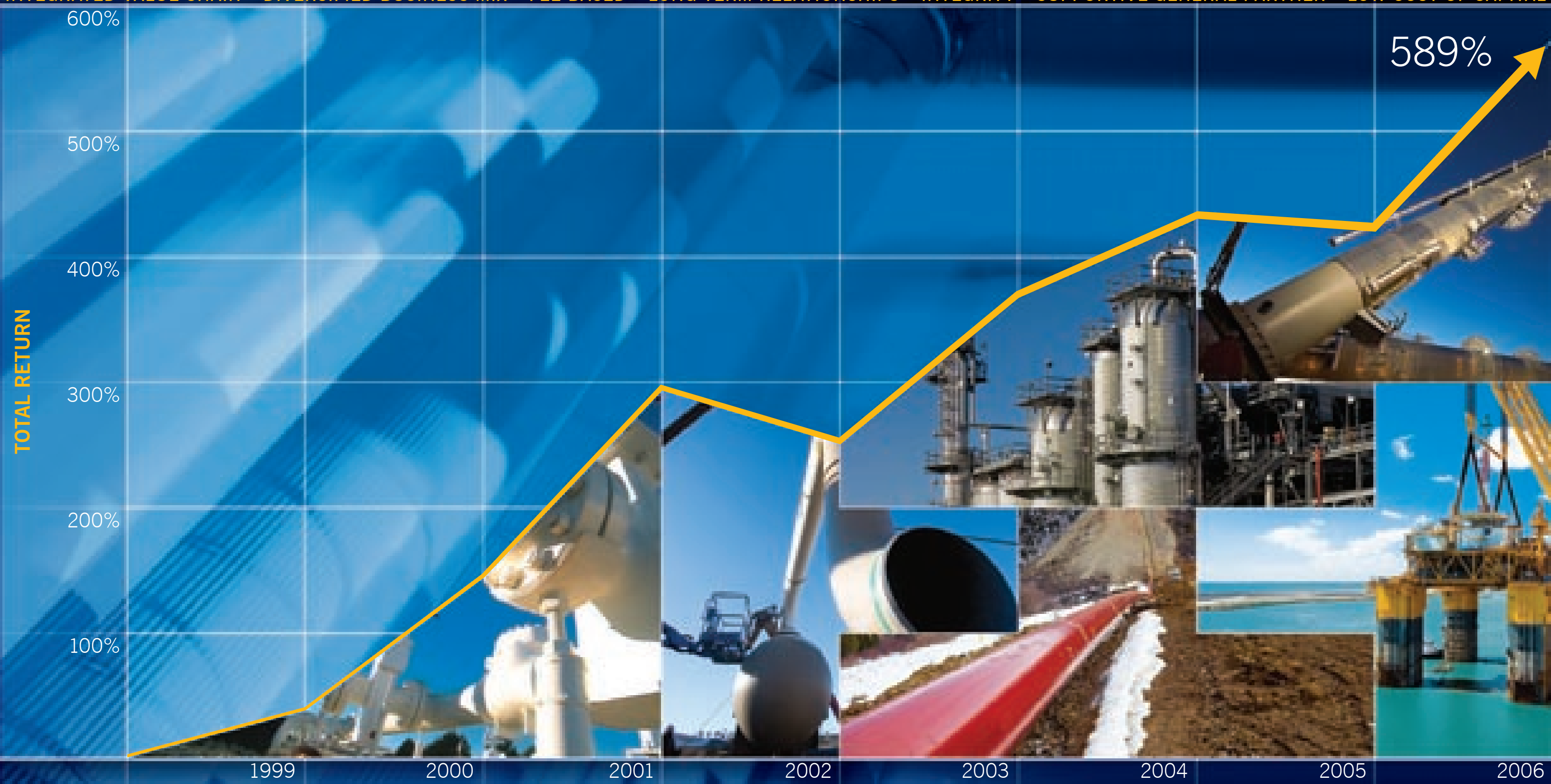
Formula
FOR SUCCESS

2006 Annual Report

INTEGRATED VALUE CHAIN – DIVERSIFIED BUSINESS MIX – FEE-BASED – LONG-TERM RELATIONSHIPS – INTEGRITY – SUPPORTIVE GENERAL PARTNER – LOW COST OF CAPITAL



Enterprise
Products
Partners L.P.

Company Profile

Enterprise Products Partners L.P. is one of the largest publicly traded partnerships with an enterprise value of approximately $18 billion and is a leading North American provider of midstream energy services to producers and consumers of natural gas, natural gas liquids ("NGLs"), crude oil and certain petrochemicals. Enterprise transports natural gas, NGLs and crude oil through more than 35,000 miles of onshore and offshore pipelines.

With the only integrated North American midstream energy network complete with export services, Enterprise links producers of natural gas, NGLs and crude oil from the largest supply basins in the United States, Canada and the Gulf of Mexico with the largest U.S. consumers and international markets.

Financial Highlights

(Amounts in thousands except per unit amounts)

	2006	2005	2004	2003	2002
INCOME STATEMENT DATA:					
Revenues from consolidated operations	$ 13,990,969	$ 12,256,959	$ 8,321,202	$ 5,346,431	$ 3,584,783
Gross operating margin(1)	$ 1,362,449	$ 1,136,347	$ 655,191	$ 410,415	$ 332,349
Equity in income (loss) of unconsolidated affiliates	$ 21,565	$ 14,548	$ 52,787	$ (13,960)	$ 35,253
Operating income	$ 860,052	$ 663,016	$ 422,994	$ 248,104	$ 194,307
Net income	$ 601,155	$ 419,508	$ 268,261	$ 104,546	$ 95,500
Fully diluted earnings per unit	$ 1.22	$ 0.91	$ 0.87	$ 0.41	$ 0.48
Number of units for fully diluted calculation	414,759	382,963	266,045	206,367	176,490
BALANCE SHEET DATA:					
Total assets	$ 13,989,718	$ 12,591,016	$ 11,315,461	$ 4,802,814	$ 4,230,272
Total debt	$ 5,295,590	$ 4,833,781	$ 4,281,236	$ 2,139,548	$ 2,246,463
Minority interest	$ 129,130	$ 103,169	$ 71,040	$ 86,356	$ 68,883
Combined equity/partners' equity	$ 6,480,233	$ 5,679,309	$ 5,328,785	$ 1,705,953	$ 1,200,904
% of adjusted debt to total capitalization(2)	41.8%	45.5%	44.2%	54.4%	63.9%
OTHER FINANCIAL DATA:					
Net capital expenditures	$ 1,280,578	$ 817,449	$ 173,192	$ 145,913	$ 72,135
Business acquisitions, net of cash received(3)	$ 276,500	$ 326,602	$ 696,745	$ 37,348	$ 1,620,727
Investments in and advances to unconsolidated affiliates	$ 127,422	$ 88,044	$ 64,412	$ 471,927	$ 13,651
Total(4)	$ 1,684,500	$ 1,232,095	$ 934,349	$ 655,188	$ 1,706,513
EBITDA(5)	$ 1,307,943	$ 1,079,044	$ 623,146	$ 366,446	$ 284,820
Distributions from unconsolidated affiliates	$ 43,032	$ 56,058	$ 68,027	$ 31,882	$ 57,662
Net cash flows provided by operating activities	$ 1,175,069	$ 631,708	$ 391,541	$ 424,705	$ 329,761
Distributable cash flow(5)	$ 977,580	$ 906,079	$ 540,493	$ 278,766	$ 228,194
Cash distributions declared per common unit(6)	$ 1.83	$ 1.70	$ 1.54	$ 1.47	$ 1.36
Annual cash distribution rate at December 31(6)	$ 1.87	$ 1.75	$ 1.60	$ 1.49	$ 1.38

(1) Gross operating margin represents operating income before depreciation and amortization, lease expense obligations retained by the Company's largest unitholder, EPCO, Inc., gain or loss from sale of assets and general and administrative expenses. Gross margin also includes the Company's equity earnings from unconsolidated affiliates.

(2) Total debt adjusted to reflect the partial equity treatment of the Fixed/Floating Rate Junior Subordinated Notes A, divided by the sum of total debt, combined equity/partners' equity and minority interest.

(3) The amount for 2004 is net of $2,910,771 of non-cash consideration issued or granted relating to the GulfTerra merger.

(4) Sum of net capital expenditures, business acquisitions, net of cash received and the value of non-cash consideration relating to the GulfTerra merger and investments in and advances to unconsolidated affiliates.

(5) For a reconciliation of GAAP financial statements to non-GAAP financial measures, see page 139.

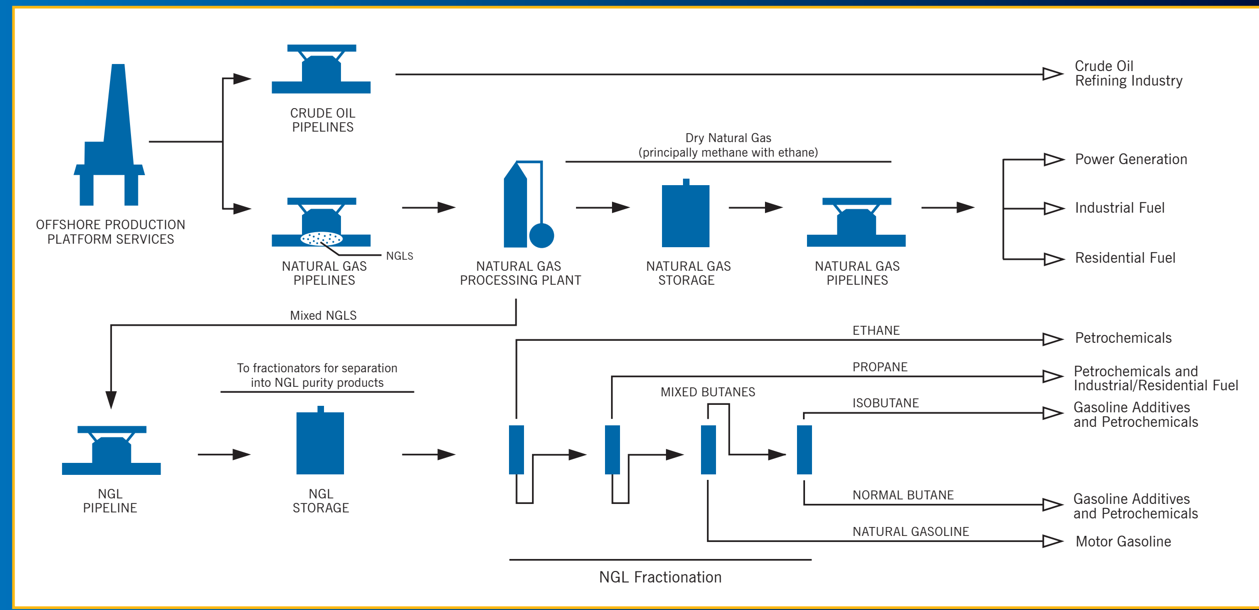
(6) Cash distributions declared per common unit represent cash distributions declared with respect to the four fiscal quarters of each year presented. Distributions prior to May 15, 2002 have been adjusted for the 2-for-1 unit split. The annual cash distribution rate at December 31 is the quarterly rate declared for the fourth quarter annualized.

Front Cover: *This graph illustrates the total return of an investment in Enterprise Products Partners L.P. common units on January 1, 1999 with distributions reinvested quarterly.*

ENTERPRISE PRODUCTS PARTNERS L.P.

System Map

MIDSTREAM ENERGY VALUE CHAIN



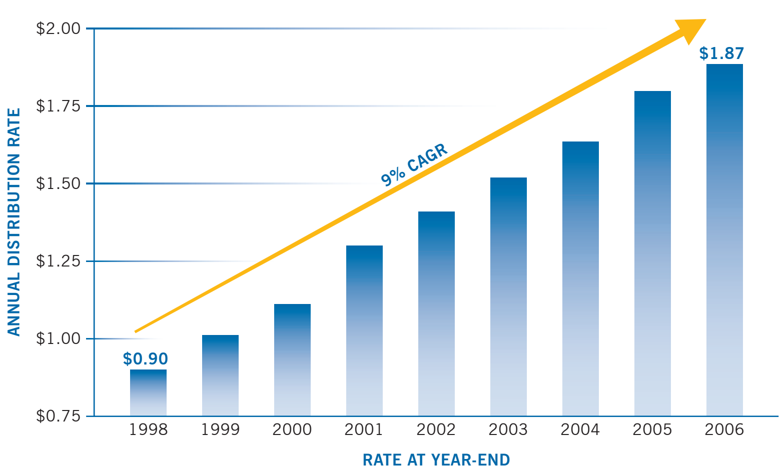
GULF COAST ASSETS

Letter to Partners

OF ENTERPRISE PRODUCTS PARTNERS L.P.

2006 was another successful year for Enterprise Products Partners L.P. due to strong global and U.S. demand for NGLs, natural gas, crude oil, petrochemicals and for the midstream energy services that we provide. As a result, we posted another year of record financial performance including an 8 percent increase in distributable cash flow to $978 million, which supported a 7 percent increase in the cash distribution rate to our partners. We executed significant agreements with some of the leading producers of natural gas and NGLs in the high growth Rocky Mountains and the Barnett Shale region of Texas. These contracts provide long-term supplies to feed our midstream value chain and support investments in new facilities that will substantially expand the scope of the natural gas gathering, transportation, processing and storage services and NGL transportation and fractionation services we provide. Enterprise's growth prospects for the coming year will build on the significant progress we have already made in the construction of approximately $2.5 billion of organic growth projects expected to begin operations and generate new sources of cash flow during 2007.

GROWTH IN CASH DISTRIBUTION RATE TO PARTNERS



ANOTHER RECORD YEAR

In 2006, Enterprise surpassed its record 2005 performance, the first full year after the merger with GulfTerra Energy Partners, L.P. We set all-time highs in all of our key financial measures. Revenues increased 14 percent to $14 billion and gross operating margin rose 20 percent to $1.4 billion. EBITDA grew 21 percent to $1.3 billion, and net income increased 43 percent to $601 million. Our NGL Pipelines & Services segment, Petrochemical Services segment and Offshore Pipelines & Services segment each reported increases in gross operating margin of 30 percent or more.

These strong operating results led to record distributable cash flow of $978 million, which supported four distribution increases during 2006. Enterprise's annualized distribution rate to partners increased

OUR GOAL REMAINS: *invest in long-term growth opportunities to provide our partners with an attractive total return.*

7 percent, from $1.75 per unit at the end of 2005 to $1.87 at the end of 2006. In addition, Enterprise retained approximately $100 million of distributable cash flow to invest in organic growth projects to further enhance the value of our partnership and support future distribution increases to partners.

Our goal remains to invest in long-term growth opportunities to provide our partners with an attractive total return on investment through periodic increases in cash distributions to partners and capital appreciation. Enterprise's consistency in distributions paid to partners now extends to 34 consecutive quarters. We have increased our distribution rate in each of the last ten quarters and, since our initial public offering ("IPO") in 1998, we have raised the distribution rate 19 times by a total of 108 percent. We have also been prudent with our distributable cash flow. Since 1999, the first full year after our IPO, Enterprise has generated almost $3.7 billion of distributable cash flow, $560 million, or 15 percent, of which has been retained to reinvest in the growth of the partnership and to reduce debt.

EXPANDING OUR FOOTPRINT

During 2006, our commercial teams successfully executed long-term contracts with some of the largest producers of natural gas and NGLs in the Rocky Mountains and the Barnett Shale trend in Texas' Fort Worth Basin, including ExxonMobil, EnCana, BP, Ultra Petroleum and Devon, to name a few. These contracts anchor investments in a portfolio of organic growth projects that will expand our energy infrastructure footprint and strengthen our franchise in two of the most active producing areas in the U.S.

