ENTERPRISE PRODUCTS PARTNERS L P
Form 10-Q
November 09, 2009

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

FORM 10-Q

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

For the quarterly period ended September 30, 2009

OR

o 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: 1-14323

ENTERPRISE PRODUCTS PARTNERS L.P.
(Exact name of Registrant as Specified in Its Charter)

Delaware	76-0568219
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

1100 Louisiana, 10th Floor
Houston, Texas 77002
(Address of Principal Executive Offices, Including Zip Code)

(713) 381-6500
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes þ No ¨

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

Large accelerated filer þ	Accelerated filer o	
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o	

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

Yes o No þ

There were 604,716,122 common units (including 2,797,822 restricted common units) and 4,520,431 Class B units (which generally vote together with the common units) of Enterprise Products Partners L.P. outstanding at November 4, 2009. The common units trade on the New York Stock Exchange under the ticker symbol "EPD."

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PART I. FINANCIAL INFORMATION.

Item 1. Financial Statements.

ENTERPRISE PRODUCTS PARTNERS L.P.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in millions)

ASSETS	September 30, 2009	December 31, 2008
Current assets:		
Cash and cash equivalents	$73.8	$35.4
Restricted cash	102.8	203.8
Accounts and notes receivable – trade, net of allowance for doubtful accounts of $14.4 at September 30, 2009 and $15.1 at December 31, 2008	1,471.4	1,185.5
Accounts receivable – related parties	37.9	61.6
Inventories (see Note 5)	1,147.5	362.8
Derivative assets (see Note 4)	197.0	202.8
Prepaid and other current assets	118.6	111.8
Total current assets	3,149.0	2,163.7
Property, plant and equipment, net	13,661.6	13,154.8
Investments in unconsolidated affiliates	901.0	949.5
Intangible assets, net of accumulated amortization of $492.5 at September 30, 2009 and $429.9 at December 31, 2008	793.0	855.4
Goodwill	706.9	706.9
Deferred tax asset	1.1	0.4
Other assets	144.9	126.8
Total assets	$19,357.5	$17,957.5
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable – trade	$327.1	$300.5
Accounts payable – related parties	47.2	39.6
Accrued product payables	1,675.6	1,142.4
Accrued interest payable	117.4	151.9
Other accrued expenses	46.1	48.8
Derivative liabilities (see Note 4)	263.1	287.2
Other current liabilities	220.9	252.7
Total current liabilities	2,697.4	2,223.1
Long-term debt: (see Note 9)		
Senior debt obligations – principal	7,912.3	7,813.4
Junior subordinated notes – principal	1,232.7	1,232.7
Other	53.3	62.3
Total long-term debt	9,198.3	9,108.4
Deferred tax liabilities	69.6	66.1
Other long-term liabilities	95.8	81.3
Commitments and contingencies		
Equity: (see Note 10)		

Enterprise Products Partners L.P. partners' equity:		
Limited Partners:		
Common units (475,293,998 units outstanding at September 30, 2009 and 439,354,731 units outstanding at December 31, 2008)	6,670.8	6,036.9
Restricted common units (2,658,850 units outstanding at September 30, 2009 and 2,080,600 units outstanding at December 31, 2008)	34.1	26.2
General partner	136.6	123.6
Accumulated other comprehensive loss	(67.1)	(97.2)
Total Enterprise Products Partners L.P. partners' equity	6,774.4	6,089.5
Noncontrolling interest	522.0	389.1
Total equity	7,296.4	6,478.6
Total liabilities and equity	$19,357.5	$17,957.5

See Notes to Unaudited Condensed Consolidated Financial Statements.

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ENTERPRISE PRODUCTS PARTNERS L.P.
UNAUDITED CONDENSED STATEMENTS OF CONSOLIDATED OPERATIONS
(Dollars in millions, except per unit amounts)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
Revenues:				
Third parties	$4,444.7	$5,997.7	$11,006.1	$17,498.4
Related parties	151.4	300.2	521.0	823.7
Total revenues (see Note 11)	4,596.1	6,297.9	11,527.1	18,322.1
Costs and expenses:				
Operating costs and expenses:				
Third parties	3,983.2	5,806.7	9,740.1	16,766.0
Related parties	237.0	165.2	655.6	477.1
Total operating costs and expenses	4,220.2	5,971.9	10,395.7	17,243.1
General and administrative costs:				
Third parties	17.1	8.4	33.5	22.4
Related parties	16.8	13.4	51.2	44.6
Total general and administrative costs	33.9	21.8	84.7	67.0
Total costs and expenses	4,254.1	5,993.7	10,480.4	17,310.1
Equity in income of unconsolidated affiliates	22.5	14.9	18.3	48.1
Operating income	364.5	319.1	1,065.0	1,060.1
Other income (expense):				
Interest expense	(128.0)	(102.7)	(374.6)	(290.4)
Interest income	0.2	2.1	1.4	4.7
Other, net	(0.2)	(0.9)	(0.5)	(1.9)
Total other expense, net	(128.0)	(101.5)	(373.7)	(287.6)
Income before provision for income taxes	236.5	217.6	691.3	772.5
Provision for income taxes	(6.6)	(6.6)	(24.0)	(17.2)
Net income	229.9	211.0	667.3	755.3
Net income attributable to noncontrolling interest	(17.0)	(7.9)	(42.5)	(29.3)
Net income attributable to Enterprise Products Partners L.P.	$212.9	$203.1	$624.8	$726.0
Net income allocated to:				
Limited partners	$171.3	$167.6	$504.6	$620.5
General partner	$41.6	$35.5	$120.2	$105.5
Basic and diluted earnings per unit (see Note 13)	$0.36	$0.38	$1.09	$1.41

See Notes to Unaudited Condensed Consolidated Financial Statements.

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ENTERPRISE PRODUCTS PARTNERS L.P.
UNAUDITED CONDENSED STATEMENTS OF CONSOLIDATED
COMPREHENSIVE INCOME (LOSS)
(Dollars in millions)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
Net income	$229.9	$211.0	$667.3	$755.3
Other comprehensive income (loss):				
Cash flow hedges:				
Commodity derivative instrument losses during period	(8.3)	(244.0)	(146.9)	(124.1)
Reclassification adjustment for losses included in net income related to commodity derivative instruments	77.8	28.5	176.3	15.8
Interest rate derivative instrument gains (losses) during period	(8.0)	(1.1)	7.1	(22.9)
Reclassification adjustment for (gains) losses included in net income related to interest rate derivative instruments	1.3	--	3.3	(2.4)
Foreign currency derivative gains (losses)	0.2	--	(10.3)	(1.3)
Total cash flow hedges	63.0	(216.6)	29.5	(134.9)
Foreign currency translation adjustment	1.1	0.4	1.7	0.5
Change in funded status of pension and postretirement plans, net of tax	--	--	--	(0.3)
Total other comprehensive income (loss)	64.1	(216.2)	31.2	(134.7)
Comprehensive income (loss)	294.0	(5.2)	698.5	620.6
Comprehensive income attributable to noncontrolling interest	(17.3)	(7.6)	(43.6)	(28.7)
Comprehensive income attributable to Enterprise Products Partners L.P.	$276.7	$(12.8)	$654.9	$591.9

See Notes to Unaudited Condensed Consolidated Financial Statements.

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ENTERPRISE PRODUCTS PARTNERS L.P.
UNAUDITED CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS
(Dollars in millions)

	For the Nine Months Ended September 30,	
	2009	2008
Operating activities:		
Net income	$667.3	$755.3
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion	476.9	413.6
Equity in income of unconsolidated affiliates	(18.3)	(48.1)
Distributions received from unconsolidated affiliates	63.6	69.9
Operating lease expense paid by EPCO, Inc.	0.5	1.5
Gain from asset sales and related transactions	(0.4)	(1.7)
Non-cash impairment charge	1.7	--
Deferred income tax expense	2.5	5.6
Changes in fair market value of derivative instruments	11.7	5.4
Effect of pension settlement recognition	(0.1)	(0.1)
Net effect of changes in operating accounts (see Note 16)	(590.0)	(228.4)
Net cash flows provided by operating activities	615.4	973.0
Investing activities:		
Capital expenditures	(851.1)	(1,485.6)
Contributions in aid of construction costs	12.8	21.2
Decrease (increase) in restricted cash	100.8	(112.2)
Cash used for business combinations	(24.5)	(57.1)
Acquisition of intangible assets	--	(5.1)
Investments in unconsolidated affiliates	(14.5)	(72.0)
Other proceeds from investing activities	5.1	1.7
Cash used in investing activities	(771.4)	(1,709.1)
Financing activities:		
Borrowings under debt agreements	3,818.9	6,360.4
Repayments of debt	(3,724.2)	(4,824.0)
Debt issuance costs	(5.2)	(8.8)
Cash distributions paid to partners	(860.6)	(770.9)
Cash distributions paid to noncontrolling interest (see Note 10)	(47.9)	(39.2)
Net cash proceeds from issuance of common units	878.2	57.2
Cash contributions from noncontrolling interest (see Note 10)	137.4	--
Acquisition of treasury units	(1.8)	(0.8)
Monetization of interest rate derivative instruments	--	(22.1)
Cash provided by financing activities	194.8	751.8
Effect of exchange rate changes on cash	(0.4)	--
Net change in cash and cash equivalents	38.8	15.7
Cash and cash equivalents, January 1	35.4	39.7
Cash and cash equivalents, September 30	$73.8	$55.4

See Notes to Unaudited Condensed Consolidated Financial Statements.

