partners LP.

/s/ Deloitte & Touche LLP

Denver, Colorado
February 24, 2021

Exhibit 23.3

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We have issued our report dated February 11, 2021, with respect to the consolidated financial statements of Dakota Access, LLC, included in the Annual Report of Phillips 66 Partners LP on Form 10-K for the year ended December 31, 2020. We consent to the incorporation by reference of the aforementioned report in the Registration Statements of Phillips 66 Partners LP on Forms S-3 (File No. 333-234334, File No. 333-232865 and File No. 333-221353) and Form S-8 (File No. 333-190195).

/s/ GRANT THORNTON LLP

Dallas, Texas
February 24, 2021

Exhibit 31.1

**CERTIFICATION**

I, Greg C. Garland, certify that:

1. I have reviewed this Annual Report on Form 10-K of Phillips 66 Partners LP;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2021

/s/ Greg C. Garland

*Greg C. Garland*
Chairman of the Board of Directors and
Chief Executive Officer
Phillips 66 Partners GP LLC
(the general partner of Phillips 66 Partners LP)

Exhibit 31.2

**CERTIFICATION**

I, Kevin J. Mitchell, certify that:

1. I have reviewed this Annual Report on Form 10-K of Phillips 66 Partners LP;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 24, 2021

/s/ Kevin J. Mitchell

*Kevin J. Mitchell*

Director, Vice President and
Chief Financial Officer

Phillips 66 Partners GP LLC
(the general partner of Phillips 66 Partners LP)

Exhibit 32

**CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the Annual Report of Phillips 66 Partners LP (the Partnership) on Form 10-K for the year ended December 31, 2020, as filed with the U.S. Securities and Exchange Commission on the date hereof (the Report), each of the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to their knowledge:

(1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: February 24, 2021

/s/ Greg C. Garland

*Greg C. Garland*

Chairman of the Board of Directors and
Chief Executive Officer

Phillips 66 Partners GP LLC
(the general partner of Phillips 66 Partners LP)

/s/ Kevin J. Mitchell

*Kevin J. Mitchell*

Director, Vice President and
Chief Financial Officer

Phillips 66 Partners GP LLC
(the general partner of Phillips 66 Partners LP)