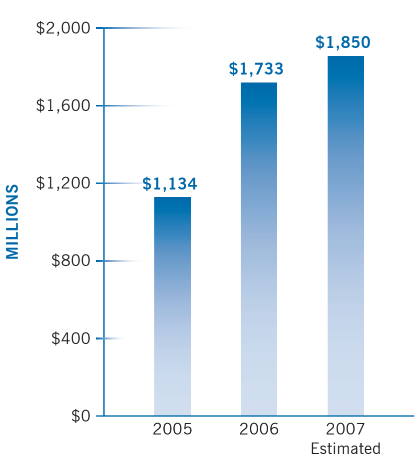
In our letter to partners last year, we described $1.4 billion of growth capital projects in the Rocky Mountains, which includes the prolific Jonah/Pinedale fields of Wyoming and the Piceance Basin in Northwest Colorado. Producers have had ongoing success in expanding these critical energy supplies, benefiting from some of the lowest finding and development costs in the country. Production in the Jonah/Pinedale area continues to increase and our timely expansion of the Jonah gathering system will be completed in 2007. ExxonMobil recently announced that the Piceance Basin is one of their focus areas for the next several years with potential reserves of 35 trillion cubic feet ("Tcf"). Coupled with our recent acquisition of the Piceance Creek gathering system from EnCana and our 1.5 billion cubic feet per day (Bcf/d) Meeker processing complex under development, the Piceance Basin represents a unique long-term opportunity for Enterprise. As a result, we have increased our capital commitments in the Rockies to approximately $1.9 billion based on dedications from producers.

Due to growing natural gas production from the Barnett Shale region and developments in West Texas, we recently announced the expansion of our Texas intrastate pipeline to provide up to 1.1 Bcf/d of new export capacity to access higher value markets in the eastern U.S. The Sherman extension will link Enterprise's Texas Intrastate pipeline system with our expanding natural gas storage facility located near Petal, Mississippi through a planned interstate pipeline, which will transport natural gas to existing interstate pipelines that serve major consuming areas in the eastern United States. This 2007–2008 project highlights Enterprise's value chain philosophy by linking assets and providing customers with additional flexibility.

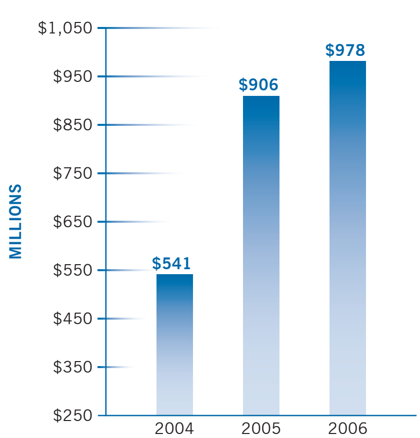
NEW SOURCES OF CASH FLOW IN 2007

Enterprise is scheduled to complete approximately $2.5 billion of growth capital projects in 2007 that will provide significant new sources of cash flow later this year and in 2008. The largest is our Independence Hub and Trail project ("Independence") located in the Deepwater Trend of the eastern Gulf of Mexico. We completed the installation of the 1 Bcf/d Independence Hub platform in March 2007 and began earning demand revenues from the producers. We expect first production at the platform and the 134-mile Independence Trail pipeline in the second half of 2007. At full capacity, Independence should generate more than $200 million of incremental gross operating

GROWTH CAPITAL INVESTMENT



DISTRIBUTABLE CASH FLOW



margin per year for our partnership and represents a 12 percent increase in natural gas supplies from the Gulf of Mexico.

We expect approximately $1.5 billion of new projects to begin operations in the third quarter of 2007. These include four of our Rocky Mountain projects: the 750 million cubic feet per day ("MMcf/d") Meeker I natural gas processing plant in the Piceance Basin, the 650 MMcf/d Pioneer gas processing plant at Opal, Wyoming, the 50,000 barrel per day (Bpd) expansion of the Rocky Mountain leg of the Mid-America pipeline ("MAPL") system and the 75,000 Bpd Hobbs NGL fractionator. A new fractionator at our Mont Belvieu complex, which will have the capacity to produce 1 billion pounds per year of polymer-grade propylene is also expected to be completed in the third quarter.

FORMULA FOR SUCCESS

From humble beginnings, Enterprise has grown to become one of the leading providers of midstream energy services to producers and consumers of natural gas, NGLs and crude oil in North America. Our asset base is connected to approximately 90 percent of the natural gas production and approximately 85 percent of natural gas reserves in the lower 48 states and the Gulf of Mexico and to the largest consuming region for natural gas in the United States. We are also connected to some of the largest consumers of NGLs, including 97 percent of the petrochemical industry's steam cracking capacity and over 90 percent of motor gasoline refining capacity east of the Rockies.

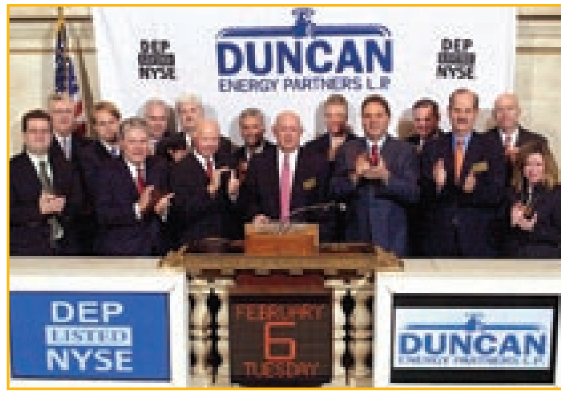
Throughout this period of growth, we have focused on seven key principles.

- Build an **integrated value chain** to provide opportunities for future benefits from incremental economics, which generate higher returns on investment.
- Develop a **diversified business mix** of midstream energy services to provide for greater stability of cash flows and development of multiple growth opportunities.
- Invest in **fee-based** businesses that will generate consistent cash flows to provide the principal support for distributions to partners.
- Build **long-term relationships** with customers by creating "win/win" solutions that provide value-added benefits for both our customers and Enterprise.
- Deal with **integrity** in relationships with customers, suppliers, regulators, employees and financial investors.
- Utilize benefits provided by a **supportive general partner** including the "landmark" action to eliminate its 50 percent incentive distribution rights that to date has reduced the cash distributions paid to our general partner by more than $100 million, providing Enterprise with additional cash to reinvest in growth capital projects, increase cash distributions to limited partners and retire debt.
- Maintain a **low cost of capital** to support long-term growth and cash accretive investments.

Our general partner took the first step in reducing our cost of capital in 2002 by eliminating its 50 percent incentive distribution rights. In 2006, we issued hybrid debt securities as a cost effective way of funding a portion of our capital needs. Earlier this year, we took the next step in managing our cost of capital, facilitating our future growth and providing additional financial flexibility by forming Duncan Energy Partners L.P. (NYSE: DEP). Enterprise is the general partner of DEP and owns approximately 26 percent of its common units. Unlike most publicly traded partnerships, DEP's general partner does not have any incentive distribution rights.

Without incentive distribution rights, we believe DEP's lower long-term cost of equity capital will provide benefits to Enterprise. It will allow us to rationalize certain assets by selling them to DEP while retaining control of the assets and maintaining the integrity of our value chain. Enterprise can reinvest the sales proceeds in projects that provide higher returns on investment which should increase the value of our partnership. DEP's lower cost of equity capital should also make us more competitive in pursuing acquisitions and organic projects.

In closing, we are very grateful for the hard work of our employees and the financial support of our debt investors and partners in building Enterprise into one of the premier publicly traded energy partnerships. We are counting on your continued support as we embark on 2007.



Opening bell ceremony for Duncan Energy Partners L.P., which was formed to provide Enterprise with additional flexibility in financing its growth capital expenditures.

Pictured left to right

Dr. Ralph S. Cunningham
Group Executive Vice President and Chief Operating Officer

Dan L. Duncan
Chairman

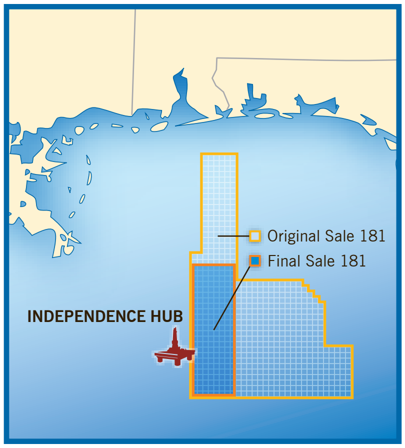
Robert G. Phillips
President and Chief Executive Officer

Independence Hub located in the deepwater Gulf of Mexico

Major Growth *INITIATIVES*

During 2006 Enterprise made significant progress in the development of its expansion projects in the Gulf of Mexico and Rocky Mountain regions, and laid the commercial groundwork to begin a new initiative in North Texas to provide market access for Barnett Shale, Permian Basin and East Texas production. In 2007 approximately $2.5 billion of growth capital projects are expected to go into service as phases of the construction projects are completed. In this section the current status of the expansion projects underlying our major growth initiatives is highlighted.

DEEPWATER GULF OF MEXICO



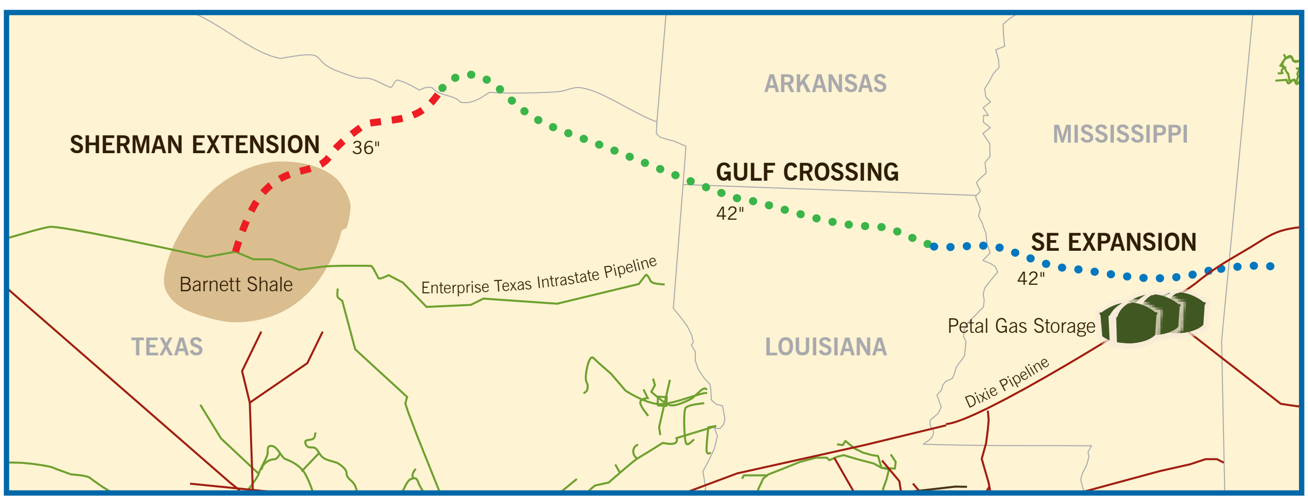
Already the largest domestic source of crude oil and associated condensate, representing approximately 25 percent of total U.S. production, the Gulf of Mexico is expected to continue to be an important source of increasing supplies, particularly in the growing deepwater trend. With the installation of its record-setting Independence project, Enterprise is playing a pivotal role in providing the infrastructure necessary to meet growing demand for natural gas and crude oil.

The Independence Hub is a 105-foot, deep-draft semi-submersible platform, which began construction in 2004 and was installed in the first quarter of 2007. It can handle as much as 1 Bcf/d of natural gas, which represents an increase in current supplies from the Gulf of Mexico of more than 12 percent. The 134-mile, 24-inch diameter Independence Trail pipeline, installed in August of 2006, can transport up to 1 Bcf/d of natural gas from the Independence Hub to the partnership's West Delta 68 platform that is connected to a third party pipeline for delivery onshore into Louisiana.

BARNETT SHALE – TEXAS INTRASTATE

Covering approximately 14 counties and over seven million acres in the Fort Worth Basin of North Texas, the Barnett Shale is considered to be one of the largest unconventional plays in North America with a resource potential of 26 Tcf of natural gas. In late 2006, Enterprise embarked on a new growth initiative to provide much-needed takeaway capacity from this growing region by expanding its Texas Intrastate pipeline system. The partnership's new 178-mile Sherman Extension will be comprised of a 30- and 36-inch diameter pipeline with a capacity of 1.1 Bcf/d of natural gas. The pipeline will originate at Enterprise's Texas Intrastate pipeline and extend through the heart of the Barnett Shale development area to Sherman, Texas, where it will connect to the Gulf Crossing Interstate pipeline being developed by Boardwalk Partners, L.P.

The Sherman Extension, expected to be placed into service in the fourth quarter of 2008, will provide Texas gas producers with access to major markets in the eastern United States. Supported by long-term contracts with Devon, the largest Barnett Shale producer, the Sherman Extension will also provide increased capacity for natural gas volumes coming from the Permian Basin area of West Texas and the Bossier Shale play in East Texas.



ROCKY MOUNTAIN GROWTH INITIATIVE

The Rocky Mountain Region is fast becoming one of the leading natural gas and NGL producing areas in the United States. Within the region, the Jonah and Pinedale fields of the Green River Basin located in Southwest Wyoming and the Piceance Basin of northwestern Colorado are expected to drive future production growth from the Rockies. The Jonah and Pinedale fields, which rank in the top six natural gas producing fields in the U.S. by proven reserves, have increased production rates to approximately 1.5 Bcf/d since 2000. Similarly, the Piceance Basin, a more recent, developing unconventional natural gas play has grown production by 23% per year since 2000 to more than 1 Bcf/d. Each of these areas are benefiting from low finding and development costs, significant permitting and drilling activity and improvements in drilling and completion technology to increase production from significant estimated long term recoverable reserves.

Recognizing this potential, the Rockies has become one of our primary regional growth strategies, with organic projects and selected acquisitions of more than $1.9 billion underway. As an example, Enterprise and TEPPCO Partners, L. P. formed a joint venture in late 2006 to expand the Jonah Gas Gathering Company's natural gas gathering system from 1.5 Bcf/d to 2.3 Bcf/d with the installation of additional pipelines and compression. In anticipation of increased natural gas volumes from the Jonah and Pinedale fields as a result of this expansion, in 2006 Enterprise expanded its Pioneer silica gel plant which extracts heavy NGLs and commenced construction of a new cryogenic processing plant adjacent to the existing Pioneer facility to extract a deeper cut of NGLs from the increased gas stream. In the Piceance Basin, Enterprise is expanding its footprint through a combination of acquisitions and new construction supported by long term commitments from a growing list of producers who are developing this important new source of natural gas and NGL supplies.

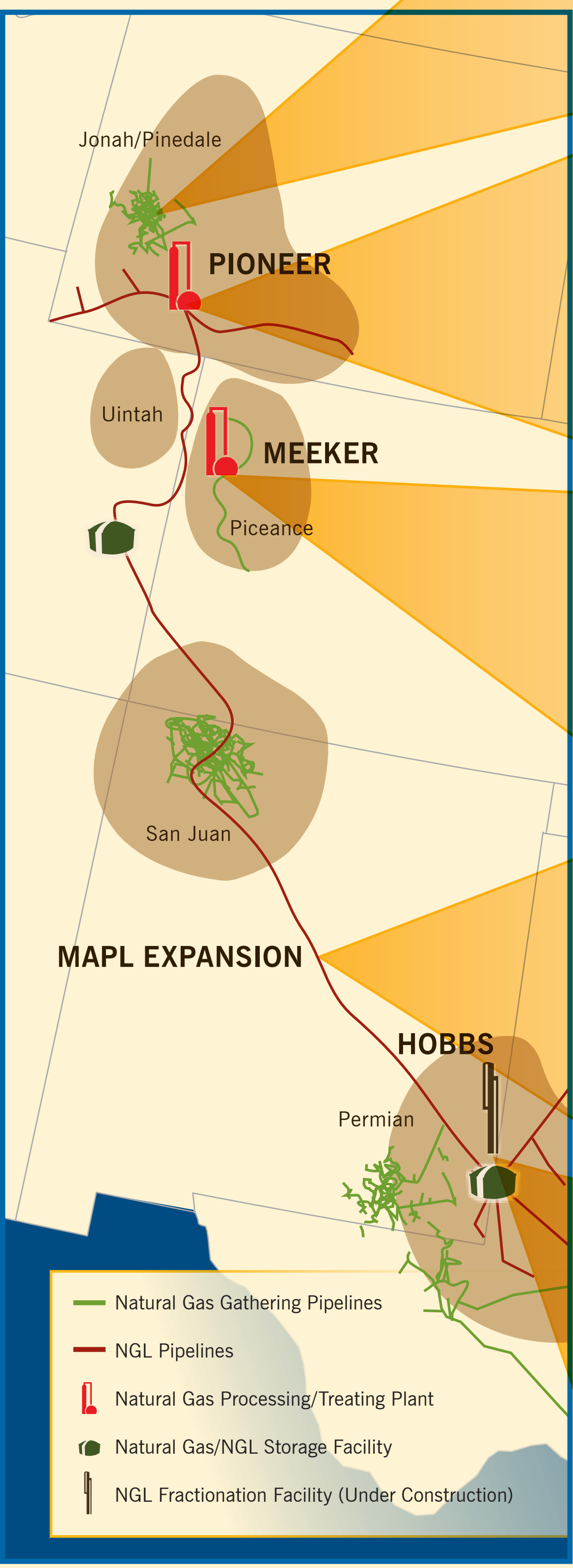
In 2006, construction began on Phase I of the partnership's Meeker cryogenic gas processing plant, which is expected to begin service in mid-2007. When completed, the facility will have the capacity to process up to 750 MMcf/d of natural gas. Another 750 MMcf/d is expected to be added in mid-2008 following the completion of Phase II.