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ENTERPRISE PRODUCTS PARTNERS L.P.
UNAUDITED CONDENSED STATEMENTS OF CONSOLIDATED EQUITY
(See Note 10 for Unit History and Detail of Changes in Limited Partners' Equity)
(Dollars in millions)

	Enterprise Products Partners L.P.				
	Limited Partners	General Partner	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
Balance, December 31, 2008	$6,063.1	$123.6	$ (97.2)	$ 389.1	$6,478.6
Net income	504.6	120.2	--	42.5	667.3
Operating leases paid by EPCO, Inc.	0.5	--	--	--	0.5
Cash distributions to partners	(735.2)	(124.9)	--	--	(860.1)
Unit option reimbursements to EPCO, Inc.	(0.5)	--	--	--	(0.5)
Cash distributions paid to noncontrolling interest (see Note 10)	--	--	--	(47.9)	(47.9)
Net cash proceeds from issuance of common units	860.2	17.5	--	--	877.7
Cash proceeds from exercise of unit options	0.5	--	--	--	0.5
Cash contributions from noncontrolling interest (see Note 10)	--	--	--	137.4	137.4
Amortization of equity awards	13.5	0.2	--	--	13.7
Acquisition of treasury units	(1.8)	--	--	--	(1.8)
Foreign currency translation adjustment	--	--	1.7	--	1.7
Cash flow hedges	--	--	28.4	1.1	29.5
Other	--	--	--	(0.2)	(0.2)
Balance, September 30, 2009	$6,704.9	$136.6	$ (67.1)	$ 522.0	$7,296.4

	Enterprise Products Partners L.P.				
	Limited Partners	General Partner	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total
Balance, December 31, 2007	$5,992.9	$122.3	$ 19.1	$ 427.8	$6,562.1
Net income	620.5	105.5	--	29.3	755.3
Operating leases paid by EPCO, Inc.	1.5	--	--	--	1.5
Cash distributions to partners	(663.9)	(106.4)	--	--	(770.3)
Unit option reimbursements to EPCO, Inc.	(0.6)	--	--	--	(0.6)
Cash distributions paid to noncontrolling interest (see Note 10)	--	--	--	(39.2)	(39.2)
Net cash proceeds from issuance of common units	55.4	1.1	--	--	56.5
Cash proceeds from exercise of unit options	0.7	--	--	--	0.7
Amortization of equity awards	8.7	0.1	--	--	8.8
Interest acquired from noncontrolling interest	--	--	--	(7.6)	(7.6)

Acquisition of treasury units	(0.8)	--	--	--	(0.8)
Foreign currency translation adjustment	--	--	0.5	--	0.5
Change in funded status of pension and postretirement plans	--	--	(0.3)	--	(0.3)
Cash flow hedges	--	--	(134.3)	(0.6)	(134.9)
Balance, September 30, 2008	$6,014.4	$122.6	$ (115.0)	$ 409.7	$6,431.7

See Notes to Unaudited Condensed Consolidated Financial Statements.

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ENTERPRISE PRODUCTS PARTNERS L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Except per unit amounts, or as noted within the context of each footnote disclosure, the dollar amounts presented in the tabular data within these footnote disclosures are stated in millions of dollars.

Note 1. Partnership Organization and Basis of Presentation

Partnership Organization

Enterprise Products Partners L.P. is a publicly traded Delaware limited partnership, the common units of which are listed on the New York Stock Exchange ("NYSE") under the ticker symbol "EPD." Unless the context requires otherwise, references to "we," "us," "our" or "Enterprise Products Partners" are intended to mean the business and operations of Enterprise Products Partners L.P. and its consolidated subsidiaries.

We were formed in April 1998 to own and operate certain natural gas liquids ("NGLs") related businesses of EPCO, Inc. ("EPCO"). We conduct substantially all of our business through our wholly owned subsidiary, Enterprise Products Operating LLC ("EPO"). We are owned 98% by our limited partners and 2% by Enterprise Products GP, LLC (our general partner, referred to as "EPGP"). EPGP is owned 100% by Enterprise GP Holdings L.P. ("Enterprise GP Holdings"), a publicly traded limited partnership, the units of which are listed on the NYSE under the ticker symbol "EPE." The general partner of Enterprise GP Holdings is EPE Holdings, LLC ("EPE Holdings"), a wholly owned subsidiary of Dan Duncan LLC, all of the membership interests of which are owned by Dan L. Duncan. We, EPGP, Enterprise GP Holdings, EPE Holdings and Dan Duncan LLC are affiliates and under the common control of Dan L. Duncan, the Group Co-Chairman and controlling shareholder of EPCO.

References to "TEPPCO" and "TEPPCO GP" mean TEPPCO Partners, L.P. and Texas Eastern Products Pipeline Company, LLC (which is the general partner of TEPPCO), respectively, prior to their mergers with our subsidiaries. On October 26, 2009, we completed the mergers with TEPPCO and TEPPCO GP (such related mergers referred to herein individually and together as the "TEPPCO Merger"). See Note 18 for additional information regarding the TEPPCO Merger.

References to "Energy Transfer Equity" mean the business and operations of Energy Transfer Equity, L.P. and its consolidated subsidiaries. References to "LE GP" mean LE GP, LLC, which is the general partner of Energy Transfer Equity. Enterprise GP Holdings owns a noncontrolling interest in both LE GP and Energy Transfer Equity. Enterprise GP Holdings accounts for its investments in LE GP and Energy Transfer Equity using the equity method of accounting.

References to "Employee Partnerships" mean EPE Unit L.P., EPE Unit II, L.P., EPE Unit III, L.P., Enterprise Unit L.P. and EPCO Unit L.P., collectively, all of which are privately held affiliates of EPCO.

For financial reporting purposes, we consolidate the financial statements of Duncan Energy Partners L.P. ("Duncan Energy Partners") with those of our own and reflect its operations in our business segments. We control Duncan Energy Partners through our ownership of its general partner, DEP Holdings, LLC ("DEP GP"). Also, due to common control of the entities by Dan L. Duncan, the initial consolidated balance sheet of Duncan Energy Partners reflects our historical carrying basis in each of the subsidiaries contributed to Duncan Energy Partners. Public ownership of Duncan Energy Partners' net assets and earnings are presented as a component of noncontrolling interest in our consolidated financial statements. The borrowings of Duncan Energy Partners are presented as part of our consolidated debt; however, neither Enterprise Products Partners L.P. nor EPO have any obligation for the payment of interest or repayment of borrowings incurred by Duncan Energy Partners.

Basis of Presentation

Effective January 1, 2009, we adopted new accounting guidance that has been codified under Accounting Standards Codification (“ASC”) 810, Consolidation, which established accounting and

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reporting standards for noncontrolling interests that were previously identified as minority interest in our financial statements. The new guidance requires, among other things, that (i) noncontrolling interests be presented as a component of equity on our consolidated balance sheet (i.e., elimination of the "mezzanine" presentation previously used for minority interest); (ii) elimination of minority interest amounts as a deduction in deriving net income or loss and, as a result, that net income or loss be allocated between controlling and noncontrolling interests; and (iii) comprehensive income or loss be allocated between controlling and noncontrolling interest. Earnings per unit amounts are not affected by these changes. See Note 2 for additional information regarding the establishment of the ASC by the Financial Accounting Standards Board ("FASB"). See Note 10 for additional information regarding noncontrolling interest.

The new presentation and disclosure requirements pertaining to noncontrolling interests have been applied retroactively to the consolidated financial statements and notes included in this Quarterly Report. As a result, net income reported for the three and nine months ended September 30, 2008 in these financial statements is higher than that disclosed previously; however, the allocation of such net income results in our unitholders, general partner and noncontrolling interests (i.e., the former minority interest) receiving the same amounts as they did previously.

Our results of operations for the three and nine months ended September 30, 2009 are not necessarily indicative of results expected for the full year.

Essentially all of our assets, liabilities, revenues and expenses are recorded at EPO's level in our consolidated financial statements. Enterprise Products Partners L.P. acts as guarantor of certain of EPO's debt obligations. See Note 17 for condensed consolidated financial information of EPO.

In our opinion, the accompanying Unaudited Condensed Consolidated Financial Statements include all adjustments consisting of normal recurring accruals necessary for fair presentation. Although we believe the disclosures in these financial statements are adequate to make the information presented not misleading, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). These Unaudited Condensed Consolidated Financial Statements and Notes thereto should be read in conjunction with the Audited Consolidated Financial Statements and Notes thereto included in our Current Report on Form 8-K dated July 8, 2009 (the "Recast Form 8-K"), which retroactively adjusted portions of our Annual Report on Form 10-K for the year ended December 31, 2008. The Recast Form 8-K reflects our adoption of the provisions under ASC 810 related to noncontrolling interests, our adoption of the provisions under ASC 260, Earnings Per Share, pertaining to the application of the two-class method to master limited partnerships in computing basic and diluted earnings per unit, and the resulting change in presentation and disclosure requirements.

Note 2. General Accounting Matters

Estimates

Preparing our financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts presented in the financial statements (e.g. assets, liabilities, revenues and expenses) and disclosures about contingent assets and liabilities. Our actual results could differ from these estimates. On an ongoing basis, management reviews its estimates based on currently available information. Changes in facts and circumstances may result in revised estimates.

Fair Value Information

Cash and cash equivalents and restricted cash, accounts receivable, accounts payable and accrued expenses, and other current liabilities are carried at amounts which reasonably approximate their fair values due to their short-term nature. The estimated fair values of our fixed rate debt are based on quoted market prices for such debt or debt of similar terms and maturities. The carrying amounts of our variable rate debt

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

obligations reasonably approximate their fair values due to their variable interest rates. See Note 4 for fair value information associated with our derivative instruments. The following table presents the estimated fair values of our financial instruments at the dates indicated:

	September 30, 2009		December 31, 2008	
Financial Instruments	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Cash and cash equivalents and restricted cash	$176.6	$176.6	$239.2	$239.2
Accounts receivable	1,509.3	1,509.3	1,247.1	1,247.1
Financial liabilities:				
Accounts payable and accrued expenses	2,213.4	2,213.4	1,683.2	1,683.2
Other current liabilities	220.9	220.9	252.7	252.7
Fixed-rate debt (principal amount)	7,986.7	8,324.5	7,704.3	6,639.0
Variable-rate debt	1,158.3	1,158.3	1,341.8	1,341.8

Recent Accounting Developments

The following information summarizes recently issued accounting guidance that will or may affect our future financial statements.

Generally Accepted Accounting Principles. In June 2009, the FASB published ASC 105, Generally Accepted Accounting Principles, as the source of authoritative GAAP for U.S. companies. The ASC reorganized GAAP into a topical format and significantly changes the way users research accounting issues. For SEC registrants, the rules and interpretive releases of the SEC under federal securities laws are also sources of authoritative GAAP. References to specific GAAP in our consolidated financial statements now refer exclusively to the ASC. We adopted the new codification on September 30, 2009.

Fair Value Measurements. In April 2009, the FASB issued ASC 820, Fair Value Measurements and Disclosures, to clarify fair value accounting rules. This new accounting guidance establishes a process to determine whether a market is active and a transaction is consummated under distress. Companies should look at several factors and use professional judgment to ascertain if a formerly active market has become inactive. When estimating fair value, companies are required to place more weight on observable transactions in orderly markets. Our adoption of this new guidance on June 30, 2009 did not have any impact on our consolidated financial statements or related disclosures.

In August 2009, the FASB issued Accounting Standards Update 2009-05, Measuring Liabilities at Fair Value, to clarify how an entity should estimate the fair value of liabilities. If a quoted price in an active market for an identical liability is not available, a company must measure the fair value of the liability using one of several valuation techniques (e.g., quoted prices for similar liabilities or present value of cash flows). Our adoption of this new guidance on October 1, 2009 did not have any impact on our consolidated financial statements or related disclosures.

Financial Instruments. In April 2009, the FASB issued ASC 825, Financial Instruments, which requires companies to provide in each interim report both qualitative and quantitative information regarding fair value estimates for financial instruments not recorded on the balance sheet at fair value. Previously, this was only an annual requirement. Apart from adding the required fair value disclosures within this Note 2, our adoption of this new guidance on June 30, 2009 did not have a material impact on our consolidated financial statements or related disclosures.

Subsequent Events. In May 2009, the FASB issued ASC 855, Subsequent Events, which governs the accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The date through which an entity has evaluated subsequent events is now a required disclosure. Our adoption of this guidance on June 30, 2009 did not have any impact on our consolidated financial statements.

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Consolidation of Variable Interest Entities. In June 2009, the FASB amended consolidation guidance for variable interest entities ("VIEs") under ASC 810. VIEs are entities whose equity investors do not have sufficient equity capital at risk such that the entity cannot finance its own activities. When a business has a "controlling financial interest" in a VIE, the assets, liabilities and profit or loss of that entity must be consolidated. A business must also consolidate a VIE when that business has a "variable interest" that (i) provides the business with the power to direct the activities that most significantly impact the economic performance of the VIE and (ii) funds most of the entity's expected losses and/or receives most of the entity's anticipated residual returns. The amended guidance:

- § eliminates the scope exception for qualifying special-purpose entities;
- § amends certain guidance for determining whether an entity is a VIE;
- § expands the list of events that trigger reconsideration of whether an entity is a VIE;
- § requires a qualitative rather than a quantitative analysis to determine the primary beneficiary of a VIE;
- § requires continuous assessments of whether a company is the primary beneficiary of a VIE; and
- § requires enhanced disclosures about a company's involvement with a VIE.

The amended guidance is effective for us on January 1, 2010. At September 30, 2009, we did not have any VIEs based on prior guidance. We are in the process of evaluating the amended guidance; however, our adoption and implementation of this guidance is not expected to have an impact on our consolidated financial statements.

Restricted Cash

Restricted cash represents amounts held in connection with our commodity derivative instruments portfolio and related physical natural gas and NGL purchases. Additional cash may be restricted to maintain this portfolio as commodity prices fluctuate or deposit requirements change. At September 30, 2009 and December 31, 2008, our restricted cash amounts were $102.8 million and $203.8 million, respectively. See Note 4 for additional information regarding derivative instruments and hedging activities.

Subsequent Events

We have evaluated subsequent events through November 9, 2009, which is the date our Unaudited Condensed Consolidated Financial Statements and Notes are being issued.

Note 3. Accounting for Equity Awards

Certain key employees of EPCO participate in long-term incentive compensation plans managed by EPCO. The compensation expense we record related to equity awards is based on an allocation of the total cost of such incentive plans to EPCO. We record our pro rata share of such costs based on the percentage of time each employee spends on our consolidated business activities. Such awards were not material to our consolidated financial position, results of operations or cash flows for the periods presented. The amount of equity-based compensation allocable to our businesses was $5.5 million and $4.3 million for the three months ended September 30, 2009 and 2008, respectively. For the nine months ended September 30, 2009 and 2008, the amount of equity-based compensation

allocable to our businesses was $13.7 million and $10.6 million, respectively.

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EPCO 1998 Long-Term Incentive Plan

The EPCO 1998 Long-Term Incentive Plan ("EPCO 1998 Plan") provides for the issuance of up to 7,000,000 of our common units. After giving effect to the issuance or forfeiture of option awards and restricted unit awards through September 30, 2009, a total of 428,847 additional common units could be issued under the EPCO 1998 Plan.

Unit option awards. The following table presents option activity under the EPCO 1998 Plan for the periods indicated:

	Number of Units	Weighted-Average Strike Price (dollars/unit)	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (1)
Outstanding at December 31, 2008	2,168,500	$ 26.32		
Granted (2)	30,000	$ 20.08		
Exercised	(56,000)	$ 15.66		
Forfeited	(365,000)	$ 26.38		
Outstanding at September 30, 2009	1,777,500	$ 26.54	4.6	$3.0
Options exercisable at September 30, 2009	652,500	$ 23.71	4.7	$3.0

(1) Aggregate intrinsic value reflects fully vested unit options at September 30, 2009.
(2) Aggregate grant date fair value of these unit options issued during 2009 was $0.2 million based on the following assumptions: (i) a grant date market price of our common units of $20.08 per unit; (ii) expected life of options of 5.0 years; (iii) risk-free interest rate of 1.81%; (iv) expected distribution yield on our common units of 10%; and (v) expected unit price volatility on our common units of 72.76%.

The total intrinsic value of option awards exercised during the three months ended September 30, 2009 and 2008 was $0.3 million and $0.1 million, respectively. For each of the nine months ended September 30, 2009 and 2008, the total intrinsic value of option awards exercised was $0.6 million. At September 30, 2009, the estimated total unrecognized compensation cost related to nonvested unit option awards granted under the EPCO 1998 Plan was $1.1 million. We will recognize our share of these costs in accordance with the EPCO administrative services agreement (the "ASA") (see Note 12) over a weighted-average period of 1.8 years.

During the nine months ended September 30, 2009 and 2008, we received cash of $0.5 million and $0.7 million, respectively, from the exercise of option awards granted under the EPCO 1998 Plan. Conversely, our option-related reimbursements to EPCO during each of these periods were $0.5 million and $0.6 million, respectively.

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Restricted unit awards. The following table summarizes information regarding our restricted unit awards under the EPCO 1998 Plan for the periods indicated:

	Number of Units	Weighted-Average Grant Date Fair Value per Unit (1)
Restricted units at December 31, 2008	2,080,600	
Granted (2)	1,016,950	$20.65
Vested	(244,300)	$26.66
Forfeited	(194,400)	$28.92
Restricted units at September 30, 2009	2,658,850	

(1) Determined by dividing the aggregate grant date fair value of awards by the number of awards issued. The weighted-average grant date fair value per unit for forfeited and vested awards is determined before an allowance for forfeitures.
(2) Net of forfeitures, aggregate grant date fair value of restricted unit awards issued during 2009 was $21.0 million based on grant date market prices of our common units ranging from $20.08 to $27.66 per unit. Estimated forfeiture rates ranged between 4.6% and 17%.

The total fair value of restricted unit awards that vested during the three and nine months ended September 30, 2009 was $6.2 million and $6.5 million, respectively. At September 30, 2009, the estimated total unrecognized compensation cost related to nonvested restricted unit awards granted under the EPCO 1998 Plan was $39.6 million. We expect to recognize our share of this cost over a weighted-average period of 2.5 years in accordance with the ASA.

Phantom unit awards and distribution equivalent rights. No phantom unit awards or distribution equivalent rights have been issued as of September 30, 2009 under the EPCO 1998 Plan.

Enterprise Products 2008 Long-Term Incentive Plan

The Enterprise Products 2008 Long-Term Incentive Plan (“EPD 2008 LTIP”) provides for the issuance of up to 10,000,000 of our common units. After giving effect to the issuance or forfeiture of option awards through September 30, 2009, a total of 7,865,000 additional common units could be issued under the EPD 2008 LTIP.

Unit option awards. The following table presents unit option activity under the EPD 2008 LTIP for the periods indicated:

	Number of Units	Weighted-Average Strike Price (dollars/unit)	Weighted-Average Remaining Contractual Term (in years)
Outstanding at December 31, 2008	795,000	$ 30.93	

Granted (1)	1,430,000	$	23.53	
Forfeited	(90,000)	$	30.93	
Outstanding at September 30, 2009 (2)	2,135,000	$	25.97	4.9

(1) Net of forfeitures, aggregate grant date fair value of these unit options issued during 2009 was $6.5 million based on the following assumptions: (i) a weighted-average grant date market price of our common units of $23.53 per unit; (ii) weighted-average expected life of options of 4.9 years; (iii) weighted-average risk-free interest rate of 2.14%; (iv) expected weighted-average distribution yield on our common units of 9.37%; (v) expected weighted-average unit price volatility on our common units of 57.11%. An estimated forfeiture rate of 17% was applied to awards granted during 2009.
(2) No unit options were exercisable as of September 30, 2009.

At September 30, 2009, the estimated total unrecognized compensation cost related to nonvested unit option awards granted under the EPD 2008 LTIP was $6.6 million. We expect to recognize our share of this cost over a weighted-average period of 3.4 years in accordance with the ASA.

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Phantom unit awards. There were a total of 10,600 phantom units outstanding at September 30, 2009 under the EPD 2008 LTIP. These awards cliff vest in 2011 and 2012. At September 30, 2009 and December 31, 2008, we had accrued an immaterial liability for compensation related to these phantom unit awards.

Employee Partnerships

As of September 30, 2009, the estimated total unrecognized compensation cost related to the five Employee Partnerships was $37.7 million. We will recognize our share of these costs in accordance with the ASA over a weighted-average period of 4.2 years.

DEP GP Unit Appreciation Rights

At September 30, 2009 and December 31, 2008, we had a total of 90,000 outstanding unit appreciation rights ("UARs") granted to non-employee directors of DEP GP that cliff vest in 2012. If a director resigns prior to vesting, his UAR awards are forfeited. At September 30, 2009 and December 31, 2008, we had accrued an immaterial liability for compensation related to these UARs.

Note 4. Derivative Instruments, Hedging Activities and Fair Value Measurements

In the course of our normal business operations, we are exposed to certain risks, including changes in interest rates, commodity prices and, to a limited extent, foreign exchange rates. In order to manage risks associated with certain identifiable and anticipated transactions, we use derivative instruments. Derivatives are financial instruments whose fair value is determined by changes in a specified benchmark such as interest rates, commodity prices or currency values. Typical derivative instruments include futures, forward contracts, swaps and other instruments with similar characteristics. Substantially all of our derivatives are used for non-trading activities.

We are required to recognize derivative instruments at fair value as either assets or liabilities on the balance sheet. While all derivatives are required to be reported at fair value on the balance sheet, changes in fair value of the derivative instruments will be reported in different ways depending on the nature and effectiveness of the hedging activities to which they are related. After meeting specified conditions, a qualified derivative may be specifically designated as a total or partial hedge of:

- Changes in the fair value of a recognized asset or liability, or an unrecognized firm commitment - In a fair value hedge, all gains and losses (of both the derivative instrument and the hedged item) are recognized in income during the period of change.

- Variable cash flows of a forecasted transaction - In a cash flow hedge, the effective portion of the hedge is reported in other comprehensive income ("OCI") and is reclassified into earnings when the forecasted transaction affects earnings.