In January of 2007, Enterprise acquired the recently completed Piceance Creek gas gathering system from EnCana. The system can gather up to 1.6 Bcf/d of natural gas and extends from EnCana's Great Divide gathering system northward through the heart of the Piceance Basin to the Meeker complex.

Anchored by a 30-year agreement with a division of ExxonMobil, Enterprise will construct new plant and pipeline facilities that will provide gathering, compression, treating and conditioning services for up to 200 MMcf/d of natural gas produced as part of ExxonMobil's development program in the Piceance Basin. The project is expected to be completed in late 2008.

The growing volumes of NGLs from the Rockies are creating the foundation for an expansion of Enterprise's fractionation capabilities in the region. The partnership is currently constructing a facility near Hobbs, New Mexico that will have the capacity to fractionate up to 75,000 barrels per day ("MBPD") of products such as propane, butane and ethane. The plant is expected to begin service in mid-2007.

The various projects that comprise Enterprise's Rocky Mountain growth initiative reflect the partnership's commitment to expanding its integrated value chain in order to provide value-added services for customers and a stable source of cash flow for unitholders.



JONAH GAS GATHERING

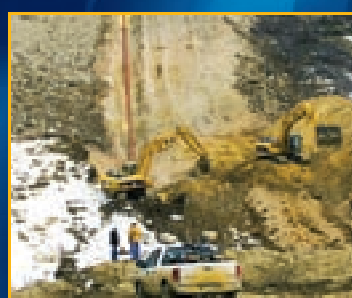
As part of the first portion of the Phase V expansion of the Jonah gas gathering system, which was completed in 2006, 87 miles of new 24- and 36-inch pipeline was installed, increasing capacity on the system to 1.75 Bcf/d. The expansion provides additional volumes for Enterprise's natural gas processing plants, as well as NGLs for its downstream infrastructure.

PIONEER

Construction is under way on the new state-of-the-art Pioneer cryogenic natural gas processing plant at Opal, Wyoming. When completed in the third quarter of 2007, the facility will be able to handle 750 MMcf/d of natural gas and extract up to 35 MBPD of NGLs for delivery into Enterprise's MAPL system. At the partnership's adjacent silica gel plant, an expansion project was completed in 2006 that doubled natural gas inlet capacity to 600 MMcf/d.

MEEKER

To handle the increasing volumes of natural gas from the Piceance Basin, Enterprise is constructing a processing facility near Meeker, Colorado that will have the capability to recover as much as 70 MBPD of NGLs once both phases of the project are completed. Enterprise has entered into a 15-year processing agreement with EnCana to support the initiative.



MAPL

Enterprise's MAPL system is a key component of the partnership's Rocky Mountain growth initiative, providing an outlet for NGLs extracted from the partnership's Meeker and Pioneer processing plants. The Rocky Mountain segment of the MAPL system is currently being expanded to accommodate the additional NGL volumes and will increase capacity by 50 MBPD upon completion, which is expected in the third quarter of 2007.

HOBBS

The strategically placed Hobbs fractionator now under construction in West Texas and located at the interconnection of the MAPL and Seminole Pipeline systems, will offer added flexibility for shippers. The facility will provide access to Mont Belvieu, the largest NGL market hub in the U.S., as well as to the Conway, Kansas hub, an important link to consumer and commercial end-users. In addition, the Hobbs fractionator will enhance Enterprise's integrated energy value chain by generating fees that have previously not been recovered because of capacity constraints at Mont Belvieu.

Ethane separator unit installed at new Hobbs fractionator facility

NGL Pipelines
AND SERVICES

Enterprise's Natural Gas Liquid ("NGL") Pipelines and Services segment is one of the largest integrated NGL systems in the United States. This system provides services to link the most significant NGL producing areas in North America with the largest consumers of NGLs — the petrochemical and motor gasoline producing industries. At the core of this segment is our large NGL fractionation and storage complex in Mont Belvieu, Texas which is the largest market hub for NGLs in the United States. This segment includes the partnership's natural gas processing business and its related NGL marketing activities, our NGL pipelines and storage, our NGL fractionation services and our import/export terminaling services.

Armstrong Natural Gas Processing Plant in South Texas

NATURAL GAS PROCESSING AND NGL MARKETING

The first link in our NGL value chain is natural gas processing, which includes 23 processing plants located in Texas, Louisiana, Mississippi, New Mexico and Wyoming. These facilities either straddle plants located on mainline natural gas pipelines owned by Enterprise or third parties, or field plants that process natural gas through associated gathering systems.

The partnership's processing facilities in Louisiana and Mississippi are situated on the major pipelines transporting natural gas from the continental shelf and deepwater areas of the Gulf of Mexico to onshore markets on the Gulf Coast. Our plants in Texas process natural gas produced from the South Texas, Permian and East Texas regions, the majority of which is transported through our Texas Intrastate pipeline system. Enterprise owns two gas processing plants in New Mexico, including the large Chaco processing facility which is integrated with our San Juan natural gas gathering system. In 2006 we acquired the Pioneer silica gel plant in Wyoming which extracts NGLs to condition natural gas produced from the Jonah and Pinedale fields.

In general, natural gas produced at the wellhead contains varying amounts of NGLs. This "rich" natural gas is usually not acceptable for transportation in the nation's major natural gas pipeline systems or for commercial use as a fuel. Natural gas production from the deepwater Gulf of Mexico and the Rocky Mountains has generally been rich in NGLs and typically must be processed to remove NGLs to meet pipeline quality specifications. Natural gas processing plants remove these NGLs from the natural gas stream. On an energy equivalent basis, NGLs usually have a greater economic value as raw materials for petrochemicals and motor gasoline than they do as components of the natural gas stream.

Our NGL marketing business is focused on maximizing the value of our assets by capturing system opportunities and utilizing incremental capacity. This business generates revenues from the sale and delivery of NGLs obtained through our processing activities and purchases from third parties on the open market.

NGL PIPELINES AND STORAGE

Enterprise owns interests in 13,295 miles of NGL pipelines and 162 million barrels ("MMBbls") of NGL and petrochemical storage capacity. These pipelines transport mixed NGLs and other hydrocarbons from natural gas processing plants to fractionation facilities, distribute and receive NGL products to and from petrochemical plants and refineries, and deliver propane to customers along the Dixie pipeline and certain sections of the MAPL system.

Enterprise's most significant NGL pipelines are the MAPL and Seminole systems which total 8,704 miles. MAPL is a regulated NGL pipeline system consisting of three NGL pipelines: the 2,568-mile Rocky Mountain pipeline, the 2,771-mile Conway North pipeline and the 2,039-mile Conway South pipeline.

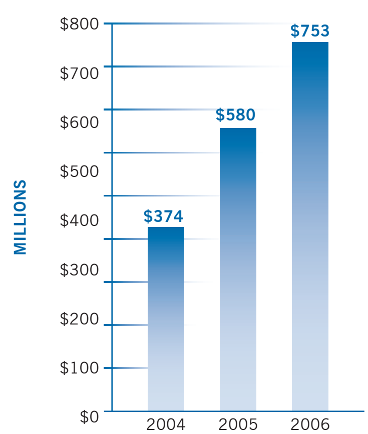
The Rocky Mountain section of the pipeline transports mixed NGLs from the Rocky Mountain Overthrust and San Juan Basin areas to the Hobbs hub located on the Texas-New Mexico border. The Conway North segment links the large NGL hub at Conway, Kansas to refineries, petrochemical plants and propane markets in the upper Midwest. In addition, the Conway North segment has access to NGL supplies from Canada's Western Sedimentary basin through connections with third-party pipelines.

The Conway South pipeline connects the Conway hub with Kansas refineries and transports NGLs from Conway to the Hobbs hub where the MAPL system interconnects with the Seminole pipeline system.

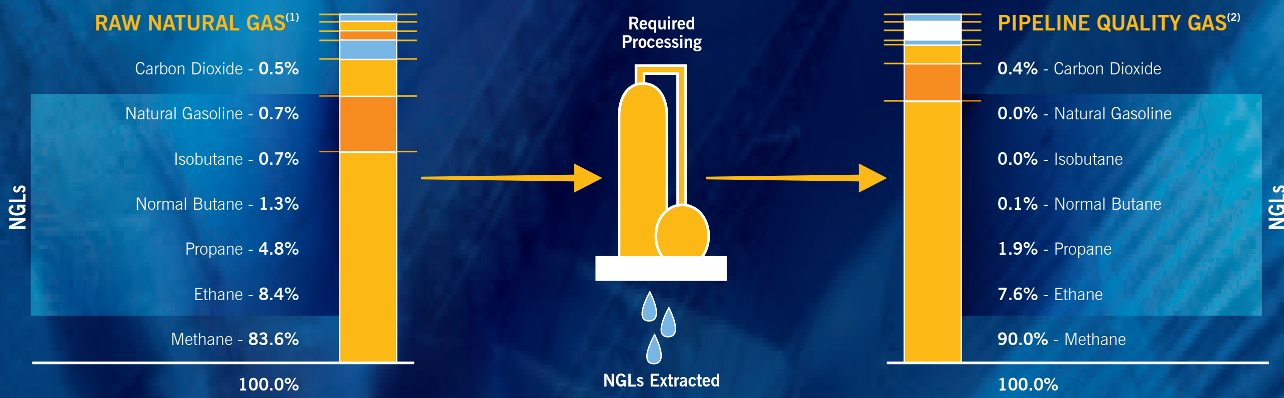
The Seminole pipeline is a regulated pipeline that transports mixed NGLs and NGL products from the hub at Hobbs and the Permian Basin area to Mont Belvieu. The primary source of throughput for Seminole is volumes from the MAPL system. Mixed NGLs transported on the Seminole pipeline are delivered to fractionation facilities in Mont Belvieu for separation and ultimate consumption by petrochemical customers and motor gasoline producers on the Texas Gulf Coast.

MAPL is operating near full capacity and NGLs dedicated to our NGL fractionator at Mont Belvieu continue to exceed its capacity. In April 2006, we completed a 15 MBPD expansion of our western NGL fractionator at Mont Belvieu. Construction continues on our state-of-the-art cryogenic processing plants in Wyoming and northwestern Colorado scheduled to be put in service during the third and fourth quarters of 2007. These two plants will have the capacity to produce up to 70 MBPD of incremental NGLs that will flow on MAPL's Rocky Mountain system. As a result, we have completed a pipeline

NGL PIPELINES & SERVICES
Gross Operating Margin



NATURAL GAS PROCESSING DIAGRAM



(1) Indicative composition of unprocessed natural gas delivered to our Neptune plant

(2) Natural gas quality required by pipelines with 1.050 MMBtu per Mcf specifications

looping project that will add 50 MBPD of capacity on this pipeline to accommodate the anticipated increase in NGL volumes out of the Rockies. The MAPL Rocky Mountain system handled an average of 200 MBPD of NGLs in 2006, or 90 percent of its capacity.

NGL FRACTIONATION SERVICES

NGL fractionation facilities separate mixed NGL streams into discrete NGL products: ethane, propane, normal butane, isobutane and natural gasoline. The three primary sources of mixed NGLs fractionated in the United States are domestic natural gas processing plants, domestic crude oil refineries and imports of butane and propane mixtures. Recoveries of mixed NGLs by natural gas processing plants represent the largest source of volumes processed by our NGL fractionators.

Enterprise owns interests in seven NGL fractionators with a combined net fractionation capacity of 444 MBPD. These facilities are located on the Texas and Louisiana Gulf Coast and are linked by pipelines to some of the largest consumers of NGLs in the United States and to international markets through the partnership's import/export terminal on the Houston Ship Channel.

Our Mont Belvieu NGL fractionator is one of the largest fractionators in the United States with a gross capacity to fractionate up to 230 MBPD of NGLs. This facility fractionates mixed NGLs from several major NGL supply basins including the Mid-Continent, Permian, San Juan, Rocky Mountains, East Texas and the U.S. Gulf Coast. The partnership's Norco NGL fractionator, located near New Orleans, Louisiana, has a gross capacity to fractionate up to 75 MBPD of NGLs.

Enterprise and an affiliate of Dow Chemical each own a 50 percent interest in the Promix fractionator located near Napoleonville, Louisiana. This facility has the capacity to fractionate up to 145 MBPD of mixed NGLs from natural gas processing plants on the Louisiana, Mississippi and Alabama Gulf Coast. The Promix and Norco fractionators are the hubs of our NGL value chain in Louisiana.

IMPORT/EXPORT TERMINALLING SERVICES

Also included in this segment are Enterprise's NGL import and export facilities located on the Houston Ship Channel. The partnership's import facility has the capacity to offload NGLs from tankers at a rate of 240 MBPD, and the export facility can load refrigerated propane and butane on tankers at rates of up to 140 MBPD. In April 2006, we announced an expansion of these facilities that will double the offloading capability of our import facility to a rate of 480 MBPD, and increase the maximum loading capability of our export facility to 160 MBPD. This expansion project is expected to be completed in the second quarter of 2007. Our average combined import and export volumes were 127 MBPD in 2006, 119 MBPD in 2005 and 91 MBPD in 2004.

Import/Export Terminal — Houston Ship Channel

2006 PERFORMANCE

NGL pipelines and services reported record gross operating margin of $753 million in 2006, a 30 percent increase from gross operating margin of $580 million reported in 2005. Included in gross operating margin for 2006 is $40 million of proceeds received from business interruption insurance claims related to Hurricanes Katrina, Rita and Ivan. The partnership's natural gas processing and related NGL marketing business recorded gross operating margin of $360 million in 2006 compared to $309 million in 2005. The NGL pipelines and storage business contributed $266 million of gross operating margin in 2006 on transportation volumes of 1,577 MBPD. This compares to $203 million in 2005 on transportation volumes of 1,478 MBPD. The NGL fractionation business earned $87 million in gross operating margin for 2006 versus $63 million for 2005.

Phase V expansion of Jonah gas gathering system

Onshore Natural Gas

PIPELINES AND SERVICES

Enterprise's Onshore Natural Gas Pipelines and Services segment has grown significantly since 2004 and continues to afford the partnership numerous opportunities for organic growth and service enhancements across its midstream energy value chain. With natural gas pipeline and storage operations in or accessible to premier producing basins in the United States, Enterprise serves its customers by providing the vital infrastructure connecting suppliers and consumers of natural gas, a group that includes exploration and production companies, electric utilities, local natural gas distribution companies and industrial firms.