- Foreign currency exposure, such as through an unrecognized firm commitment.

An effective hedge is one in which the change in fair value of a derivative instrument can be expected to offset 80% to 125% of changes in the fair value of a hedged item at inception and throughout the life of the hedging relationship. The effective portion of a hedge is the amount by which the derivative instrument exactly offsets the change in fair value of the hedged item during the reporting period. Conversely, ineffectiveness represents the change

in the fair value of the derivative instrument that does not exactly offset the change in the fair value of the hedged item. Any ineffectiveness associated with a hedge is recognized in earnings immediately. Ineffectiveness can be caused by, among other things, changes in the timing of forecasted transactions or a mismatch of terms between the derivative instrument and the hedged item.

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Interest Rate Derivative Instruments

We utilize interest rate swaps, treasury locks and similar derivative instruments to manage our exposure to changes in the interest rates of certain consolidated debt agreements. This strategy is a component in controlling our cost of capital associated with such borrowings.

The following table summarizes our interest rate derivative instruments outstanding at September 30, 2009, all of which were designated as hedging instruments under ASC 815-20, Hedging - General:

Hedged Transaction	Number and Type of Derivative Employed	Notional Amount	Period of Hedge	Rate Swap	Accounting Treatment
Enterprise Products Partners:					
Senior Notes C	1 fixed-to-floating swap	$100.0	1/04 to 2/13	6.4% to 2.8%	Fair value hedge
Senior Notes G	3 fixed-to-floating swaps	$300.0	10/04 to 10/14	5.6% to 2.6%	Fair value hedge
Senior Notes P	7 fixed-to-floating swaps	$400.0	6/09 to 8/12	4.6% to 2.7%	Fair value hedge
Duncan Energy Partners:					
Variable-interest rate borrowings	3 floating-to-fixed swaps	$175.0	9/07 to 9/10	0.3% to 4.6%	Cash flow hedge

The changes in fair value of the fair value interest rate swaps and the related hedged items were recorded on the balance sheet with the offset recorded as interest expense. This resulted in an increase of interest expense of $2.5 million and $3.1 million, respectively, for the three and nine months ended September 30, 2009.

At times, we may use treasury lock derivative instruments to hedge the underlying U.S. treasury rates related to forecasted issuances of debt. As cash flow hedges, gains or losses on these instruments are recorded in OCI and amortized to earnings using the effective interest method over the forecasted term of the underlying fixed-rate debt. In March 2008, we terminated treasury locks having a combined notional amount of $350.0 million. On April 1, 2008, we terminated additional treasury locks having a notional amount of $250.0 million. We recognized an aggregate loss of $20.7 million in OCI during the first quarter of 2008 related to these terminations. We recognized no losses in OCI during the second quarter of 2008 in connection with such terminations.

During the nine months ended September 30, 2009, we entered into three forward starting interest rate swaps to hedge the underlying benchmark interest payments related to the forecasted issuances of debt.

Hedged Transaction	Number and Type of Derivative Employed	Notional Amount	Period of Hedge	Average Rate Locked	Accounting Treatment
Enterprise Products Partners:					

Future debt offering	1 forward starting swap	$50.0	6/10 to 6/20	3.3%	Cash flow hedge
Future debt offering	2 forward starting swaps	$200.0	2/11 to 2/21	3.6%	Cash flow hedge

The fair market value of the forward starting swaps was $8.1 million at September 30, 2009. We entered into one additional forward starting swap for a notional amount of $50.0 million in October 2009 to hedge an anticipated 10-year note offering until February 2011.

For information regarding consolidated fair value amounts and gains and losses on interest rate derivative instruments and related hedged items, see “Tabular Presentation of Fair Value Amounts, and Gains and Losses on Derivative Instruments and Related Hedged Items” within this Note 4.

Commodity Derivative Instruments

The prices of natural gas, NGLs and certain petrochemical products are subject to fluctuations in response to changes in supply, demand, general market uncertainty and a variety of additional factors that are beyond our control. In order to manage the price risk associated with such products, we enter into

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commodity derivative instruments such as forwards, basis swaps and futures contracts. The following table summarizes our commodity derivative instruments outstanding at September 30, 2009:

	Volume (1)		Accounting
Derivative Purpose	Current	Long-Term (2)	Treatment
Derivatives designated as hedging instruments:			
Enterprise Products Partners:			
Natural gas processing:			
Forecasted natural gas purchases for plant thermal reduction (“PTR”) (3)	16.6 Bcf	n/a	Cash flow hedge
Forecasted NGL sales	1.0 MMBbls	n/a	Cash flow hedge
Octane enhancement:			
Forecasted purchases of NGLs	0.1 MMBbls	n/a	Cash flow hedge
Forecasted sales of NGLs	n/a	0.1 MMBbls	Cash flow hedge
Forecasted sales of octane enhancement products	1.0 MMBbls	n/a	Cash flow hedge
Natural gas marketing:			
Natural gas storage inventory management activities	7.2 Bcf	n/a	Fair value hedge
Forecasted purchases of natural gas	n/a	3.0 Bcf	Cash flow hedge
Forecasted sales of natural gas	4.2 Bcf	0.9 Bcf	Cash flow hedge
NGL marketing:			
Forecasted purchases of NGLs and related hydrocarbon products	2.7 MMBbls	0.1 MMBbls	Cash flow hedge
Forecasted sales of NGLs and related hydrocarbon products	7.0 MMBbls	0.4 MMBbls	Cash flow hedge
Derivatives not designated as hedging instruments:			
Enterprise Products Partners:			
Natural gas risk management activities (4) (5)	313.3 Bcf	34.4 Bcf	Mark-to-market
Duncan Energy Partners:			
Natural gas risk management activities (5)	1.7 Bcf	n/a	Mark-to-market

(1) Volume for derivatives designated as hedging instruments reflects the total amount of volumes hedged whereas volume for derivatives not designated as hedging instruments reflects the absolute value of derivative notional volumes.
(2) The maximum term for derivatives included in the long-term column is December 2012.
(3) PTR represents the British thermal unit equivalent of the NGLs extracted from natural gas by a processing plant, and includes the natural gas used as plant fuel to extract those liquids, plant flare and other shortages. See the discussion below for the primary objective of this strategy.
(4) Volume includes approximately 61.8 billion cubic feet (“Bcf”) of physical derivative instruments that are predominantly priced as an index plus a premium or minus a discount.
(5) Reflects the use of derivative instruments to manage risks associated with natural gas transportation, processing and storage assets.

The table above does not include additional hedges of forecasted NGL sales executed under contracts that have been designated as normal purchase and sale agreements. At September 30, 2009, the volume hedged under these contracts was 4.6 million barrels (“MMBbls”).

Certain of our derivative instruments do not meet hedge accounting requirements; therefore, they are accounted for as economic hedges using mark-to-market accounting.

Our three predominant hedging strategies are hedging natural gas processing margins, hedging anticipated future sales margins on NGLs associated with physical volumes held in inventory and hedging the fair value of natural gas held in inventory.

The objective of our natural gas processing strategy is to hedge a level of gross margins associated with the NGL forward sales contracts (i.e., NGL sales revenues less actual costs for PTR and the gain or loss on the PTR hedge) by locking in the cost of natural gas used for PTR through the use of commodity derivative instruments. This program consists of:

§ the forward sale of a portion of our expected equity NGL production at fixed prices through December 2009, and

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§ the purchase, using commodity derivative instruments, of the amount of natural gas expected to be consumed as PTR in the production of such equity NGL production.

At September 30, 2009, this program had hedged future estimated gross margins (before plant operating expenses) of $131.0 million on 5.0 MMBbls of forecasted NGL forward sales transactions extending through December 2009.

The objective of our NGL sales hedging program is to hedge future sales margins on physical NGL inventory by locking in the sales price through the use of commodity derivative instruments.

The objective of our natural gas inventory hedging program is to hedge the fair value of natural gas currently held in inventory by locking in the sales price of the inventory through the use of commodity derivative instruments.

For information regarding consolidated fair value amounts and gains and losses on commodity derivative instruments and related hedged items, see “Tabular Presentation of Fair Value Amounts, and Gains and Losses on Derivative Instruments and Related Hedged Items” within this Note 4.

Foreign Currency Derivative Instruments

We are exposed to foreign currency exchange risk in connection with our NGL and natural gas marketing activities in Canada. As a result, we could be adversely affected by fluctuations in currency rates between the U.S. dollar and Canadian dollar. In order to manage this risk, we may enter into foreign exchange purchase contracts to lock in the exchange rate. Prior to 2009, these derivative instruments were accounted for using mark-to-market accounting. Beginning with the first quarter of 2009, the long-term transactions (more than two months) are accounted for as cash flow hedges. Shorter term transactions are accounted for using mark-to-market accounting.

In addition, we were exposed to foreign currency exchange risk in connection with a term loan denominated in Japanese yen (see Note 9). We entered into this loan agreement in November 2008 and the loan matured in March 2009. The derivative instrument used to hedge this risk was accounted for as a cash flow hedge and settled upon repayment of the loan.

At September 30, 2009, we had foreign currency derivative instruments outstanding with a notional amount of $5.5 million Canadian. The fair market value of these instruments was an asset of $0.3 million at September 30, 2009.

For information regarding consolidated fair value amounts and gains and losses on foreign currency derivative instruments and related hedged items, see “Tabular Presentation of Fair Value Amounts, and Gains and Losses on Derivative Instruments and Related Hedged Items” within this Note 4.

Credit-Risk Related Contingent Features in Derivative Instruments

A limited number of our commodity derivative instruments include provisions related to credit ratings and/or adequate assurance clauses. A credit rating provision provides for a counterparty to demand immediate full or partial payment to cover a net liability position upon the loss of a stipulated credit rating. An adequate assurance clause provides for a counterparty to demand immediate full or partial payment to cover a net liability position should reasonable grounds for insecurity arise with respect to contractual performance by either party. At September 30, 2009, the aggregate fair value of our over-the-counter derivative instruments in a net liability position was $5.7 million, the total of which was subject to a credit rating contingent feature. If our credit ratings were downgraded to Ba2/BB, approximately $5.0 million would be payable as a margin deposit to the counterparties, and if our credit ratings were downgraded to

Ba3/BB- or below, approximately $5.7 million would be payable as a margin deposit to the counterparties. Currently, no margin is required to be deposited. The potential for derivatives with contingent features to enter a net liability position may change in the future as positions and prices fluctuate.

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Tabular Presentation of Fair Value Amounts, and Gains and Losses on
Derivative Instruments and Related Hedged Items

The following table provides a balance sheet overview of our derivative assets and liabilities at the dates indicated:

	Asset Derivatives				Liability Derivatives			
	September 30, 2009		December 31, 2008		September 30, 2009		December 31, 2008	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:								
Interest rate derivatives	Derivative assets	$23.2	Derivative assets	$7.8	Derivative liabilities	$6.0	Derivative liabilities	$5.9
Interest rate derivatives	Other assets	33.4	Other assets	39.0	Other liabilities	2.0	Other liabilities	3.9
Total interest rate derivatives		56.6		46.8		8.0		9.8
Commodity derivatives	Derivative assets	51.9	Derivative assets	150.5	Derivative liabilities	133.2	Derivative liabilities	253.5
Commodity derivatives	Other assets	0.2	Other assets	--	Other liabilities	2.1	Other liabilities	0.2
Total commodity derivatives (1)		52.1		150.5		135.3		253.7
Foreign currency derivatives (2)	Derivative assets	0.3	Derivative assets	9.3	Derivative liabilities	--	Derivative liabilities	--
Total derivatives designated as hedging instruments		$109.0		$206.6		$143.3		$263.5
Derivatives not designated as hedging instruments:								
Commodity derivatives	Derivative assets	$121.6	Derivative assets	$35.2	Derivative liabilities	$123.9	Derivative liabilities	$27.7
Commodity derivatives	Other assets	1.1	Other assets	--	Other liabilities	2.4	Other liabilities	--
Total commodity derivatives		122.7		35.2		126.3		27.7
Foreign currency derivatives	Derivative assets	--	Derivative assets	--	Derivative liabilities	--	Derivative liabilities	0.1
		$122.7		$35.2		$126.3		$27.8

Total derivatives not designated as hedging instruments					

(1) Represent commodity derivative instrument transactions that either have not settled or have settled and not been invoiced. Settled and invoiced transactions are reflected in either accounts receivable or accounts payable depending on the outcome of the transaction.
(2) Relates to the hedging of our exposure to fluctuations in the foreign currency exchange rate related to our Canadian NGL marketing subsidiary.

The following tables present the effect of our derivative instruments designated as fair value hedges on our Unaudited Condensed Statements of Consolidated Operations for the periods indicated:

Derivatives in Fair Value Hedging Relationships	Location	Gain/(Loss) Recognized in Income on Derivative			
		For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
		2009	2008	2009	2008
Interest rate derivatives	Interest expense	$12.0	$4.2	$(4.2)	$(1.7)
Commodity derivatives	Revenue	0.6	--	(0.1)	--
Total		$12.6	$4.2	$(4.3)	$(1.7)

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Derivatives in Fair Value Hedging Relationships	Location	Gain/(Loss) Recognized in Income on Hedged Item			
		For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
		2009	2008	2009	2008
Interest rate derivatives	Interest expense	$ (14.5)	$ (4.2)	$ 1.1	$ 1.7
Commodity derivatives	Revenue	(0.5)	--	0.6	--
Total		$ (15.0)	$ (4.2)	$ 1.7	$ 1.7

The following tables present the effect of our derivative instruments designated as cash flow hedges on our Unaudited Condensed Statements of Consolidated Operations for the periods indicated:

Derivatives in Cash Flow Hedging Relationships	Change in Value Recognized in OCI on Derivative (Effective Portion)			
	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
Interest rate derivatives	$(8.0)	$(1.1)	$7.1	$(22.9)
Commodity derivatives – Revenue	(21.3)	(25.3)	44.5	(30.2)
Commodity derivatives – Operating costs and expenses	13.0	(218.7)	(191.4)	(93.9)
Foreign currency derivatives	0.2	--	(10.3)	(1.3)
Total	$(16.1)	$(245.1)	$(150.1)	$(148.3)

Derivatives in Cash Flow Hedging Relationships	Location of Gain/(Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain/(Loss) Reclassified from AOCI to Income (Effective Portion)			
		For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
		2009	2008	2009	2008
Interest rate derivatives	Interest expense	$ (1.3)	$ --	$ (3.3)	$ 2.4
Commodity derivatives	Revenue	(12.5)	(17.2)	7.2	(23.3)
Commodity derivatives	Operating costs and expenses	(65.3)	(11.3)	(183.5)	7.5
Total		$ (79.1)	$ (28.5)	$ (179.6)	$ (13.4)

Derivatives in Cash Flow	Location of Gain/(Loss) Recognized in Income on Ineffective Portion of Derivative	Amount of Gain/(Loss) Recognized in Income on Ineffective Portion of Derivative

Hedging Relationships		For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
		2009	2008	2009	2008
Commodity derivatives	Revenue	$ 0.8	$ --	$ 0.1	$ --
Commodity derivatives	Operating costs and expenses	(1.0)	(5.7)	(2.3)	(2.9)
Total		$ (0.2)	$ (5.7)	$ (2.2)	$ (2.9)

Over the next twelve months, we expect to reclassify $5.3 million of accumulated other comprehensive loss ("AOCI") attributable to interest rate derivative instruments to earnings as an increase to interest expense. Likewise, we expect to reclassify $81.3 million of AOCI attributable to commodity derivative instruments to earnings, $32.1 million as an increase in operating costs and expenses and $49.2 million as a reduction in revenues.

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The following table presents the effect of our derivative instruments not designated as hedging instruments on our Unaudited Condensed Statements of Consolidated Operations for the periods indicated:

Derivatives Not Designated as Hedging Instruments	Location	Gain/(Loss) Recognized in Income on Derivative			
		For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
		2009	2008	2009	2008
Commodity derivatives (1)	Revenue	$(6.1)	$38.1	$25.4	$35.2
Commodity derivatives	Operating costs and expenses	--	1.9	--	(7.1)
Foreign currency derivatives	Other income	--	--	(0.1)	--
Total		$(6.1)	$40.0	$25.3	$28.1

(1) Amounts for the three and nine months ended September 30, 2009 include $0.9 million and $3.8 million of gains on derivatives excluded from the assessment of hedge effectiveness under fair value hedging relationships, respectively.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a specified measurement date. Our fair value estimates are based on either (i) actual market data or (ii) assumptions that other market participants would use in pricing an asset or liability, including estimates of risk. Recognized valuation techniques employ inputs such as product prices, operating costs, discount factors and business growth rates. These inputs may be either readily observable, corroborated by market data or generally unobservable. In developing our estimates of fair value, we endeavor to utilize the best information available and apply market-based data to the extent possible. Accordingly, we utilize valuation techniques (such as the market approach) that maximize the use of observable inputs and minimize the use of unobservable inputs.

A three-tier hierarchy has been established that classifies fair value amounts recognized or disclosed in the financial statements based on the observability of inputs used to estimate such fair values. The hierarchy considers fair value amounts based on observable inputs (Levels 1 and 2) to be more reliable and predictable than those based primarily on unobservable inputs (Level 3). At each balance sheet reporting date, we categorize our financial assets and liabilities using this hierarchy. The characteristics of fair value amounts classified within each level of the hierarchy are described as follows:

§ Level 1 fair values are based on quoted prices, which are available in active markets for identical assets or liabilities as of the measurement date. Active markets are defined as those in which transactions for identical assets or liabilities occur with sufficient frequency so as to provide pricing information on an ongoing basis (e.g., the New York Mercantile Exchange). Our Level 1 fair values primarily consist of financial assets and liabilities such as exchange-traded commodity financial instruments.

§ Level 2 fair values are based on pricing inputs other than quoted prices in active markets (as reflected in Level 1 fair values) and are either directly or indirectly observable as of the measurement date. Level 2 fair values include instruments that are valued using financial models or other appropriate valuation methodologies. Such financial models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, the time value of money, volatility factors, current market and contractual prices for the underlying instruments and other relevant economic measures. Substantially all of these assumptions are (i)

observable in the marketplace throughout the full term of the instrument, (ii) can be derived from observable data or (iii) are validated by inputs other than quoted prices (e.g., interest rate and yield curves at commonly quoted intervals). Our Level 2 fair values primarily consist of commodity financial instruments such as forwards, swaps and other instruments transacted on an exchange or over the counter. The fair values of these derivatives are based on observable price quotes for similar products and locations. The value of our interest rate

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derivatives are valued by using appropriate financial models with the implied forward London Interbank Offered Rate yield curve for the same period as the future interest swap settlements.

§ Level 3 fair values are based on unobservable inputs. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Unobservable inputs reflect the reporting entity's own ideas about the assumptions that market participants would use in pricing an asset or liability (including assumptions about risk). Unobservable inputs are based on the best information available in the circumstances, which might include the reporting entity's internally developed data. The reporting entity must not ignore information about market participant assumptions that is reasonably available without undue cost and effort. Level 3 inputs are typically used in connection with internally developed valuation methodologies where management makes its best estimate of an instrument's fair value. Our Level 3 fair values largely consist of ethane and normal butane-based contracts with a range of two to twelve months in term. We rely on broker quotes for these products.

The following table sets forth, by level within the fair value hierarchy, our financial assets and liabilities measured on a recurring basis at September 30, 2009. These financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value assets and liabilities and their placement within the fair value hierarchy levels.

	Level 1	Level 2	Level 3	Total
Financial assets:				
Interest rate derivative instruments	$--	$56.6	$--	$56.6
Commodity derivative instruments	10.9	151.8	12.1	174.8
Foreign currency derivative instruments	--	0.3	--	0.3
Total	$10.9	$208.7	$12.1	$231.7
Financial liabilities:				
Interest rate derivative instruments	$--	$8.0	$--	$8.0
Commodity derivative instruments	36.7	211.1	13.8	261.6
Total	$36.7	$219.1	$13.8	$269.6

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The following table sets forth a reconciliation of changes in the fair value of our Level 3 financial assets and liabilities for the periods presented:

	For the Nine Months Ended September 30,	
	2009	2008
Balance, January 1	$32.6	$(4.6)
Total gains (losses) included in:		
Net income (1)	12.5	(2.3)
Other comprehensive income (loss)	1.5	2.4
Purchases, issuances, settlements	(12.5)	1.9
Balance, March 31	34.1	(2.6)
Total gains (losses) included in:		
Net income (1)	7.7	0.3
Other comprehensive income (loss)	(23.1)	(2.4)
Purchases, issuances, settlements	(7.7)	0.1
Transfers out of Level 3	(0.2)	--
Balance, June 30	10.8	(4.6)
Total gains (losses) included in:		
Net income (1)	6.5	(2.2)
Other comprehensive income (loss)	(10.2)	23.1
Purchases, issuances, settlements	(6.5)	2.2
Transfers out of Level 3	(2.3)	--
Balance, September 30	$(1.7)	$18.5

(1) There were $4.8 million and $5.0 million of unrealized losses included in these amounts for the three and nine months ended September 30, 2009, respectively. For the three and nine months ended September 30, 2008, there were no unrealized gains or losses included in these amounts.