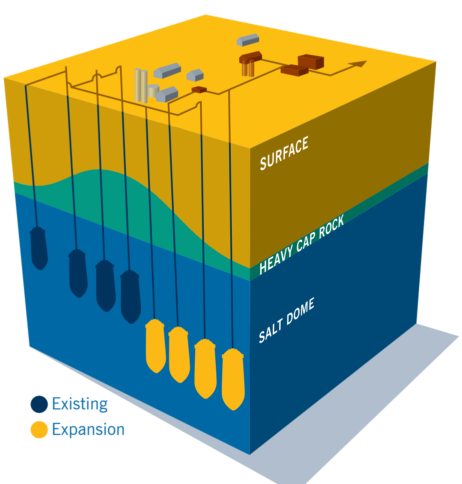
NATURAL GAS PIPELINES

Enterprise has ownership interests in 18,889 miles of natural gas pipeline systems in Texas, New Mexico, Louisiana, Mississippi, Alabama, Colorado and Wyoming. These pipeline systems provide market access for San Juan, Permian, Barnett Shale, South Texas, East Texas, Jonah/Pinedale and South Louisiana production, supplying it to consumers of natural gas directly or through interconnected facilities downstream.

To complement its natural gas pipeline operations, Enterprise owns or has interests in 25.3 billion cubic feet ("Bcf") of natural gas storage capacity in Mississippi, Texas and Louisiana. These facilities are designed to assist customers in managing their natural gas inventory and to facilitate pipeline operations. Storage service is typically provided under long-term contracts, with fixed fees to reserve capacity and variable per-unit fees for injections and withdrawals.

Texas Intrastate Expansion Project to Serve CenterPoint Energy

In July 2006, Enterprise signed long-term agreements with CenterPoint Energy to provide firm natural gas transportation and storage services to one of its natural gas utilities in the Houston, Texas metropolitan area. Enterprise will enhance its Texas Intrastate natural gas pipeline through a combination of pipeline and compression projects, including the expansion of its Wilson natural gas storage facility, acquisition of certain pipeline laterals and the construction of 11 new city-gate delivery stations to facilitate the new agreement. The project will be completed in phases through 2008 and will provide an estimated 14 Bcf per year of natural gas to CenterPoint Energy.



Encinal and Canales Gathering System Acquisition

Enterprise acquired the Encinal and Canales natural gas gathering systems in South Texas for $326 million from an affiliate of Lewis Energy Group, L.P. in July 2006. These systems are connected to over 1,450 natural gas production wells in the Olmos and Wilcox formations. Currently, natural gas volumes gathered by these systems are transported on our gas pipeline and processed by our natural gas processing plants in south Texas.

Sherman Extension / Boardwalk Gulf Crossing

In November 2006, Enterprise announced an expansion of its Texas Intrastate Pipeline with the construction of the Sherman Extension, a 178-mile pipeline that will have the capacity to transport up to 1.1 Bcf per day of natural gas from the growing Barnett Shale area of North Texas. This new pipeline, is anchored by long-term contracts with Devon, the largest producer in the Barnett Shale region. The Sherman extension will make deliveries into Boardwalk Pipeline Partners L.P.'s Gulf Crossing Expansion Pipeline Project, which will provide export capacity for Barnett Shale production to multiple delivery points in Louisiana, Mississippi and Alabama, offering access to attractive markets in the Northeast and Southeast United States. The Sherman Extension is expected to be placed into service during the fourth quarter of 2008.

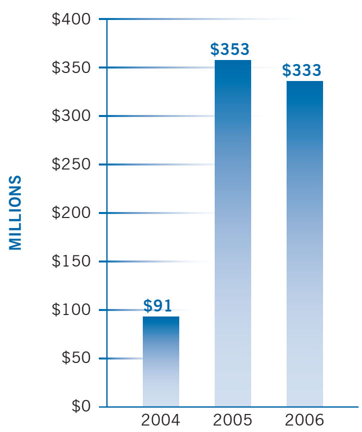
Piceance Basin Facilities Expansion to Serve ExxonMobil

In November 2006, Enterprise entered into a 30-year agreement with an affiliate of ExxonMobil Corporation to provide gathering, compression, treating and conditioning services for natural gas produced as part of a development program planned by ExxonMobil in the Piceance Basin in Colorado. Under the terms of the fee-based agreement, ExxonMobil's natural gas production from its Piceance Development Project will be dedicated to Enterprise.

To provide these services, Enterprise plans to construct new plant and pipeline facilities to compress natural gas, remove impurities, extract NGLs and deliver gas to various pipelines that serve the region. Construction will begin after receipt of the necessary permits and approvals and is expected to be completed in late 2008.

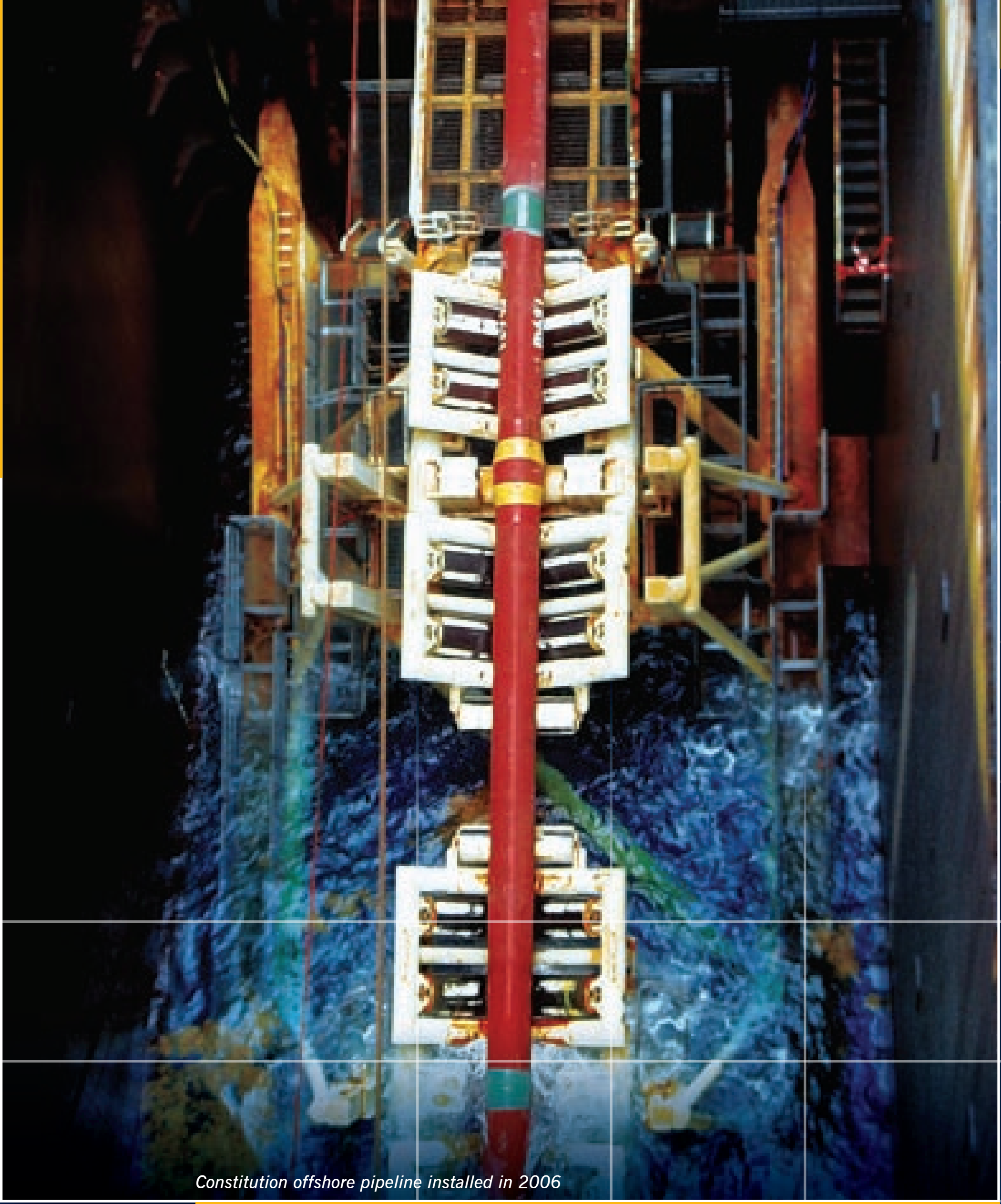
Enterprise is providing new natural gas service to a major customer in Texas.

ONSHORE NATURAL GAS PIPELINES & SERVICES
Gross Operating Margin



2006 PERFORMANCE

Onshore natural gas pipelines and services reported gross operating margin of $333 million in 2006, down slightly from $353 million of gross operating margin in 2005. Total onshore natural gas transportation volumes were 6 trillion Btu per day in 2006, compared to 5.9 trillion Btu per day in 2005. Gross operating margin from our San Juan Gathering System decreased by $27 million in 2006, compared to 2005 as a result of lower revenues from gathering contracts that are based on an index price for natural gas. In addition, gross operating margin decreased by $22 million year over year as a result of mechanical problems with three storage caverns located at our Wilson natural gas storage facility in Texas. Partially offsetting these decreases was an increase of $25 million in gross operating margin from our Texas Intrastate Pipeline System in 2006 compared to 2005.

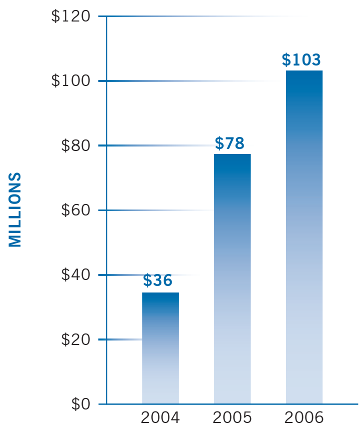


Constitution offshore pipeline installed in 2006

Offshore Pipelines
AND SERVICES

Enterprise is a leader in the development of natural gas and crude oil pipeline and platform infrastructure in the Gulf of Mexico. It serves producers operating on the Outer Continental Shelf and in the Deepwater Trend of the Gulf of Mexico by creating an infrastructure gateway through which onshore markets may be accessed. Through its offshore pipeline and platform infrastructure which is integrated with its downstream facilities along the Gulf Coast, Enterprise can offer a wide range of midstream energy services to producers.

OFFSHORE PIPELINES & SERVICES
Gross Operating Margin



NATURAL GAS PIPELINES

Enterprise owns or has an interest in 1,586 miles of offshore natural gas pipelines through which it provides gathering and transmission services. These pipelines are an important part of the energy infrastructure offshore and along the Gulf Coast, linking upstream production platforms to downstream facilities and markets. Natural gas is received by Enterprise pipelines from production facilities and third-party pipeline systems through interconnects and delivered to downstream processing plants, pipelines and storage facilities, which serve markets throughout the eastern half of the United States. Offshore natural gas transportation volumes were 1.5 trillion Btu per day in 2006.

CRUDE OIL PIPELINES

Enterprise owns interests in 863 miles of crude oil pipelines in the Gulf of Mexico, the largest source of crude oil and condensate production in the United States. Enterprise's 50-percent owned Cameron Highway Oil Pipeline System and 36-percent owned Poseidon Oil Pipeline System span the key oil producing areas of the central Gulf, delivering crude oil to facilities in Texas and Louisiana, respectively. The two systems receive crude oil through gathering lines owned and operated by Enterprise and third parties that extend from the pipeline systems on the Outer Continental Shelf into the Deepwater Trend. In 2006, Enterprise transported 153 MBPD of crude oil on its pipelines.

OFFSHORE PLATFORMS SERVICES

Offshore platforms are an integral part of the infrastructure in the Gulf of Mexico, supporting drilling and production operations, connecting the offshore pipeline grid and serving as a location for equipment required for pipeline operations. Enterprise has interests in eight multi-purpose offshore platforms in the Gulf of Mexico that are specifically designed to be used as hubs and production handling and pipeline maintenance facilities, and junctions for pipelines. Through these facilities we are able to provide a variety of midstream energy services to producers.

INDEPENDENCE PROJECT

In March 2007 the Independence Hub platform was successfully installed at its location in the Mississippi Canyon area of the Gulf of Mexico. Located approximately 150 miles southeast of Venice, Louisiana, the Independence Hub is the world's deepest offshore platform located in 8,000 feet of water. It is also the largest in terms of production capacity capable of handling up to 1 Bcf/d of natural gas. Enterprise owns an 80 percent interest in the hub platform, with Helix Energy Solutions Group, Inc. owning the remaining 20 percent. With the installation complete, control of the hub platform has been transferred to Anadarko Petroleum as the operator. As owner of the Hub facility, Enterprise began collecting monthly demand charges from the producers in March 2007.

Independence Trail is a 134-mile natural gas pipeline located on the floor of the Gulf of Mexico that connects the Independence Hub platform to the West Delta 68 platform near the coast of Louisiana. From the West Delta platform, natural gas will be transported to onshore markets in Louisiana via Tennessee Gas Pipeline.

SHENZI OIL PIPELINE PROJECT

Enterprise announced it has signed definitive agreements with producers to construct, own and operate the Shenzi crude oil export pipeline to provide them firm gathering services from the BHP Billiton-operated Shenzi field located in the South Green Canyon area of the central Gulf of Mexico. The 83-mile, 20-inch diameter pipeline will have the capacity to transport up to 230 MBPD of crude oil and will connect the field to the Cameron Highway and Poseidon Oil Pipeline systems at Enterprise's Ship Shoal 332B junction platform. The pipeline is expected to be put into service by mid-2009.

2006 PERFORMANCE

This segment reported record gross operating margin in 2006 of $103 million, a 33 percent increase over $78 million of gross operating margin in 2005. Included in gross operating margin for 2006 is $24 million of proceeds received from business interruption insurance claims related to Hurricanes Katrina, Rita and Ivan. Each of the businesses in this segment reported higher gross operating margin in 2006 versus 2005, with offshore crude oil pipelines showing the most improvement with an increase of approximately $23 million. Higher crude oil transportation volumes on the Poseidon and Marco Polo pipelines were the primary reasons for the improvement in 2006.

New propylene splitter tower installed at Mont Belvieu

Petrochemical
SERVICES

Enterprise's petrochemical services business provides feedstocks to major oil and gas companies, refiners and leading petrochemical companies situated along the energy corridor on the Texas and Louisiana Gulf Coast. Our assets include propylene fractionation facilities and related pipelines, the largest commercial butane isomerization complex in the United States and a state-of-the-art octane enhancement plant that is only the second of its kind ever built. These facilities are located primarily at our Mont Belvieu complex, the largest market hub for NGLs and petrochemicals in the United States.

PROPYLENE FRACTIONATION

Enterprise provides propylene fractionation, storage and transportation and export services to the petrochemical industry. Propylene fractionation plants separate refinery grade propylene ("RGP"), a mixture of propane and propylene, into either polymer grade propylene ("PGP"), which is at least 99.5 percent pure propylene, or chemical grade propylene ("CGP"), which is approximately 92 percent pure propylene.

Propylene is used in the production of plastic consumer products, pharmaceuticals, fiber for carpets and upholstery and detergents and solvents. Global demand for CGP and PGP has grown by approximately 5.2 percent annually from 1999 to 2005 according to the global petrochemical consulting firm, Chemical Market Associates, Inc. ("CMAI"). In 2007, CMAI projects that worldwide demand for propylene will reach approximately 168 billion pounds, while in North America it is expected to total about 37 billion pounds. Refinery expansions in the United States and global economic growth continue to feed growth in demand for propylene, which is projected to grow worldwide in the 5–6 percent range per year.

The two primary sources of PGP are ethylene steam crackers and fractionators that separate propane/propylene mixes produced as a byproduct of crude oil refining. The estimated supply of propylene from ethylene steam crackers is not expected to be sufficient to meet the demand for propylene. We believe the additional supplies of PGP will be met primarily by fractionating refinery-sourced propane/propylene mixes.

Enterprise has been in the propylene fractionation business since 1978. We have ownership interests in four propylene fractionation plants that are connected to an extensive network of pipeline transportation, storage and import/export facilities in Texas and Louisiana, providing our customers with operational flexibility. Three of these plants are located at our large complex in Mont Belvieu and have a combined gross capacity to produce 4.8 billion pounds per year of PGP.

In January 2007, the partnership announced it will expand its 48-mile RGP pipeline between Texas City and Mont Belvieu to provide Enterprise with access to increasing volumes of RGP originating in the Texas City area. The capacity of the pipeline will increase 39 percent to 32 MBPD by the fourth quarter of 2007 with the installation of additional pumps.