Nonfinancial Assets and Liabilities

Certain nonfinancial assets and liabilities are measured at fair value on a nonrecurring basis and are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). There were no material fair value adjustments for such assets or liabilities reflected in our consolidated financial statements for the three and nine months ended September 30, 2009.

Note 5. Inventories

Our inventory amounts were as follows at the dates indicated:

	September 30, 2009	December 31, 2008
Working inventory (1)	$508.1	$200.4
Forward sales inventory (2)	639.4	162.4
Total inventory	$1,147.5	$362.8

(1) Working inventory is comprised of inventories of natural gas, NGLs and certain petrochemical products that are either available-for-sale or used in providing services.
(2) Forward sales inventory consists of identified NGL and natural gas volumes dedicated to the fulfillment of forward sales contracts. As a result of energy market conditions, we significantly increased our physical inventory purchases and related forward physical sales commitments during 2009. In general, the significant increase in volumes dedicated to forward physical sales contracts improves the overall utilization and profitability of our fee-based assets.

Our inventory values reflect payments for product purchases, freight charges associated with such purchase volumes, terminal and storage fees, vessel inspection costs, demurrage charges and other related costs. Inventories are valued at the lower of average cost or market.

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Operating costs and expenses, as presented on our Unaudited Condensed Statements of Consolidated Operations, include cost of sales amounts related to the sale of inventories. Our costs of sales amounts were $3.72 billion and $5.47 billion for the three months ended September 30, 2009 and 2008, respectively. For the nine months ended September 30, 2009 and 2008, our costs of sales amounts were $9.05 billion and $15.88 billion, respectively. The decrease in cost of sales period-to-period is primarily due to lower energy commodity prices associated with our marketing activities.

Due to fluctuating commodity prices, we recognize lower of average cost or market ("LCM") adjustments when the carrying value of our available-for-sale inventories exceed their net realizable value. These non-cash charges are a component of cost of sales in the period they are recognized, and reflected in operating costs and expenses as presented on our Unaudited Condensed Statements of Consolidated Operations. LCM adjustments may be mitigated or offset through the use of commodity hedging instruments to the extent such instruments affect net realizable value. See Note 4 for a description of our commodity hedging activities. For the three months ended September 30, 2009 and 2008, we recognized LCM adjustments of $0.4 million and $36.5 million, respectively. We recognized LCM adjustments of $6.4 million and $41.3 million for the nine months ended September 30, 2009 and 2008, respectively.

Note 6. Property, Plant and Equipment

Our property, plant and equipment values and accumulated depreciation balances were as follows at the dates indicated:

	Estimated Useful Life in Years	September 30, 2009	December 31, 2008
Plants and pipelines (1)	3-45 (5)	$13,927.2	$12,296.3
Underground and other storage facilities (2)	5-35 (6)	944.2	900.7
Platforms and facilities (3)	20-31	637.6	634.8
Transportation equipment (4)	3-10	41.5	38.7
Land		59.4	54.6
Construction in progress		802.8	1,604.7
Total		16,412.7	15,529.8
Less accumulated depreciation		2,751.1	2,375.0
Property, plant and equipment, net		$13,661.6	$13,154.8

(1) Plants and pipelines include processing plants; NGL, petrochemical, crude oil and natural gas pipelines; terminal loading and unloading facilities; office furniture and equipment; buildings; laboratory and shop equipment; and related assets.
(2) Underground and other storage facilities include underground product storage caverns; storage tanks; water wells; and related assets.
(3) Platforms and facilities include offshore platforms and related facilities and other associated assets.
(4) Transportation equipment includes vehicles and similar assets used in our operations.
(5) In general, the estimated useful lives of major components of this category are as follows: processing plants, 20-35 years; pipelines, 18-45 years (with some equipment at 5 years); terminal facilities, 10-35 years; office furniture and equipment, 3-20 years; buildings, 20-35 years; and laboratory and shop equipment, 5-35 years.

(6) In general, the estimated useful lives of major components of this category are as follows: underground storage facilities, 20-35 years (with some components at 5 years); storage tanks, 10-35 years; and water wells, 25-35 years (with some components at 5 years).

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The following table summarizes our depreciation expense and capitalized interest amounts for the periods indicated:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
Depreciation expense (1)	$138.0	$115.5	$393.5	$339.3
Capitalized interest (2)	6.6	17.3	24.3	53.0

(1) Depreciation expense is a component of costs and expenses as presented in our Unaudited Condensed Statements of Consolidated Operations.
(2) Capitalized interest increases the carrying value of the associated asset and reduces interest expense during the period it is recorded.

In May 2009, we acquired certain rail and truck terminal facilities located in Mont Belvieu, Texas from Martin Midstream Partners L.P. (“Martin”). Cash consideration paid for this business combination was $23.7 million, all of which was recorded as additions to property, plant and equipment.

On a pro forma consolidated basis, our revenues, costs and expenses, operating income, net income and earnings per unit amounts would not have differed materially from those we actually reported for the three and nine months ended September 30, 2009 and 2008 due to the immaterial nature of our 2009 business combination transaction.

Asset Retirement Obligations

Asset retirement obligations (“AROs”) are legal obligations associated with the retirement of certain tangible long-lived assets that result from acquisitions, construction, development and/or normal operations. The following table presents information regarding our AROs since December 31, 2008.

ARO liability balance, December 31, 2008	$37.7
Liabilities incurred	0.4
Liabilities settled	(13.6)
Revisions in estimated cash flows	23.6
Accretion expense	2.0
ARO liability balance, September 30, 2009	$50.1

The increase in our ARO liability balance during 2009 primarily reflects revised estimates of the cost to comply with regulatory abandonment obligations associated with our facilities offshore in the Gulf of Mexico. We incurred $13.6 million of costs through September 30, 2009 as a result of ARO settlement activities associated with certain pipeline laterals and a platform located in the Gulf of Mexico.

Property, plant and equipment at September 30, 2009 and December 31, 2008 includes $25.7 million and $9.9 million, respectively, of asset retirement costs capitalized as an increase in the associated long-lived asset. Based on information currently available, we estimate that accretion expense will approximate $0.9 million for the fourth quarter of 2009, $3.5 million for 2010, $3.4 million for 2011, $3.7 million for 2012 and $4.0 million for 2013.

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Note 7. Investments in Unconsolidated Affiliates

We own interests in a number of related businesses that are accounted for using the equity method of accounting. Our investments in unconsolidated affiliates are grouped according to the business segment to which they relate. See Note 11 for a general discussion of our business segments. The following table shows our investments in unconsolidated affiliates at the dates indicated:

	Ownership Percentage at September 30, 2009	September 30, 2009	December 31, 2008
NGL Pipelines & Services:			
Venice Energy Service Company, L.L.C.	13.1%	$33.1	$37.7
K/D/S Promix, L.L.C. (“Promix”)	50%	47.8	46.4
Baton Rouge Fractionators LLC	32.2%	23.6	24.1
Skelly-Belvieu Pipeline Company, L.L.C. (“Skelly-Belvieu”)	49%	37.4	36.0
Onshore Natural Gas Pipelines & Services:			
Jonah Gas Gathering Company (“Jonah”)	19.4%	250.1	258.1
Evangeline (1)	49.5%	5.4	4.5
White River Hub, LLC	50%	27.0	21.4
Offshore Pipelines & Services:			
Poseidon Oil Pipeline, L.L.C. (“Poseidon”)	36%	61.3	60.2
Cameron Highway Oil Pipeline Company (“Cameron Highway”)	50%	243.2	250.8
Deepwater Gateway, L.L.C.	50%	102.8	104.8
Neptune Pipeline Company, L.L.C. (“Neptune”)	25.7%	54.4	52.7
Nemo Gathering Company, LLC	33.9%	--	0.4
Texas Offshore Port System (“TOPS”) (2)	--	--	35.9
Petrochemical Services:			
Baton Rouge Propylene Concentrator, LLC	30%	11.4	12.6
La Porte (3)	50%	3.5	3.9
Total		$901.0	$949.5

(1) Refers to our ownership interests in Evangeline Gas Pipeline Company, L.P. and Evangeline Gas Corp., collectively.
(2) In April 2009, we elected to dissociate from this partnership and forfeit our investment (see discussion below).
(3) Refers to our ownership interests in La Porte Pipeline Company, L.P. and La Porte GP, LLC, collectively.

Our investments in Promix, La Porte, Neptune, Poseidon, Cameron Highway, Jonah and Skelly-Belvieu include excess cost amounts totaling $54.8 million and $56.6 million at September 30, 2009 and December 31, 2008, respectively, all of which are attributable to the fair value of the underlying tangible assets of these entities exceeding their book carrying values at the time of our acquisition of interests in these entities. To the extent that we attribute all or a portion of an excess cost amount to higher fair values, we amortize such excess cost as a reduction in equity earnings in a manner similar to depreciation. To the extent we attribute an excess cost amount to goodwill, we do not amortize this amount, but it is subject to evaluation for impairment. Amortization of excess cost amounts was $0.6 million and $0.5 million for the three months ended September 30, 2009 and 2008, respectively. For the nine months

ended September 30, 2009 and 2008, amortization of such amounts was $1.8 million and $1.5 million, respectively.

The following table presents our equity in income (loss) of unconsolidated affiliates by business segment for the periods indicated:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
NGL Pipelines & Services	$4.0	$3.0	$7.5	$2.3
Onshore Natural Gas Pipelines & Services	7.4	5.6	21.7	16.9
Offshore Pipelines & Services	10.6	6.0	(12.1)	27.9
Petrochemical Services	0.5	0.3	1.2	1.0
Total	$22.5	$14.9	$18.3	$48.1

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Exit from TOPS Partnership

In August 2008, a wholly owned subsidiary of ours, together with a subsidiary of TEPPCO and Oiltanking Holding Americas, Inc. ("Oiltanking"), formed the TOPS partnership. Effective April 16, 2009, our wholly owned subsidiary dissociated from TOPS. As a result, equity earnings for the nine months ended September 30, 2009 reflects a non-cash charge of $34.2 million. This loss, which is classified within our Offshore Pipelines & Services business segment, represents our cumulative investment in TOPS through the date of dissociation and reflects our capital contributions to TOPS for construction in progress amounts. The wholly owned subsidiary of TEPPCO that was a partner in TOPS also dissociated from the partnership effective April 16, 2009 and recorded a $34.2 million non-cash charge. See Note 14 for litigation matters associated with TOPS.

Summarized Financial Information of Unconsolidated Affiliates

The following tables present unaudited income statement data for our current unconsolidated affiliates, aggregated by business segment, for the periods indicated (on a 100% basis):

	Summarized Income Statement Information for the Three Months Ended					
	September 30, 2009			September 30, 2008		
	Revenues	Operating Income	Net Income	Revenues	Operating Income	Net Income
NGL Pipelines & Services	$60.0	$10.9	$11.2	$75.1	$9.7	$6.7
Onshore Natural Gas Pipelines & Services	108.6	34.2	34.3	188.9	29.0	27.9
Offshore Pipelines & Services	43.2	24.7	24.0	31.9	12.9	12.0
Petrochemical Services	5.1	2.0	2.0	5.6	1.1	1.1

	Summarized Income Statement Information for the Nine Months Ended					
	September 30, 2009			September 30, 2008		
	Revenues	Operating Income	Net Income	Revenues	Operating Income	Net Income
NGL Pipelines & Services	$161.7	$23.7	$24.2	$217.8	$17.7	$15.0
Onshore Natural Gas Pipelines & Services	311.8	100.7	100.8	492.5	88.7	85.3
Offshore Pipelines & Services	106.4	39.2	37.7	115.0	62.4	57.2
Petrochemical Services	14.9	5.1	5.1	16.6	3.9	3.9

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Note 8. Intangible Assets and Goodwill

Identifiable Intangible Assets

The following table summarizes our intangible assets by segment at the dates indicated:

	September 30, 2009			December 31, 2008		
	Gross Value	Accum. Amort.	Carrying Value	Gross Value	Accum. Amort.	Carrying Value
NGL Pipelines & Services:						
Customer relationship intangibles	$237.4	$(82.2)	$155.2	$237.4	$(68.7)	$168.7
Contract-based intangibles	299.9	(131.6)	168.3	299.7	(117.4)	182.3
Subtotal	537.3	(213.8)	323.5	537.1	(186.1)	351.0
Onshore Natural Gas Pipelines & Services:						
Customer relationship intangibles	372.0	(119.1)	252.9	372.0	(103.2)	268.8
Contract-based intangibles	101.3	(43.1)	58.2	101.3	(36.6)	64.7
Subtotal	473.3	(162.2)	311.1	473.3	(139.8)	333.5
Offshore Pipelines & Services:						
Customer relationship intangibles	205.8	(101.8)	104.0	205.8	(90.7)	115.1
Contract-based intangibles	1.2	(0.2)	1.0	1.2	(0.1)	1.1
Subtotal	207.0	(102.0)	105.0	207.0	(90.8)	116.2
Petrochemical Services:						
Customer relationship intangibles	53.0	(11.6)	41.4	53.0	(10.5)	42.5
Contract-based intangibles	14.9	(2.9)	12.0	14.9	(2.7)	12.2
Subtotal	67.9	(14.5)	53.4	67.9	(13.2)	54.7
Total	$1,285.5	$(492.5)	$793.0	$1,285.3	$(429.9)	$855.4

The following table presents the amortization expense of our intangible assets by business segment for the periods indicated:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
NGL Pipelines & Services	$9.1	$9.7	$27.7	$29.6
Onshore Natural Gas Pipelines & Services	7.4	7.5	22.4	22.9
Offshore Pipelines & Services	3.6	4.1	11.2	12.8
Petrochemical Services	0.4	0.5	1.3	1.5
Total	$20.5	$21.8	$62.6	$66.8

Based on information currently available, we estimate that amortization expense will approximate $20.2 million for the fourth quarter of 2009, $77.8 million for 2010, $72.0 million for 2011, $62.3 million for 2012 and $56.4 million for 2013.

Goodwill

The following table summarizes our goodwill amounts by business segment at the dates indicated:

	September 30, 2009	December 31, 2008
NGL Pipelines & Services	$269.0	$269.0
Onshore Natural Gas Pipelines & Services	282.1	282.1
Offshore Pipelines & Services	82.1	82.1
Petrochemical Services	73.7	73.7
Total	$706.9	$706.9

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Note 9. Debt Obligations

Our consolidated debt obligations consisted of the following at the dates indicated:

	September 30, 2009	December 31, 2008
EPO senior debt obligations:		
Multi-Year Revolving Credit Facility, variable rate, due November 2012	$638.0	$800.0
Pascagoula MBFC Loan, 8.70% fixed-rate, due March 2010 (1)	54.0	54.0
Petal GO Zone Bonds, variable rate, due August 2037	57.5	57.5
Yen Term Loan, 4.93% fixed-rate, due March 2009 (2)	--	217.6
Senior Notes B, 7.50% fixed-rate, due February 2011	450.0	450.0
Senior Notes C, 6.375% fixed-rate, due February 2013	350.0	350.0
Senior Notes D, 6.875% fixed-rate, due March 2033	500.0	500.0
Senior Notes F, 4.625% fixed-rate, due October 2009 (1)	500.0	500.0
Senior Notes G, 5.60% fixed-rate, due October 2014	650.0	650.0
Senior Notes H, 6.65% fixed-rate, due October 2034	350.0	350.0
Senior Notes I, 5.00% fixed-rate, due March 2015	250.0	250.0
Senior Notes J, 5.75% fixed-rate, due March 2035	250.0	250.0
Senior Notes K, 4.950% fixed-rate, due June 2010 (1)	500.0	500.0
Senior Notes L, 6.30% fixed-rate, due September 2017	800.0	800.0
Senior Notes M, 5.65% fixed-rate, due April 2013	400.0	400.0
Senior Notes N, 6.50% fixed-rate, due January 2019	700.0	700.0
Senior Notes O, 9.75% fixed-rate, due January 2014	500.0	500.0
Senior Notes P, 4.60% fixed-rate, due August 2012	500.0	--
Duncan Energy Partners' debt obligations:		
DEP Revolving Credit Facility, variable rate, due February 2011	180.5	202.0
DEP Term Loan, variable rate, due December 2011	282.3	282.3
Total principal amount of senior debt obligations	7,912.3	7,813.4
EPO Junior Subordinated Notes A, fixed/variable rate, due August 2066	550.0	550.0
EPO Junior Subordinated Notes B, fixed/variable rate, due January 2068	682.7	682.7
Total principal amount of senior and junior debt obligations	9,145.0	9,046.1
Other, non-principal amounts:		
Change in fair value of debt-related derivative instruments	47.6	51.9
Unamortized discounts, net of premiums	(7.3)	(7.3)
Unamortized deferred net gains related to terminated interest rate swaps	13.0	17.7
Total other, non-principal amounts	53.3	62.3
Total long-term debt	$9,198.3	$9,108.4
Letters of credit outstanding	$109.3	$1.0

(1) In accordance with ASC 470, Debt, long-term and current maturities of debt reflect the classification of such obligations at September 30, 2009 after taking into consideration EPO's (i) $1.1 billion issuance of Senior Notes in October 2009 and (ii) ability to use available borrowing capacity under its Multi-Year Revolving Credit Facility.
(2) The Yen Term Loan matured on March 30, 2009.

Parent-Subsidiary Guarantor Relationships

Enterprise Products Partners L.P. acts as guarantor of the consolidated debt obligations of EPO with the exception of the DEP Revolving Credit Facility and the DEP Term Loan. If EPO were to default on any of its guaranteed debt, Enterprise Products Partners L.P. would be responsible for full repayment of that obligation.

Letters of Credit

At September 30, 2009, EPO had outstanding a $50.0 million letter of credit relating to its commodity derivative instruments and a $58.3 million letter of credit related to its Petal GO Zone Bonds. These letter of credit facilities do not reduce the amount available for borrowing under EPO's credit facilities. In addition, at September 30, 2009, Duncan Energy Partners had an outstanding letter of credit in the amount of $1.0 million which reduces the amount available for borrowing under its credit facility.

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EPO's Debt Obligations

Apart from that discussed below, there have been no significant changes in the terms of our debt obligations since those reported in our Recast Form 8-K.

$200.0 Million Term Loan. In April 2009, EPO entered into a $200.0 Million Term Loan, which was subsequently repaid and terminated in June 2009 using funds from the issuance of Senior Notes P (see below).

Senior Notes P. In June 2009, EPO issued $500.0 million in principal amount of 3-year senior unsecured notes ("Senior Notes P"). Senior Notes P were issued at 99.95% of their principal amount, have a fixed interest rate of 4.60% and mature on August 1, 2012. Net proceeds from the issuance of Senior Notes P were used (i) to repay amounts borrowed under the $200 Million Term Loan, (ii) to temporarily reduce borrowings outstanding under EPO's Multi-Year Revolving Credit Facility and (iii) for general partnership purposes.

Senior Notes P rank equal with EPO's existing and future unsecured and unsubordinated indebtedness. They are senior to any existing and future subordinated indebtedness of EPO. Senior Notes P are subject to make-whole redemption rights and were issued under indentures containing certain covenants, which generally restrict EPO's ability, with certain exceptions, to incur debt secured by liens and engage in sale and leaseback transactions.

364-Day Revolving Credit Facility. In November 2008, EPO executed a standby 364-Day Revolving Credit Agreement (the "364-Day Facility") that had a borrowing capacity of $375.0 million. The 364-Day Facility was terminated in June 2009 under its terms as a result of the issuance of Senior Notes P. No amounts were borrowed under this standby facility through its termination date.

Exchange Offers for TEPPCO Notes. In September 2009, EPO commenced offers to exchange all outstanding notes issued by TEPPCO for a corresponding series of new notes to be issued by EPO and guaranteed by Enterprise Products Partners L.P. The aggregate principal amount of the TEPPCO notes subject to the exchange was $2 billion. The exchange offer was completed on October 27, 2009, resulting in the exchange of approximately $1.95 billion of new EPO notes for existing TEPPCO notes. See Note 18 for additional information regarding this exchange offer.

Senior Notes Q and R. In October 2009, EPO issued $500.0 million in principal amount of 10-year senior unsecured notes ("Senior Notes Q") and $600.0 million in principal amount of 30-year senior unsecured notes ("Senior Notes R"). EPO used a portion of the net proceeds it received from the issuance of Senior Notes Q and R to repay its $500.0 million in principal amount unsecured notes ("Senior Notes F") that matured in October 2009. See Note 18 for additional information regarding these debt issuances.

Dixie Revolving Credit Facility

The Dixie Revolving Credit Facility was terminated in January 2009. As of December 31, 2008, there were no debt obligations outstanding under this facility.

Covenants

We were in compliance with the covenants of our consolidated debt agreements at September 30, 2009.

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Information Regarding Variable Interest Rates Paid

The following table shows the weighted-average interest rate paid on our consolidated variable-rate debt obligations during the nine months ended September 30, 2009.