Additionally, two other petrochemical infrastructure projects announced in March 2006 are on schedule. We completed the connection of our 66-mile, RGP pipeline with a refinery in the Beaumont/Port Arthur, Texas area and Enterprise's propylene fractionator and storage facilities at Mont Belvieu. Another expansion of the pipeline is underway to connect with a second refinery in the Beaumont/Port Arthur area that is expected to be completed in late 2007. These two expansions will add 50 MBPD of gathering capacity into Mont Belvieu.

Enterprise is also on schedule with the construction of a fourth propylene fractionator at its Mont Belvieu facility that is expected to be in service during the third quarter of 2007. The new splitter will increase the partnership's propylene/propane fractionation capacity by more than 20 percent or 1 billion pounds per year at a time when demand continues to increase for propylene. The total investment in the new fractionator and pipeline expansions is estimated at $204 million.

Enterprise also owns a 30 percent interest in a CGP fractionator in a joint venture with ExxonMobil Chemical located near Baton Rouge, Louisiana. Enterprise designed, constructed and operates the plant while ExxonMobil supplies the feedstock to the facility and is the major customer for the end product. This fractionation facility has a gross capacity to produce 1.5 billion pounds of CGP.

Enterprise's petrochemical pipelines are comprised of approximately 679 miles of pipelines that transport PGP, CGP and high purity isobutane from our facilities to customer facilities along the Texas and Louisiana Gulf Coast. The longest pipeline is the Lou-Tex Propylene pipeline that extends 284 miles from Sorrento, Louisiana, to Mont Belvieu, transporting CGP for third parties from production and storage facilities in Louisiana and Texas.

BUTANE ISOMERIZATION

Butane isomerization is the process of converting normal butane into isobutane. Normal butane and isobutane are NGLs that are naturally produced from processing natural gas and as a byproduct from crude oil refining. The supply of normal butane generally exceeds demand, while the demand for isobutane is normally greater than the supply.

Isooctane facility at Mont Belvieu

Isobutane is used primarily by the petrochemical industry for the production of propylene oxide. It is also used to produce additives for motor gasoline that increase octane and lower vapor pressure.

With the recent changes in motor gasoline specifications, demand for gasoline additives, such as isooctane and alkylate which will add more octane and lower vapor pressure, has increased. These octane additives use isobutane as a feedstock, which benefits our butane isomerization business.

Enterprise has been in the isomerization business since 1981 and owns three butane isomerization plants and eight associated deisobutanizers with a combined net production capacity of 116 MBPD of isobutane. These facilities are located at Enterprise's Mont Belvieu complex and comprise the largest commercial isomerization complex in the world. Approximately 49 percent of the isobutane we produce is committed to third parties under long-term contracts with a fee structure that includes escalation provisions. About 25 percent or 20 MBPD of isobutane is used as a feedstock for our octane enhancement facility.

OCTANE ENHANCEMENT

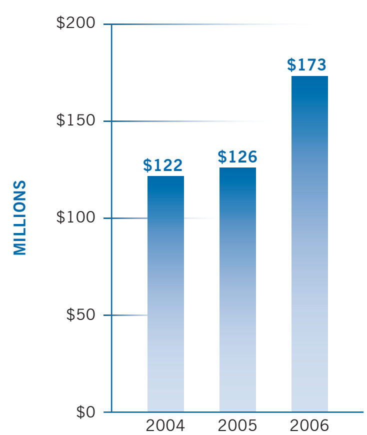
Enterprise owns a facility at Mont Belvieu that produces octane additives such as isooctane for motor gasoline. Only the second plant of its kind in the world, this state-of-the-art octane enhancement facility was built in advance of the phase out of Methyl Tertiary Butyl Ether ("MTBE") as a motor gasoline additive. The energy bill passed by congress in 2005 effectively removed MTBE from the gasoline market in the United States.

Our octane enhancement business had a record year in 2006, reporting gross operating margin of $37 million on average production of 9 MBPD. The plant's current production capacity is 11.3 MBPD. Engineering work is underway for the restart of a sister facility at Morgan's Point south of Houston, Texas that will have the capacity to produce another 9 MBPD of isooctane.

2006 PERFORMANCE

The petrochemical services segment increased its gross operating margin in 2006 by $47 million, or 37 percent, to a record $173 million from $126 million reported in 2005. Gross operating margin increased from each of the businesses in this segment with octane enhancement having the largest improvement primarily due to higher isooctane sales.

PETROCHEMICAL SERVICES
Gross Operating Margin



Enterprise Products Partners L.P.

Financial Section

2006 ANNUAL REPORT

ENTERPRISE PRODUCTS PARTNERS L.P.
CONSOLIDATED FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004

Index to Financial Section

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Enterprise Products Partners L.P. ("Enterprise Products Partners") is a North American midstream energy company providing a wide range of services to producers and consumers of natural gas, natural gas liquids ("NGLs"), crude oil and certain petrochemicals. In addition, we are an industry leader in the development of pipeline and other midstream energy infrastructure in the continental United States and Gulf of Mexico. We are a publicly traded Delaware limited partnership formed in 1998, the common units of which are listed on the New York Stock Exchange ("NYSE") under the ticker symbol "EPD".

We conduct substantially all of our business through Enterprise Products Operating L.P. ("Operating Partnership"). We are owned 98% by our limited partners and 2% by our general partner, referred to as Enterprise Products GP. Enterprise Products GP is owned 100% by Enterprise GP Holdings L.P. ("Enterprise GP Holdings"), a publicly traded affiliate listed on the NYSE under the ticker symbol "EPE". We, Enterprise Products GP and Enterprise GP Holdings are affiliates and under common control of Dan L. Duncan, the Chairman and the controlling shareholder of EPCO, Inc. ("EPCO").

Our midstream energy asset network links producers of natural gas, NGLs and crude oil from some of the largest supply basins in the United States, Canada and the Gulf of Mexico with domestic consumers and international markets. We have four reportable business segments: NGL Pipelines & Services; Onshore Natural Gas Pipelines & Services; Offshore Pipelines & Services; and Petrochemical Services. Our business segments are generally organized and managed according to the type of services rendered (or technologies employed) and products produced and/or sold.

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, including Duncan Energy Partners L.P.

RECENT DEVELOPMENTS

The following information highlights our significant developments since January 1, 2006 through the date of this filing. For additional information regarding the capital projects and acquisitions highlighted below, see "*Significant Recently Announced Growth Capital Projects*" beginning on page 23.

- In February 2007, Duncan Energy Partners L.P. ("Duncan Energy Partners"), a consolidated subsidiary of ours, completed an underwritten initial public offering of 14,950,000 of its common units. We formed Duncan Energy Partners as a Delaware limited partnership to acquire ownership interests in certain of our midstream energy businesses. For additional information regarding Duncan Energy Partners, see "*Other Items – Initial Public Offering of Duncan Energy Partners*" beginning on page 47.

- In December 2006, we purchased all of the membership interests in Piceance Creek Pipeline, LLC ("Piceance Creek Pipeline") from an affiliate of the EnCana Corporation ("EnCana") for $100 million. The assets of Piceance Creek Pipeline consist primarily of a recently constructed 48-mile natural gas gathering pipeline (the "Piceance Creek Gathering System") located in the Piceance Basin of northwest Colorado. This pipeline will connect to our Meeker natural gas processing plant, which is currently under construction.

- In December 2006, Standard & Poor's raised its credit rating of our Operating Partnership from BB+ to BBB-, which is investment grade, with a stable outlook. As a result of this change, all of the senior unsecured credit ratings of our Operating Partnership are currently at an investment grade level.

- In November 2006, we entered into a 30-year agreement with an affiliate of Exxon Mobil Corporation ("ExxonMobil") to provide gathering, compression, treating and conditioning services for natural gas produced as part of a development program planned by ExxonMobil in the Piceance Basin in Colorado. Under the terms of the agreement, ExxonMobil's natural gas production from its Piceance Development Project, which encompasses more than 29,000 acres in Rio Blanco County, Colorado, will be dedicated to us. The fee-based agreement includes an option for us to recover NGLs beyond those extracted to condition the gas to meet downstream pipeline specifications.

To provide these services, we expect to invest approximately $185 million to construct new plant and pipeline facilities to compress the natural gas, treat it to remove impurities, extract NGLs and deliver gas to the various pipeline transmission systems that serve the region. Construction of the facilities will begin after the receipt of the necessary permits and approvals, and is expected to be completed in late 2008.

- In November 2006, we announced an expansion of our Texas Intrastate Pipeline with the construction of a 178-mile pipeline (the "Sherman Extension") that will transport up to 1.1 Bcf/d of natural gas from the growing Barnett Shale area of North Texas. This new pipeline is expected to cost $424.6 million, most of which will be spent in 2008, and be placed in service during the fourth quarter of 2008.

- In October 2006, we signed definitive agreements with producers to construct, own and operate an offshore oil pipeline that will provide firm gathering services from the Shenzi production field located in the South Green Canyon area of the central Gulf of Mexico.

- In September 2006, we sold 12,650,000 of our common units in an underwritten public offering which generated net proceeds of approximately $320.8 million.

- During the third quarter of 2006, the Operating Partnership sold $550 million in principal amount of fixed/floating unsecured junior subordinated notes due 2066 (the "Junior Subordinated Notes A"). For additional information regarding this issuance of debt, see "*Liquidity and Capital Resources – Debt Obligations*" beginning on page 39.

- In August 2006, we became a joint venture partner with TEPPCO Partners, L.P. ("TEPPCO") involving its Jonah Gas Gathering Company ("Jonah"). Jonah owns the Jonah Gathering System, located in the Greater Green River Basin of southwestern Wyoming. The Jonah Gathering System gathers and transports natural gas produced from the Jonah and Pinedale fields to regional natural gas processing plants, including our Pioneer plant, and major interstate pipelines that deliver natural gas to end-use markets. As part of this new joint venture, we and TEPPCO are significantly expanding the Jonah Gathering System (the Phase V expansion project).

- In August 2006, we purchased a 220-mile NGL pipeline extending from Corpus Christi, Texas to Pasadena, Texas from ExxonMobil Pipeline Company. The total purchase price for this asset was $97.7 million in cash. This pipeline (in combination with others to be constructed or acquired) will be used to transport NGLs from our South Texas natural gas processing plants to our Mont Belvieu fractionation facilities. Duncan Energy Partners acquired an indirect 66% interest in this pipeline asset on February 5, 2007.

- In August 2006, our wholly-owned subsidiary, Mid-America Pipeline Company LLC ("Mid-America"), executed new long-term transportation agreements with all but one of its current shippers on its Rocky Mountain pipeline pursuant to terms and conditions of Mid-America's open season tariff that was accepted by the Federal Energy Regulatory Commission ("FERC ") effective August 6, 2006. Under the terms of the new agreements, shippers have committed to transport all of their current and future NGL production from the Rocky Mountains through the Mid-America Pipeline System to either our Hobbs fractionator (expected to be operational by mid-2007) or to Mont Belvieu, Texas via our Seminole Pipeline for a minimum of 10 years and up to a maximum of 20 years. Based on shipper production forecasts and current NGL extraction rates, we expect that these new agreements will fully utilize our Mid-America Pipeline System, including the 50 MBPD Phase I Expansion expected to be placed in service during the third quarter of 2007.

- In July 2006, we signed long-term agreements with CenterPoint Energy Resources Corporation ("CenterPoint Energy") to provide firm natural gas transportation and storage services to its natural gas utility, primarily in the Houston, Texas metropolitan area. We will provide CenterPoint Energy with an estimated 14 Bcf per year of natural gas beginning in April 2007. Our deliveries to CenterPoint Energy through these new contracts will mark the first time that we have had the opportunity to serve the growing Houston area natural gas market. We are already the primary natural gas service provider to the San Antonio and Austin, Texas markets.

- In July 2006, we acquired the Encinal and Canales natural gas gathering systems and their related gathering and processing contracts and other amounts that comprised the South Texas natural gas transportation and processing business of Cerrito Gathering Company, Ltd., an affiliate of Lewis Energy Group, L.P. ("Lewis"). The aggregate value of total consideration we paid or issued to complete this business combination (referred to as the "Encinal acquisition") was $326.3 million, which includes $145.2 million in cash paid to Lewis and the issuance of 7,115,844 of our common units to Lewis.

- In April 2006, we announced plans to expand our Houston Ship Channel NGL import and export facility and related pipeline and other assets to accommodate an expected increase in throughput volumes.

- In March 2006, we purchased the Pioneer natural gas processing plant and certain related natural gas processing rights from TEPPCO for $38.2 million in cash.

- In March 2006, we announced plans to expand our petrochemical assets located in southeast Texas. The plans include the construction of a new propylene fractionator at our Mont Belvieu, Texas facility and the expansion of two refinery-grade propylene pipelines.

- In March 2006, we sold 18,400,000 of our common units in a public offering, which generated net proceeds of approximately $430 million.

- In January 2006, we announced the execution of a minimum 15-year natural gas processing agreement with an affiliate of EnCana. Under this agreement, we have the right to process up to 1.3 Bcf/d of EnCana's natural gas production from the Piceance Basin area of western Colorado. To accommodate this production, we began construction of the Meeker natural gas processing facility in Rio Blanco County, Colorado. In addition, we will construct a 50-mile NGL pipeline that will connect our Meeker processing facility to our Mid-America Pipeline System.

CAPITAL SPENDING

We are committed to the long-term growth and viability of Enterprise Products Partners. Part of our business strategy involves expansion through business combinations, growth capital projects and investments in joint ventures. We believe that we are positioned to continue to grow our system of assets through the construction of new facilities and to capitalize on expected future production increases from such areas as the Piceance Basin of western Colorado, the Greater Green River Basin in Wyoming, the Barnett Shale in North Texas, and the deepwater Gulf of Mexico.

Management continues to analyze potential acquisitions, joint ventures and similar transactions with businesses that operate in complementary markets or geographic regions. In recent years, major oil and gas companies have sold non-strategic assets in the midstream energy sector in which we operate. We forecast that this trend will continue, and expect independent oil and natural gas companies to consider similar divestitures.

Based on information currently available, we estimate our consolidated capital spending for 2007 will approximate $1.9 billion, which includes estimated expenditures of $1.7 billion for growth capital projects and acquisitions and $0.2 million for sustaining capital expenditures.

Our forecast of consolidated capital expenditures is based on our strategic operating and growth plans, which are dependent upon our ability to generate the required funds from either operating cash flows or from other means, including borrowings under debt agreements, issuance of equity and potential divestitures of certain assets to third and/or related parties. Our forecast of capital expenditures may change due to factors beyond our control, such as weather-related issues, changes in supplier prices or adverse economic conditions. Furthermore, our forecast may change as a result of decisions made by management at a later date, which may include acquisitions or decisions to take on additional partners.

Our success in raising capital, including the formation of joint ventures to share costs and risks, continues to be a principal factor that determines how much we can spend. We believe our access to capital resources is sufficient to meet the demands of our current and future operating growth needs, and although we currently intend to make the forecasted expenditures discussed above, we may adjust the timing and amounts of projected expenditures in response to changes in capital markets.

The following table summarizes our capital spending by activity for the periods indicated (dollars in thousands):

	For the Year Ended December 31,		
	2006	2005	2004
Capital spending for business combinations and asset purchases:			
GulfTerra Merger:			
Cash payments to El Paso, including amounts paid to acquire certain South Texas midstream assets			$ 655,277
Transaction fees and other direct costs			24,032
Cash received from GulfTerra			(40,313)
Net cash payments			638,996
Value of non-cash consideration issued or granted			2,910,771
Total GulfTerra Merger consideration			3,549,767
Encinal acquisition, including non-cash equity consideration	$ 326,309	$ —	—
Piceance Creek acquisition	100,000	—	—
NGL underground storage and terminalling assets purchased from Ferrellgas	—	145,522	—
Indirect interests in the Indian Springs natural gas gathering and processing assets	—	74,854	—
Additional ownership interests in Dixie Pipeline Company ("Dixie")	12,913	68,608	—
Additional ownership interests in Mid-America and Seminole pipeline systems	—	25,000	—
Other business combinations and asset purchases	18,390	12,618	85,851
Total	457,612	326,602	3,635,618
Capital spending for property, plant and equipment:			
Growth capital projects, net	1,148,123	719,372	113,759
Sustaining capital projects	132,455	98,077	33,169
Total	1,280,578	817,449	146,928
Capital spending attributable to unconsolidated affiliates:			
Investment in and advances to Jonah Gas Gathering Company	120,132	—	—
Other investments in and advances to unconsolidated affiliates	7,290	88,044	64,412
Total	127,422	88,044	64,412
Total capital spending	$ 1,865,612	$ 1,232,095	$ 3,846,958

Our capital spending for growth capital projects (as presented in the preceding table) are net of amounts we received from third parties as contributions in aid of our construction costs. Such contributions were $60.5 million, $47.0 million and $8.9 million during 2006, 2005 and 2004, respectively. On certain of our capital projects, third parties are obligated to reimburse us for all or a portion of project expenditures. The majority of such arrangements are associated with projects related to pipeline construction and production well tie-ins.