	Weighted-Average Interest Rate Paid
EPO's Multi-Year Revolving Credit Facility	0.97%
DEP Revolving Credit Facility	1.64%
DEP Term Loan	1.20%
Petal GO Zone Bonds	0.76%

Consolidated Debt Maturity Table

The following table presents the scheduled contractual maturities of principal amounts of our debt obligations for the next five years and in total thereafter.

2009 (1)	$500.0
2010 (1)	554.0
2011	912.8
2012	1,138.0
2013	750.0
Thereafter	5,290.2
Total scheduled principal payments	$9,145.0

(1) Long-term and current maturities of debt reflect the classification of such obligations on our Unaudited Condensed Consolidated Balance Sheet at September 30, 2009 after taking into consideration EPO's (i) $1.1 billion issuance of Senior Notes in October 2009 and (ii) ability to use available borrowing capacity under its Multi-Year Revolving Credit Facility.

Debt Obligations of Unconsolidated Affiliates

We have two unconsolidated affiliates with long-term debt obligations. The following table shows (i) our ownership interest in each entity at September 30, 2009, (ii) total debt of each unconsolidated affiliate at September 30, 2009 (on a 100% basis to the affiliate) and (iii) the corresponding scheduled maturities of such debt.

	Our Ownership Interest	Total	Scheduled Maturities of Debt		
			2009	2010	2011
Poseidon	36%	$92.0	$--	$--	$92.0
Evangeline	49.5%	15.7	5.0	3.2	7.5
Total		$107.7	$5.0	$3.2	$99.5

The credit agreements of our unconsolidated affiliates contain various affirmative and negative covenants, including financial covenants. These businesses were in compliance with such covenants at September 30, 2009. The credit agreements of our unconsolidated affiliates also restrict their ability to pay cash dividends if a default or an event of

default (as defined in each credit agreement) has occurred and is continuing at the time such dividend is scheduled to be paid.

There have been no significant changes in the terms of the debt obligations of our unconsolidated affiliates since those reported in our Recast Form 8-K.

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Note 10. Equity and Distributions

Our common units represent limited partner interests, which give the holders thereof the right to participate in distributions and to exercise the other rights or privileges available to them under our Fifth Amended and Restated Agreement of Limited Partnership (together with all amendments thereto, the "Partnership Agreement"). We are managed by our general partner, EPGP.

Equity Offerings and Registration Statements

We have a universal shelf registration statement on file with the SEC that allows us to issue an unlimited amount of debt and equity securities for general partnership purposes. In January 2009, we issued 10,590,000 common units (including an over-allotment of 990,000 common units) to the public at an offering price of $22.20 per unit under this registration statement. We used the net proceeds of $225.6 million from the January 2009 equity offering to temporarily reduce borrowings outstanding under EPO's Multi-Year Revolving Credit Facility and for general partnership purposes. In June 2009, EPO issued $500.0 million in principal amount of Senior Notes P under this registration statement. Net proceeds from this senior note offering were used to repay the $200.0 Million Term Loan, to temporarily reduce borrowings outstanding under EPO's Multi-Year Revolving Credit Facility and for general partnership purposes.

In September 2009, we issued 8,337,500 common units (including an over-allotment of 1,087,500 common units) to the public at an offering price of $28.00 per unit under this registration statement. We used the net proceeds of $226.4 million from the September 2009 equity offering to temporarily reduce borrowings outstanding under EPO's Multi-Year Revolving Credit Facility and for general partnership purposes. In October 2009, EPO issued $1.1 billion in principal amount of Senior Notes Q and R under this registration statement. Net proceeds from this senior note offering were used to repay $500.0 million in aggregate principal amount of Senior Notes F that matured in October 2009, to temporarily reduce borrowings outstanding under EPO's Multi-Year Revolving Credit Facility and for general partnership purposes.

We also have a registration statement on file with the SEC authorizing the issuance of up to 40,000,000 common units in connection with our distribution reinvestment plan ("DRIP"). A total of 32,202,131 common units have been issued under this registration statement through September 30, 2009.

In addition, we have a registration statement on file related to our employee unit purchase plan ("EUPP"), under which we can issue up to 1,200,000 common units. A total of 792,809 common units have been issued to employees under this plan through September 30, 2009.

On September 4, 2009, we agreed to issue 5,940,594 common units in a private placement to EPCO Holdings, Inc., a privately held affiliate controlled by Dan L. Duncan, for $150.0 million, or $25.25 per unit. In accordance with the terms of the private placement, as approved by the Audit, Conflicts and Governance ("ACG") Committee of EPGP's Board of Directors on September 1, 2009, the per unit purchase price of $25.25 was calculated based on a five percent discount to the five-day volume weighted average price ("5-Day VWAP") of our common units, as reported by the NYSE at the close of business on September 4, 2009. The 5-Day VWAP was based on (i) the closing price for the common units on the NYSE for each of the trading days in such five-day period and (ii) the total trading volume for the common units reported by the NYSE for each such trading day. The common units were issued on September 8, 2009.

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The following table reflects the number of common units issued and the net proceeds received from underwritten and other common unit offerings completed during the nine months ended September 30, 2009:

		Net Proceeds from Sale of Common Units		
	Number of Common Units Issued	Contributed by Limited Partners	Contributed by General Partner	Total Net Proceeds
January underwritten offering	10,590,000	$225.6	$4.6	$230.2
February DRIP and EUPP	3,679,163	78.9	1.6	80.5
May DRIP and EUPP	3,671,679	86.1	1.8	87.9
August DRIP and EUPP	3,521,754	93.2	1.8	95.0
September private placement	5,940,594	150.0	3.1	153.1
September underwritten offering	8,337,500	226.4	4.6	231.0
Total 2009	35,740,690	$860.2	$17.5	$877.7

Net proceeds from the issuance of common units during 2009 have been used to temporarily reduce borrowings under EPO's Multi-Year Revolving Credit Facility and for general partnership purposes.

Summary of Changes in Outstanding Units

The following table summarizes changes in our outstanding units since December 31, 2008:

	Common Units	Restricted Common Units	Treasury Units
Balance, December 31, 2008	439,354,731	2,080,600	--
Common units issued in connection with underwritten offerings	18,927,500	--	--
Common units issued in connection with private placement	5,940,594	--	--
Common units issued in connection with DRIP and EUPP	10,872,596	--	--
Common units issued in connection with equity awards	18,500	--	--
Restricted units issued	--	1,016,950	--
Forfeiture of restricted units	--	(194,400)	--
Conversion of restricted units to common units	244,300	(244,300)	--
Acquisition of treasury units	(64,223)	--	64,223
Cancellation of treasury units	--	--	(64,223)
Balance, September 30, 2009	475,293,998	2,658,850	--

Summary of Changes in Limited Partners' Equity

The following table details the changes in limited partners' equity since December 31, 2008:

	Common Units	Restricted Common Units	Total
Balance, December 31, 2008	$6,036.9	$26.2	$6,063.1

Net income	501.9	2.7	504.6
Operating leases paid by EPCO	0.5	--	0.5
Cash distributions to partners	(731.5)	(3.7)	(735.2)
Unit option reimbursements to EPCO	(0.5)	--	(0.5)
Net proceeds from issuance of common units	860.2	--	860.2
Proceeds from exercise of unit options	0.5	--	0.5
Acquisition of treasury units	--	(1.8)	(1.8)
Amortization of equity awards	2.8	10.7	13.5
Balance, September 30, 2009	$6,670.8	$34.1	$6,704.9

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Distributions to Partners

We paid EPGP incentive distributions of $38.1 million and $32.0 million during the three months ended September 30, 2009 and 2008, respectively. During the nine months ended September 30, 2009 and 2008, we paid incentive distributions of $109.9 million and $92.8 million, respectively, to EPGP.

We paid aggregate distributions to our unitholders and our general partner of $860.1 million during the nine months ended September 30, 2009. These distributions pertained to the nine month period ended June 30, 2009 (i.e., the fourth quarter of 2008, and first and second quarters of 2009). On November 5, 2009, we paid a quarterly cash distribution of $0.5525 per unit with respect to the third quarter of 2009, to unitholders of record at the close of business on October 30, 2009.

Accumulated Other Comprehensive Loss

The following table presents the components of AOCI at the dates indicated:

	September 30, 2009	December 31, 2008
Commodity derivative instruments (1)	$(84.7)	$(114.1)
Interest rate derivative instruments (1)	14.2	3.8
Foreign currency derivative instruments (1) (2)	0.3	10.6
Foreign currency translation adjustment (2)	0.4	(1.3)
Pension and postretirement benefit plans	(0.7)	(0.7)
Subtotal	(70.5)	(101.7)
Amount attributable to noncontrolling interest	3.4	4.5
Total accumulated other comprehensive loss in partners' equity	$(67.1)	$(97.2)

(1) See Note 4 for additional information regarding these components of accumulated other comprehensive loss.
(2) Relates to transactions of our Canadian NGL marketing subsidiary.

Noncontrolling Interest

The following table presents the components of noncontrolling interest as presented on our Unaudited Condensed Consolidated Balance Sheets at the dates indicated:

	September 30, 2009	December 31, 2008
Limited partners of Duncan Energy Partners (1)	$416.9	$281.1
Joint venture partners (2)	108.5	112.5
AOCI attributable to noncontrolling interest	(3.4)	(4.5)
Total noncontrolling interest on consolidated balance sheets	$522.0	$389.1

(1) Consists of non-affiliate public unitholders of Duncan Energy Partners. The increase in noncontrolling interest between periods is attributable to Duncan Energy Partners' equity offering in June 2009 (see Note 12).

(2) Represents third-party ownership interests in joint ventures that we consolidate, including Seminole Pipeline Company, Tri-States Pipeline L.L.C., Independence Hub LLC and Wilprise Pipeline Company LLC.

The following table presents the components of net income attributable to noncontrolling interest as presented on our Unaudited Condensed Statements of Consolidated Operations for the periods indicated:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
Limited partners of Duncan Energy Partners	$10.1	$2.7	$21.8	$11.8
Joint venture partners	6.9	5.2	20.7	17.5
Total	$17.0	$7.9	$42.5	$29.3

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The following table presents cash distributions paid to, and cash contributions from, noncontrolling interest as presented on our Unaudited Condensed Statements of Consolidated Cash Flows and Unaudited Condensed Statements of Consolidated Equity for the periods indicated:

	For the Nine Months Ended September 30,	
	2009	2008
Cash distributions paid to noncontrolling interest:		
Limited partners of Duncan Energy Partners	$23.2	$18.5
Joint venture partners	24.7	20.7
Total cash distributions paid to noncontrolling interest	$47.9	$39.2
Cash contributions from noncontrolling interest:		
Limited partners of Duncan Energy Partners	$137.4	$--