At December 31, 2006, we had $239.0 million in outstanding purchase commitments. These commitments primarily relate to growth capital projects in the Rocky Mountains that are expected to be placed in service in 2007 and the Shenzi Oil Export Pipeline Project (see below), which is expected to be completed in 2009.

RECENTLY ANNOUNCED SIGNIFICANT GROWTH CAPITAL PROJECTS

The following information summarizes our significant growth capital projects as of February 15, 2007. The capital spending amount noted for each project includes accrued expenditures and capitalized interest through December 31, 2006. The forecast amount noted for each project includes a provision for estimated capitalized interest.

Piceance Creek Acquisition. In December 2006, we purchased all of the membership interests in Piceance Creek from an affiliate of EnCana for $100 million. The assets of Piceance Creek consist primarily of the Piceance Creek Gathering System. As part of the transaction, EnCana signed a long-term, fixed-fee gathering contract and dedicated significant production to the system for the life of the associated lease holdings. The new Piceance Creek Gathering System has a transportation capacity of 1.6 Bcf/d and extends from a connection with EnCana's Great Divide Gathering System near Parachute, Colorado, northward through the Piceance Basin to our Meeker gas treating and processing complex, which is under construction. The Piceance Creek Gathering System commenced operations in January 2007.

Current natural gas production from the Piceance Basin, which covers approximately 6,000 square miles, exceeds 1 Bcf/d from more than 4,800 wells and has been growing at an annualized rate averaging 25% over the past five years. With third-party estimates suggesting 20 trillion cubic feet of undeveloped reserves, the Piceance Basin offers long-term opportunities for us to continue to expand our system to serve producers developing this extensive resource play.

Barnett Shale Natural Gas Pipeline Project. In November 2006, we announced an expansion of our Texas Intrastate Pipeline with the construction of the Sherman Extension that will transport up to 1.1 Bcf/d of natural gas from the growing Barnett Shale area of North Texas. The Sherman Extension is supported by long-term contracts with Devon Energy Corporation, the largest producer in the Barnett Shale area, and significant indications of interest from leading producers and gatherers in the Fort Worth basin, as well as other shippers on our Texas Intrastate Pipeline system. At its terminus, the new pipeline system will make deliveries into Boardwalk Pipeline Partners L.P.'s ("Boardwalk") Gulf Crossing Expansion Project, which will provide export capacity for Barnett Shale natural gas production to multiple delivery points in Louisiana, Mississippi and Alabama that offer access to attractive markets in the Northeast and Southeast United States. In addition, the Sherman Extension will provide natural gas producers in East Texas and the Waha area of West Texas with access to these higher value markets through our Texas Intrastate Pipeline system.

The Sherman Extension will originate near Morgan Mill, Texas and extend through the center of the current Barnett Shale development area to Sherman, Texas. This new pipeline is expected to cost $424.6 million, most of which will be spent in 2008, and be placed in service during the fourth quarter of 2008. In addition, we have the option to acquire up to a 49% interest in the Gulf Crossing Expansion Project from Boardwalk, subject to certain conditions.

The Barnett Shale is considered to be one of the largest unconventional natural gas resource plays in North America, covering approximately 14 counties and over seven million acres in the Fort Worth basin in North Texas. Current natural gas production is estimated at 2 Bcf/d from approximately 5,500 wells. Approximately 130 rigs are currently estimated to be working to develop Barnett Shale acreage in the region. According to the United States Geological Survey, the Barnett Shale has the resource potential of approximately 26 trillion cubic feet of natural gas.

Shenzi Oil Export Pipeline Project. In October 2006, we announced the execution of definitive agreements with producers to construct, own and operate an oil export pipeline that will provide firm gathering services from the BHP Billiton Plc-operated Shenzi production field located in the South Green Canyon area of the central Gulf of Mexico. The estimated construction cost of this new pipeline is approximately $172.4 million. As of December 31, 2006, our capital spending with respect to the Shenzi oil pipeline project was $6.8 million.

The Shenzi oil export pipeline will originate at the Shenzi Field, located in 4,300 feet of water at Green Canyon Block 653, approximately 120 miles off the coast of Louisiana. The 83-mile, 20-inch diameter pipeline will have the capacity to transport up to 230 MBPD of crude oil and will connect the Shenzi Field to our Cameron Highway Oil Pipeline and Poseidon Oil Pipeline System at our Ship Shoal 332B junction platform. We own a 50% interest in the Cameron Highway Oil Pipeline and a 36% interest in the Poseidon Oil Pipeline System and operate both pipelines. The Shenzi oil export pipeline will connect to a platform being constructed by BHP Billiton Plc to develop the Shenzi Field, which is expected to begin production in mid-2009.

Jonah Joint Venture with TEPPCO and the Phase V Expansion. In August 2006, we became a joint venture partner with TEPPCO in its Jonah subsidiary, which owns the Jonah Gathering System, located in the Greater Green River Basin of southwestern Wyoming. The Jonah Gathering System currently gathers and transports approximately 1.5 Bcf/d (or 85%) of natural gas produced from over 1,100 wells in the Jonah and Pinedale fields to regional natural gas processing plants, including our Pioneer plant, and major interstate pipelines that deliver natural gas to end-use markets.

Prior to entering into the Jonah joint venture, we managed the construction of the Phase V expansion and funded the initial construction costs under a letter of intent we entered into in February 2006. In connection with the joint venture arrangement, we and TEPPCO plan to continue the Phase V expansion, which is expected to increase the capacity of the Jonah Gathering System from 1.5 Bcf/d to 2.3 Bcf/d, and to significantly reduce system operating pressures, which is anticipated to lead to increased production rates and ultimate reserve recoveries. The first portion of the expansion, which is expected to increase the system gathering capacity to 2.0 Bcf/d, is projected to be completed in the first quarter of 2007 at an estimated cost of approximately $302.0 million. The second portion of the Phase V expansion is expected to cost approximately $142.0 million and be completed by the end of 2007. As of December 31, 2006, capital spending with respect to the overall Phase V expansion (on a 100% basis) was $233.7 million.

We will continue to manage the Phase V construction project. TEPPCO was entitled to all distributions from the joint venture until specified milestones were achieved, at which point, we became entitled to receive 50% of the incremental cash flow from portions of the system placed in service as part of the expansion. After subsequent milestones are achieved, we and TEPPCO will share distributions based on a formula that takes into account the respective capital contributions of the parties, including expenditures by TEPPCO prior to the expansion. From August 1, 2006, we and TEPPCO share equally in the construction costs of the Phase V expansion.

As of December 31, 2006, TEPPCO reimbursed us $109.4 million for 50% of the Phase V expansion cost incurred through November 29, 2006 (including carrying costs of $1.3 million). We had a receivable of $8.7 million from TEPPCO at December 31, 2006 for costs incurred through December 31, 2006. Upon completion of the expansion project and based on the formula in the joint venture partnership agreement, we expect to own an interest in Jonah of approximately 20%, with TEPPCO owning the remaining 80%. We will operate the system.

DEP South Texas NGL Pipeline System. In August 2006, we acquired a 220-mile pipeline from ExxonMobil Pipeline Company for $97.7 million in cash. This pipeline originates in Corpus Christi, Texas and extends to Pasadena, Texas. This pipeline segment was expanded (the "Phase I expansion") by (i) the construction of 45 miles of pipeline laterals to connect the system to our Armstrong and Shoup NGL fractionation facilities; (ii) the short-term lease from TEPPCO of a 11-mile interconnecting pipeline extending from Pasadena, Texas to Baytown, Texas; and (iii) the purchase of an additional 10-mile pipeline from TEPPCO that will connect the leased TEPPCO pipeline to Mont Belvieu, Texas. The purchase of the 10-mile segment from TEPPCO cost $8.0 million and was completed in January 2007. The primary term of the TEPPCO pipeline lease will expire in September 2007, and will continue on a month-to-month basis subject to customary termination provisions. Collectively, this 286-mile pipeline system will be termed the DEP South Texas NGL Pipeline. Phase I of the DEP South Texas NGL Pipeline System commenced transportation of NGLs in January 2007.

During 2007, we will construct an additional 21 miles of pipeline (the "Phase II upgrade") to replace (i) the 11-mile pipeline we lease from TEPPCO, and (ii) certain segments of the pipeline we acquired in August 2006 from ExxonMobil Pipeline Company. The Phase II upgrade is expected to provide a significant increase in pipeline capacity and be operational during the third quarter of 2007.

We estimate the cost of the Phase I expansion was $37.7 million, which included the $8 million we paid TEPPCO to acquire its 10-mile Baytown to Mont Belvieu pipeline. We expect the Phase II upgrade to cost an additional $28.6 million. As of December 31, 2006, our capital spending with respect to the DEP South Texas NGL Pipeline System was $117.8 million, which includes the $97.7 million we paid in August 2006.

This pipeline system is owned by South Texas NGL Pipelines, LLC, an entity that is 66% owned by Duncan Energy Partners and 34% by our Operating Partnership. For additional information regarding Duncan Energy Partners, see "*Other Items – Initial Public Offering of Duncan Energy Partners*" beginning on page 47.

Texas Intrastate Pipeline Expansion Projects. In July 2006, we signed long-term agreements with CenterPoint Energy to provide firm natural gas transportation and storage services to one of its natural gas utilities, primarily in the Houston, Texas metropolitan area. We will provide CenterPoint Energy with an estimated 14 Bcf per year of natural gas beginning in April 2007.

To provide these new services, we will enhance our Texas Intrastate natural gas pipeline system through a combination of pipeline and compression projects, including the expansion of our Wilson natural gas storage facility in Texas, acquisition of certain pipeline laterals located in the Houston, Texas area and the construction of eleven new city gate delivery stations.

The total capital cost of these projects is estimated to be $112.2 million and will be completed in phases extending through 2008. As of December 31, 2006, our capital spending with respect to these natural gas pipeline projects was $13.7 million. As part of this expansion project, we purchased certain idle pipeline assets in the Houston, Texas area from TEPPCO for $11.7 million in cash in October 2006.

Encinal Acquisition. In July 2006, we acquired the Encinal and Canales natural gas gathering systems and related gathering and processing contracts and other assets that comprised the South Texas natural gas transportation and processing business of Lewis. The aggregate value of total consideration we paid or issued to complete this business combination, referred to as the Encinal acquisition, was $326.3 million.

The Encinal and Canales gathering systems are located in South Texas and are connected to over 1,450 natural gas production wells producing from the Olmos and Wilcox formations. The Encinal system consists of 452 miles of pipeline, which is comprised of 280 miles of pipeline we acquired from Lewis in this transaction and 172 miles of pipeline that we own and had previously leased to Lewis. The Canales gathering system is comprised of 32 miles of pipeline. Currently, natural gas volumes gathered by the Encinal and Canales systems are transported by our existing South Texas natural gas pipeline system and are processed by our South Texas natural gas processing plants.

As part of this transaction, we acquired long-term natural gas processing and gathering dedications from Lewis. First, these gathering systems will be supported by a life of reserves gathering and processing dedication by Lewis related to its natural gas production from the Olmos formation. Second, Lewis entered into a 10-year agreement with us for the transportation of natural gas treated at its proposed Big Reef facility. This facility will treat natural gas production from the southern portion of the Edwards Trend in South Texas. Third, Lewis entered into a 10-year agreement with us for the gathering and processing of rich gas it produces from below the Olmos formation.

The total consideration paid or granted for the Encinal acquisition is summarized in the following table (dollars in thousands):

Cash payment to Lewis	$ 145,197
Fair value of our 7,115,844 common units issued to Lewis	181,112
Total consideration	$ 326,309

See Note 12 of the Notes to the Consolidated Financial Statements beginning on page 92 of this annual report for our preliminary purchase price allocation related to this acquisition. As a result of our preliminary purchase price allocation, we recorded goodwill of $95.2 million, which management attributes to potential future benefits we may realize from our existing South Texas processing and NGL businesses as a result of the Encinal acquisition. Specifically, the long-term dedication rights acquired in connection with the Encinal acquisition are expected to add value to our South Texas processing facilities and related NGL businesses due to increased volumes.

Expansion of Import and Export Capability. In April 2006, we announced an expansion of our NGL import and export terminal located on the Houston Ship Channel. This expansion project will increase offloading capability of our import facility from a maximum peak operating rate of 240 MBPD to 480 MBPD and the maximum loading rate of our export facility from 140 MBPD to 160 MBPD. As part of this expansion project, we will increase the transportation and processing capacities of certain of our assets that serve the terminal in order to accommodate the expected increase in import volumes.

This expansion project is expected to cost approximately $62.7 million and be completed in the second quarter of 2007. As of December 31, 2006, our capital spending with respect to the expansion of import and export capabilities was $5.8 million.

Wyoming Gas Processing Projects. In March 2006, we paid $38.2 million to TEPPCO for its Pioneer natural gas processing plant located in Opal, Wyoming and certain natural gas processing rights related to production from the Jonah and Pinedale fields located in the Greater Green River Basin in Wyoming. After completing this asset purchase, we increased the capacity of the Pioneer natural gas processing plant from 300 MMcf/d to 600 MMcf/d at an additional cost of approximately $21 million. This expansion was completed in July 2006 and enables us to process natural gas production from the Jonah and Pinedale fields that will be transported to our Wyoming facilities as a result of the processing contract rights we acquired from TEPPCO. Of the $38.2 million we paid TEPPCO to acquire the Pioneer facility, $37.8 million was allocated to the contract rights we acquired.

In addition, to handle future production growth in the region and substantially increase NGL recoveries, we started construction of a new cryogenic natural gas processing plant in July 2006 adjacent to the Pioneer plant we acquired from TEPPCO. We expect our new natural gas processing plant, which will have the capacity to process up to 750 MMcf/d of natural gas, to be placed in service by the fourth quarter of 2007 at an expected cost of $236.2 million. As of December 31, 2006, our capital spending with respect to the new natural gas processing plant was $53.7 million.

Expansion of Mont Belvieu Petrochemical Assets. In March 2006, we announced an expansion of our petrochemical assets in Mont Belvieu and southeast Texas. This expansion project includes (i) the construction of a fourth propylene fractionator at our Mont Belvieu complex, which will increase our propylene/propane fractionation capacity by approximately 15 MBPD, and (ii) the expansion of two refinery-grade propylene gathering pipelines which will add 50 MBPD of gathering capacity into Mont Belvieu. These projects are expected to be completed by late 2007 and cost approximately $204.1 million, which includes $35.0 million we spent in December 2005 to acquire a related pipeline asset. As of December 31, 2006, our capital spending with respect to these expansion projects was $142.8 million.

Piceance Basin Gas Processing Project. In January 2006, we announced the execution of a minimum 15-year natural gas processing agreement with an affiliate of EnCana. Under that agreement, we have the right to process up to 1.3 Bcf/d of EnCana's natural gas production from the Piceance Basin area of western Colorado.

To accommodate this production, we have begun construction of the Meeker natural gas processing facility in Rio Blanco County, Colorado. This processing plant will provide us with 750 MMcf/d of natural gas processing capacity and the ability to recover up to 35 MBPD of NGLs at full rates when Phase I of construction is completed in mid-2007. In addition, we will construct an approximate 50-mile NGL pipeline that will connect our Meeker facility with our Mid-America Pipeline System. The estimated cost of Phase I of the Meeker facility and related NGL pipeline is $320.7 million. EnCana has certain guaranteed payment obligations to us, and we are currently working to secure production dedications from additional producers.

In June 2006, EnCana executed an option which requires us to build a 750 MMcf/d expansion of the Meeker facility by mid-2008 (the "Phase II expansion"). We have initiated design work on this expansion, which is expected to cost $260.6 million. This expansion will enable us to recover an additional 35 MBPD of NGLs at full rates. Under the terms of the agreement, EnCana has certain additional guaranteed payment obligations to us associated with the Phase II expansion.

As of December 31, 2006, our capital spending with respect to our Piceance Basin gas processing projects was $137.4 million.

Hobbs NGL Fractionator. In June 2005, we announced plans to construct a new NGL fractionator, designed to handle up to 75 MBPD of mixed NGLs, located at the interconnection of our Mid-America Pipeline System and our Seminole Pipeline near Hobbs, New Mexico. This project is expected to cost $232.5 million and be placed in service during the third quarter of 2007. Our Hobbs NGL fractionator will process the increase in mixed NGLs resulting from our Phase I expansion of the Mid-America Pipeline System. As of December 31, 2006, our capital spending with respect to the Hobbs NGL fractionator was $110.4 million.

Mid-America Pipeline System Projects. In January 2005, we announced an expansion (the "Phase I expansion") of the Rocky Mountain segment of our Mid-America Pipeline System to accommodate expected increases in mixed NGL shipments originating from producing basins in Wyoming, Utah, Colorado and New Mexico. The Phase I expansion project will be completed in stages and will increase throughput volumes on the Rocky Mountain segment by 50 MBPD. We expect final completion of the Phase I expansion during the third quarter of 2007 at a cost of approximately $202.6 million.

As of December 31, 2006, our capital spending with respect to the Phase I expansion project was $128.6 million, including accrued expenditures. In August 2006, we executed new long-term transportation agreements with all but one of our current shippers on the Rocky Mountain segment of the Mid-America Pipeline System that will fully utilize this additional capacity.

In June 2005, we began engineering and design work to construct a 190-mile, 12-inch NGL pipeline that will have the capacity to move up to 67 MBPD of mixed NGLs bi-directionally between Skellytown, Texas and Conway, Kansas and an additional 48 MBPD from Skellytown, Texas to Hobbs, New Mexico. Construction of this pipeline began in the spring of 2006 and is expected to cost approximately $83.6 million and be placed in service in April 2007. As of December 31, 2006, our capital spending with respect to the Skellytown to Conway pipeline was $62.5 million.

Independence Hub Platform and Independence Trail Pipeline System. In November 2004, we entered into an agreement with the Atwater Valley Producers Group for the dedication, processing and gathering of natural gas and condensate production from several natural gas fields in the Atwater Valley, DeSoto Canyon, Lloyd Ridge and Mississippi Canyon areas (collectively, the "anchor fields") of the deepwater Gulf of Mexico. First production is expected in the second half of 2007.

We constructed and own an 80% interest in the Independence Hub platform, which will be located in Mississippi Canyon Block 920, at a water depth of approximately 8,000 feet. The Independence Hub is a 105-foot deep-draft, semi-submersible platform with a two-level production deck, which will process 1 Bcf/d of natural gas. In January 2007, the Independence Hub platform sailed from its construction site in Corpus Christi, Texas to Mississippi Canyon Block 920, where it will be installed. We expect mechanical completion of the platform by mid-March 2007.

The platform, which is estimated to cost $445.9 million, will be operated by Anadarko (one of the major producers in the Atwater Valley Producers Group), and is designed to process production from its anchor fields and has excess payload capacity to support ten additional pipeline risers. As of December 31, 2006, our 80% share of capital spending with respect to the Independence Hub platform was $344.8 million.

During the third quarter of 2006, we completed construction of our 134-mile Independence Trail natural gas pipeline system, which has a throughput capacity of 1 Bcf/d of natural gas and will transport production from our Independence Hub platform to the Tennessee Gas Pipeline. This pipeline system and a related junction platform (under construction) are estimated to cost $281.3 million. We own 100% of the Independence Trail pipeline. As of December 31, 2006, our capital spending with respect to the Independence Trail pipeline and related junction platform was $271.3 million, including accrued expenditures.

PIPELINE INTEGRITY COSTS

Our NGL, petrochemical and natural gas pipelines are subject to pipeline safety programs administered by the U.S. Department of Transportation through its Office of Pipeline Safety. This federal agency has issued safety regulations containing requirements for the development of integrity management programs for hazardous liquid pipelines (which include NGL and petrochemical pipelines) and natural gas pipelines. In general, these regulations require companies to assess the condition of their pipelines in certain high consequence areas (as defined by the regulation) and to perform any necessary repairs. In connection with the regulations for hazardous liquid pipelines, we developed a pipeline integrity management program in 2002. In connection with the regulations for natural gas pipelines, we developed a pipeline integrity management program in 2004.

We spent approximately $64.6 million to comply with these programs during 2006, of which $26.4 million was recorded as an operating expense and the remaining $38.2 million was capitalized. During 2005, we spent approximately $42.2 million to comply with these programs, of which $25.0 million was recorded as an operating expense and the remaining $17.2 million was capitalized.

We expect our net cash outlay for pipeline integrity program expenditures to approximate $48.0 million for 2007. Our forecast is net of certain costs we expect to recover from El Paso in connection with an indemnification agreement. In April 2002, GulfTerra acquired several midstream assets located in Texas and New Mexico from El Paso. These assets include the Texas Intrastate System and the Permian Basin System. El Paso agreed to indemnify GulfTerra for any pipeline integrity costs it incurred (whether paid or payable) during 2005, 2006 and 2007 with respect to such assets, to the extent that such annual costs exceed $3.3 million; however, the aggregate amount reimbursable by El Paso for these periods is capped at $50.2 million. In 2006, we recovered $13.7 million from El Paso related to our 2005 expenditures. During 2007, we expect to recover $29.1 million from El Paso related to our 2006 expenditures, which leaves a remainder of $7.3 million reimbursable by El Paso for 2007 pipeline integrity costs.

RESULTS OF OPERATIONS

We have four reportable business segments: NGL Pipelines & Services, Onshore Natural Gas Pipelines & Services, Offshore Pipelines & Services and Petrochemical Services. Our business segments are generally organized and managed according to the type of services rendered (or technology employed) and products produced and/or sold.

We evaluate segment performance based on the non-GAAP financial measure of gross operating margin. Gross operating margin (either in total or by individual segment) is an important performance measure of the core profitability of our operations. This measure forms the basis of our internal financial reporting and is used by senior management in deciding how to allocate capital resources among business segments. We believe that investors benefit from having access to the same financial measures that our management uses in evaluating segment results. The GAAP financial measure most directly comparable to total segment gross operating margin is operating income. Our non-GAAP financial measure of total segment gross operating margin should not be considered as an alternative to GAAP operating income.

We define total (or consolidated) segment gross operating margin as (i) operating income before depreciation, amortization and accretion expense; (ii) operating lease expenses for which we do not have the payment obligation; (iii) gains and losses on the sale of assets; and (iv) general and administrative expenses. Gross operating margin is exclusive of other income and expense transactions, provision for income taxes, minority interest, extraordinary charges and the cumulative effect of changes in accounting principles. Gross operating margin by segment is calculated by subtracting segment operating costs and expenses (net of the adjustments noted above) from segment revenues, with both segment totals before the elimination of intersegment and intrasegment transactions. Intercompany accounts and transactions are eliminated in consolidation.

We include earnings from equity method unconsolidated affiliates in our measurement of segment gross operating margin and operating income. Our equity investments with industry partners are a vital component of our business strategy. They are a means by which we conduct our operations to align our interests with those of our customers and/or suppliers. This method of operation also enables us to achieve favorable economies of scale relative to the level of investment and business risk assumed versus what we could accomplish on a stand-alone basis. Many of these businesses perform supporting or complementary roles to our other business operations. As circumstances dictate, we may increase our ownership interest in equity investments, which could result in their subsequent consolidation into our operations.

For additional information regarding our business segments, see Note 16 of the Notes to Consolidated Financial Statements beginning on page 110 of this annual report.

Selected Price and Volumetric Data

The following table illustrates selected annual and quarterly industry index prices for natural gas, crude oil and selected NGL and petrochemical products for the periods presented.

	Natural Gas $/MMBtu (1)	Crude Oil $/barrel (2)	Ethane $/gallon (1)	Propane $/gallon (1)	Normal Butane $/gallon (1)	Isobutane $/gallon (1)	Natural Gasoline $/gallon (1)	Polymer-Grade Propylene $/pound (1)	Refinery-Grade Propylene $/pound (1)
2004 Averaged	$ 6.13	$ 41.45	$ 0.50	$ 0.74	$ 0.88	$ 0.88	$ 1.00	$ 0.33	$ 0.29
2005 Averaged	$ 8.64	$ 56.47	$ 0.62	$ 0.91	$ 1.09	$ 1.15	$ 1.26	$ 0.42	$ 0.37
2006									
1st Quarter	$ 9.01	$ 63.35	$ 0.57	$ 0.94	$ 1.20	$ 1.27	$ 1.38	$ 0.45	$ 0.40
2nd Quarter	$ 6.80	$ 70.53	$ 0.68	$ 1.05	$ 1.22	$ 1.26	$ 1.52	$ 0.50	$ 0.44
3rd Quarter	$ 6.58	$ 70.44	$ 0.76	$ 1.10	$ 1.28	$ 1.30	$ 1.53	$ 0.51	$ 0.46
4th Quarter	$ 6.56	$ 60.03	$ 0.62	$ 0.95	$ 1.11	$ 1.12	$ 1.31	$ 0.44	$ 0.35
2006 Averages	$ 7.24	$ 66.09	$ 0.66	$ 1.01	$ 1.20	$ 1.24	$ 1.44	$ 0.47	$ 0.41

(1) Natural gas, NGL, polymer-grade propylene and refinery-grade propylene prices represent an average of various commercial index prices including Oil Price Information Service ("OPIS") and Chemical Market Associates, Inc. ("CMAI"). Natural gas price is representative of Henry Hub I-FERC. NGL prices are representative of Mont Belvieu Non-TET pricing. Refinery-grade propylene represents an average of CMAI spot prices. Polymer-grade propylene represents average CMAI contract pricing.
(2) Crude oil price is representative of an index price for West Texas Intermediate.

The following table presents our significant average throughput, production and processing volumetric data. These statistics are reported on a net basis, taking into account our ownership interests, and reflect the periods in which we owned an interest in such operations.

	For the Year Ended December 31, 2006	2005	2004
NGL Pipelines & Services, net:			
NGL transportation volumes (MBPD)	1,577	1,478	1,411
NGL fractionation volumes (MBPD)	312	292	307
Equity NGL production (MBPD) (1)	63	68	76
Fee-based natural gas processing (MMcf/d)	2,218	1,767	1,692
Onshore Natural Gas Pipelines & Services, net:			
Natural gas transportation volumes (BBtus/d)	6,012	5,916	5,638
Offshore Pipelines & Services, net:			
Natural gas transportation volumes (BBtus/d)	1,520	1,780	2,081
Crude oil transportation volumes (MBPD)	153	127	138
Platform gas processing (BBtus/d)	159	252	306
Platform oil processing (MBPD)	15	7	14
Petrochemical Services, net:			
Butane isomerization volumes (MBPD)	81	81	76
Propylene fractionation volumes (MBPD)	56	55	57
Octane additive production volumes (MBPD)	9	6	10
Petrochemical transportation volumes (MBPD)	97	64	71
Total, net:			
NGL, crude oil and petrochemical transportation volumes (MBPD)	1,827	1,669	1,620
Natural gas transportation volumes (BBtus/d)	7,532	7,696	7,719
Equivalent transportation volumes (MBPD) (2)	3,809	3,694	3,651

(1) Volumes for 2005 and 2004 have been revised to incorporate asset-level definitions of equity NGL production volumes.
(2) Reflects equivalent energy volumes where 3.8 MMBtus of natural gas are equivalent to one barrel of NGLs.

Comparison of Results of Operations

The following table summarizes the key components of our results of operations for the periods indicated (dollars in thousands):

	For the Year Ended December 31,		
	2006	2005	2004
Revenues	$ 13,990,969	$ 12,256,959	$ 8,321,202
Operating costs and expenses	13,089,091	11,546,225	7,904,336
General and administrative costs	63,391	62,266	46,659
Equity in income of unconsolidated affiliates	21,565	14,548	52,787
Operating income	860,052	663,016	422,994
Interest expense	238,023	230,549	155,740
Net income	601,155	419,508	268,261

Our gross operating margin by segment and in total is as follows for the periods indicated (dollars in thousands):

	For the Year Ended December 31,		
	2006	2005	2004
Gross operating margin by segment:			
NGL Pipelines & Services	$ 752,548	$ 579,706	$ 374,196
Onshore Natural Gas Pipelines & Services	333,399	353,076	90,977
Offshore Pipelines & Services	103,407	77,505	36,478
Petrochemical Services	173,095	126,060	121,515
Other, non-segment	—	—	32,025
Total segment gross operating margin	$ 1,362,449	$ 1,136,347	$ 655,191

For a reconciliation of non-GAAP gross operating margin to GAAP operating income and further to GAAP income before provision for income taxes, minority interest and the cumulative effect of changes in accounting principles, see "*Other Items – Non-GAAP Reconciliations*" beginning on page 50.

The following table summarizes the contribution to consolidated revenues from the sale of NGL, natural gas and petrochemical products during the periods indicated (dollars in thousands):

	For the Year Ended December 31,		
	2006	2005	2004
NGL Pipelines & Services:			
Sale of NGL products	$ 9,496,926	$ 8,176,370	$ 5,542,877
Percent of consolidated revenues	68%	67%	67%
Onshore Natural Gas Pipelines & Services:			
Sale of natural gas	$ 1,230,369	$ 1,065,542	$ 686,770
Percent of consolidated revenues	9%	9%	8%
Petrochemical Services:			
Sale of petrochemical products	$ 1,545,693	$ 1,311,956	$ 1,054,994
Percent of consolidated revenues	11%	11%	13%

Comparison of Year Ended December 31, 2006 with Year Ended December 31, 2005

Revenues for 2006 were $14.0 billion compared to $12.3 billion for 2005. The increase in consolidated revenues year-to-year is primarily due to higher sales volumes and energy commodity prices in 2006 relative to 2005. These factors accounted for a $1.7 billion increase in consolidated revenues associated with our marketing activities. Revenues for 2006 include $63.9 million of proceeds from business interruption insurance associated with Hurricanes Katrina and Rita in 2005 and Hurricane Ivan in 2004.

Operating costs and expenses were $13.1 billion for 2006 versus $11.5 billion for 2005. The year-to-year increase in consolidated operating costs and expenses is primarily due to an increase in the cost of sales associated with our marketing activities. The cost of sales of our NGL and petrochemical products increased $1.2 billion year-to-year as a result of an increase in volumes and higher energy commodity prices. Operating costs and expenses associated with our natural gas processing plants increased $258.7 million as a result of higher energy commodity prices in 2006 relative to 2005. General and administrative costs increased $1.1 million year-to-year primarily due to higher costs associated with FERC rate case filings associated with our Mid-America Pipeline System and Texas Intrastate System.

Changes in our revenues and costs and expenses year-to-year are explained in part by changes in energy commodity prices. The weighted-average indicative market price for NGLs was $1.00 per gallon during 2006 versus $0.91 per gallon during 2005, a year-to-year increase of 10%. Our determination of the weighted-average indicative market price for NGLs is based on U.S. Gulf Coast prices for such products at Mont Belvieu, which is the primary industry hub for domestic NGL production. The market price of natural gas (as measured at Henry Hub) averaged $7.24 per MMBtu during 2006 versus $8.64 per MMBtu during 2005. Polymer-grade and refinery-grade propylene index prices increased 12% year-to-year. For additional historical energy commodity pricing information, see the table on page 29.

Equity earnings from unconsolidated affiliates were $21.6 million for 2006 compared to $14.5 million for 2005. An increase in volumes from offshore production led to a collective $11.8 million increase year-to-year in equity earnings from Poseidon and Deepwater Gateway. Equity earnings from Cameron Highway increased $4.9 million year-to-year. Our equity earnings for 2005 included an $11.5 million charge associated with the refinancing of Cameron Highway's project finance debt. Also, equity earnings from our investment in Neptune decreased $10.3 million year-to-year primarily due to a $7.4 million non-cash impairment charge recorded in 2006 associated with this investment.

Operating income for 2006 was $860.1 million compared to $663 million for 2005. Collectively, the aforementioned changes in revenues, costs and expenses and equity earnings contributed to the $197.1 million increase in operating income year-to-year.

Interest expense increased $7.5 million year-to-year primarily due to our issuance of junior notes in 2006 and an increase in interest rates charged on our variable-rate debt. Our average debt principal outstanding was $4.9 billion in 2006 compared to $4.6 billion in 2005.

As a result of items noted in the previous paragraphs, our consolidated net income increased $181.6 million year-to-year to $601.2 million in 2006 compared to $419.5 million in 2005. Net income for both years includes the recognition of non-cash amounts related to the cumulative effects of changes in accounting principles. We recorded a $1.5 million benefit in 2006 and a $4.2 million charge in 2005 related to such changes. For additional information regarding the cumulative effect of changes in accounting principles we recorded in 2006 and 2005, see Note 8 of the Notes to Consolidated Financial Statements beginning on page 81 of this annual report.

The following information highlights significant year-to-year variances in gross operating margin by business segment:

NGL Pipelines & Services. Gross operating margin from this business segment was $752.5 million for 2006 compared to $579.7 million for 2005. Segment gross operating margin for 2006 includes $40.4 million of proceeds from business interruption insurance claims related to Hurricanes Katrina, Rita and Ivan. We collected $4.8 million of proceeds from business interruption claims in 2005 related to Hurricane Ivan. Strong demand for NGLs in 2006 compared to 2005 led to higher natural gas processing margins, increased volumes of natural gas processed under fee-based contracts and higher NGL throughput volumes at certain of our pipelines and fractionation facilities.

Gross operating margin from NGL pipelines and storage was $265.7 million for 2006 compared to $203.0 million for 2005. Total NGL transportation volumes increased to 1,577 MBPD during 2006 from 1,478 MBPD during 2005. The $62.7 million year-to-year increase in gross operating margin is primarily due to higher NGL transportation and storage volumes at certain of our facilities and the affects of a higher average transportation rate charged to shippers on our Mid-America Pipeline System. Also, segment gross operating margin in 2006 from our Dixie pipeline system benefited from lower pipeline integrity and maintenance costs year-to-year and the settlement of claims associated with a pipeline contamination incident in 2005.

Gross operating margin from our natural gas processing and related NGL marketing business was $359.6 million for 2006 compared to $308.5 million for 2005. The $51.1 million increase in gross operating margin year-to-year is largely due to improved results from our South Texas and Louisiana natural gas processing facilities, which benefited from strong demand for NGLs, a favorable processing environment and higher levels of offshore natural gas production available for processing. Fee-based processing volumes increased to 2.2 Bcf/d during 2006 from 1.8 Bcf/d during 2005. Lastly, gross operating margin from natural gas processing for 2006 includes $9.6 million from processing contracts we acquired in connection with the Encinal acquisition in July 2006 and $9.4

million from the Pioneer plant which we acquired from TEPPCO in March 2006 and subsequently expanded its capacity from 300 MMcf/d to 600 MMcf/d.

Gross operating margin from NGL fractionation was $86.8 million for 2006 compared to $63.4 million for 2005. Fractionation volumes increased from 292 MBPD during 2005 to 312 MBPD during 2006. The year-to-year increase in gross operating margin of $23.4 million is largely due to increased fractionation volumes at our Norco NGL fractionator. This facility suffered a reduction of volumes in the second half of 2005 due to the effects of Hurricanes Katrina and Rita. Also, our Mont Belvieu NGL fractionator benefited from a 15 MBPD expansion project that was completed during the second quarter of 2006.

Onshore Natural Gas Pipelines & Services. Gross operating margin from this business segment was $333.4 million for 2006 compared to $353.1 million for 2005. Our total onshore natural gas transportation volumes were 6,012 BBtu/d during 2006 compared to 5,916 BBtu/d for 2005. A $24.7 million increase in segment gross operating margin from our Texas Intrastate System year-to-year was more than offset by lower gross operating margin from our San Juan Gathering System and Wilson natural gas storage facility. Gross operating margin from our Texas Intrastate System increased to $117.7 million for 2006 from $93 million for 2005. Our Texas Intrastate System benefited from higher transportation fees and lower operating costs year-to-year.

Segment gross operating margin from our San Juan Gathering System decreased $26.7 million year-to-year attributable to lower revenues from certain gathering contracts in which the fees are based on an index price for natural gas. Average index prices for natural gas were significantly higher during 2005 relative to 2006 due to supply interruptions and higher regional demand caused by Hurricanes Katrina and Rita. Natural gas gathering volumes for the San Juan Gathering System were 1.2 BBtu/d for 2006 and 2005.

In addition, gross operating margin from this segment decreased $21.9 million year-to-year as a result of mechanical problems associated with three storage caverns located at our Wilson natural gas storage facility in Texas, which caused these wells to be taken out of service for most of 2006. This includes $7.9 million in losses associated with the withdrawal of cushion gas from these wells.

Lastly, gross operating margin for 2006 includes $1.8 million from the Encinal Gathering System that we acquired in July 2006. The Encinal Gathering System contributed 89 BBtu/d of gathering volumes during 2006.

Offshore Pipelines & Services. Gross operating margin from this business segment was $103.4 million for 2006 compared to $77.5 million for 2005. Segment gross operating margin for 2006 includes $23.5 million of proceeds from business interruption insurance claims related to Hurricanes Katrina, Rita and Ivan. As a result of industry losses associated with these storms, insurance costs for offshore operations have increased dramatically. Insurance costs for our offshore assets were $21.6 million for 2006 compared to $6.5 million for 2005.

Gross operating margin from our offshore crude oil pipelines was $23.0 million for 2006 versus $0.3 million for 2005. Our Marco Polo and Poseidon oil pipelines posted higher crude oil transportation volumes during 2006 due to increased production activity by our customers. Collectively, gross operating margin from the Marco Polo and Poseidon oil pipelines improved $10.1 million year-to-year. Our Constitution oil pipeline, which was placed in service during the first quarter of 2006, contributed $8.8 million to segment gross operating margin during 2006. Total offshore crude oil transportation volumes were 153 MBPD during 2006 versus 127 MBPD during 2005.

Gross operating margin from our offshore natural gas pipelines was $22.4 million for 2006 compared to $37.1 million for 2005. Offshore natural gas transportation volumes were 1,520 BBtu/d during 2006 versus 1,780 BBtu/d during the third quarter of 2005. The $14.7 million decrease in gross operating margin year-to-year is largely due to increased insurance costs and a non-cash impairment charge of $7.4 million recorded in 2006 associated with our investment in Neptune. Also, 2006 includes gross operating margin of $8.4 million and transportation volumes of 50 BBtu/d from the Constitution natural gas pipeline, which was placed in service during the first quarter of 2006.

Gross operating margin from our offshore platforms was $34.5 million for 2006 compared to $40.1 million for 2005. The decrease in gross operating margin year-to-year is primarily due to reduced offshore production as a result of Hurricanes Katrina and Rita in 2005. Equity earnings from Deepwater Gateway, which owns the Marco Polo platform, increased $7.8 million year-to-year primarily due to higher processing volumes.

Petrochemical Services. Gross operating margin from this business segment was $173.1 million for 2006 compared to $126.1 million for 2005. The $47 million year-to-year increase in gross operating margin is primarily due to improved results from our octane enhancement business attributable to higher isooctane sales volumes and prices. Gross operating margin from this business was $36.5 million for 2006 compared to $3.6 million for the 2005. Isooctane, a high octane, low vapor pressure motor gasoline additive, complements the increasing use of ethanol, which has a high vapor pressure. Our isooctane production facility commenced operations in the second quarter of 2005.

Gross operating margin from our propylene fractionation and pipeline activities was $63.4 million for 2006 versus $55.9 million for 2005. The year-to-year increase in gross operating margin of $7.5 million is primarily due to improved polymer-grade propylene sales prices and volumes and the addition of the Texas City refinery-grade propylene pipeline, which we completed during 2005. Petrochemical transportation volumes were 97 MBPD during 2006 compared to 64 MBPD during 2005. Gross operating margin from butane isomerization was $73.2 million for 2006 compared to $66.6 million for 2005. The year-to-year increase of $6.6 million is primarily due to higher processing fees and lower fuel costs. Butane isomerization volumes were 81 MBPD during 2006 and 2005.

Comparison of Year Ended December 31, 2005 with Year Ended December 31, 2004

Revenues for 2005 were $12.3 billion compared to $8.3 billion for 2004. The increase in consolidated revenues is due in part to an increase in NGL and petrochemical sales volumes and higher energy commodity prices in 2005 relative to 2004. These differences accounted for a $2.4 billion increase in revenues from our natural gas, NGL and petrochemical marketing activities. Also, our consolidated revenues increased by $1.5 billion year-to-year attributable to revenues earned by acquired or consolidated businesses, particularly those generated by the GulfTerra and South Texas midstream assets.

Operating costs and expenses were $11.5 billion for 2005 compared to $7.9 billion for 2004. The year-to-year increase in consolidated costs and expenses is primarily due to (i) higher energy commodity prices, which resulted in a $2.2 billion increase in the cost of sales of natural gas, NGLs and petrochemical products, and (ii) the addition of $1.4 billion in costs and expenses attributable to acquired or consolidated businesses. General and administrative costs increased $15.6 million year-to-year as a result of our expanded business activities.

As noted previously, changes in our revenues and costs and expenses year-to-year are explained in part by changes in energy commodity prices. The weighted-average indicative market price for NGLs was $0.91 per gallon during 2005 versus $0.73 per gallon during 2004 – a year-to-year increase of 25%. The Henry Hub market price for natural gas averaged $8.64 per MMBtu during 2005 versus $6.13 per MMBtu during 2004. Polymer-grade propylene index prices increased 27% year-to-year and refinery-grade propylene index prices increased 28% year-to-year. For additional historical energy commodity pricing information, see the table on page 29.

Equity earnings from unconsolidated affiliates were $14.5 million for 2005 versus $52.8 million for 2004. Equity earnings for 2005 include a full year of our share of earnings from investments we acquired in connection with the GulfTerra Merger, including an $11.5 million charge associated with the refinancing of Cameron Highway's project debt. Fiscal 2004 includes $32.0 million of equity earnings from GulfTerra GP, which we consolidated in September 2004 as a result of completing the GulfTerra Merger.

Operating income for 2005 was $663.0 million compared to $423.0 million for 2004. Collectively, the aforementioned changes in revenues, costs and expenses and equity earnings contributed to the $240 million increase in operating income year-to-year.

Interest expense increased $74.8 million year-to-year primarily due to debt that was incurred in 2004 as a result of the GulfTerra Merger and the issuance of additional senior notes in 2005. Our average debt principal outstanding was $4.6 billion in 2005 compared to $2.8 billion in 2004.

As a result of items noted in the previous paragraphs, our consolidated net income increased $151.2 million year-to-year to $419.5 million in 2005 compared to $268.3 million in 2004. Net income for both years includes the recognition of non-cash amounts related to the cumulative effects of changes in accounting principles. We recorded a $4.2 million charge in 2005 and a $10.8 million benefit in 2004 related to such changes. For additional information regarding the cumulative effect of changes in accounting principles we recorded in 2005 and 2004, see Note 8 of the Notes to Consolidated Financial Statements beginning on page 81 of this annual report.

The following information highlights significant year-to-year variances in gross operating margin by business segment:

NGL Pipelines & Services. Gross operating margin from this business segment was $579.7 million for 2005 versus $374.2 million for 2004. The $205.5 million year-to-year increase in gross operating margin is primarily due to assets we acquired in connection with the GulfTerra Merger. Also, this business segment was impacted by the varying effects of Hurricanes Katrina (August 2005) and Rita (September 2005), both significant storms. In general, the disruptions in natural gas, NGL and crude oil production along the U.S. Gulf Coast resulted in decreased volumes for some of our pipeline systems, natural gas processing plants and NGL fractionators, which in turn caused a decrease in our gross operating margin from certain operations. In addition, operating costs at certain of our plants and pipelines were negatively impacted due to the higher fuel costs. These effects were mitigated by increases in gross operating margin from certain of our other operations, which benefited from increased demand for NGLs, regional demand for natural gas and a general increase in commodity prices. We collected $4.8 million of proceeds from business interruption claims in 2005 related to Hurricane Ivan.

Segment gross operating margin from our natural gas processing and related NGL marketing business was $308.5 million for 2005 compared to $123.6 million for 2004. The $184.9 million year-to-year increase includes $122.3 million of gross operating margin from natural gas processing plants we acquired in connection with the GulfTerra Merger. Gross operating margin from our NGL marketing activities increased $66.9 million year-to-year due to higher sales volumes and energy commodity prices during 2005 relative to 2004.

Gross operating margin from NGL fractionation was $63.4 million for 2005 compared to $42.6 million for 2004. The $20.8 million year-to-year increase in gross operating margin from NGL fractionation includes (i) $14.9 million of improved results from our Mont Belvieu facility, (ii) $14 million from assets acquired in connection with the GulfTerra Merger, and (iii) a $9.0 million decrease from our Louisiana NGL fractionators, particularly Norco, which suffered a loss of processing volumes due to Hurricane Katrina.

Gross operating margin from NGL pipelines and storage was $203.0 million for 2005 compared to $208.0 million for 2004. The $5.0 million year-to-year decrease in gross operating margin from NGL pipelines and storage was due to a variety of reasons, including (i) a net $11.2 million decrease from our Mid-America Pipeline System and Seminole Pipeline primarily due to higher fuel costs and pipeline integrity expenses, (ii) a $4.9 million decrease from our Louisiana Pipeline System primarily due to hurricane effects, (iii) a net $6.9 million increase from our import and export facilities and related Houston Ship Channel pipeline attributable to increased volumes, and (iv) a net $8.9 million increase due to acquired assets and consolidation of former equity method investees.

Onshore Natural Gas Pipelines & Services. Gross operating margin from this business segment was $353.1 million for 2005 compared to $91.0 million for 2004. The $262.1 million increase in gross operating margin year-to-year is primarily due to onshore natural gas pipelines and storage assets acquired in connection with the GulfTerra Merger. Gross operating margin from this segment is largely attributable to contributions from our San Juan Gathering System, Texas Intrastate System and Permian Basin System, which together generated gross operating margins of $290.4 million in 2005. Our Petal and Hattiesburg natural gas storage facilities generated $38.7 million of gross operating margin in 2005. The San Juan Gathering System, Texas Intrastate System, Permian Basin System and Petal and Hattiesburg natural gas storage facilities were acquired in connection with the GulfTerra Merger.

Offshore Pipelines & Services. Gross operating margin from this business segment was $77.5 million for 2005 compared to $36.5 million for 2004. The $41.0 million increase in gross operating margin year-to-year is primarily due to offshore Gulf of Mexico assets acquired in connection with the GulfTerra Merger. The year-to-year change in gross operating margin consists of the following: (i) a $20.1 million increase from offshore natural gas pipelines, (ii) a $26.4 million increase from offshore platforms, and (iii) a $5.5 million decrease from offshore crude oil pipelines, which includes an $11.5 million charge related to the refinancing of Cameron Highway's project debt in 2005.

Petrochemical Services. Gross operating margin from this business segment was $126.1 million for 2005 compared to $121.5 million during 2004. The $4.6 million increase in gross operating margin is primarily due to improved results from our butane isomerization and octane enhancement businesses, both of which benefited from increased demand for motor gasoline in 2005.

Other. Gross operating margin from this segment pertains to equity earnings we recorded from GulfTerra GP prior to its consolidation with our financial results in September 2004.

SIGNIFICANT RISKS AND UNCERTAINTIES – HURRICANES

EPCO renewed its property and casualty insurance programs during the second quarter of 2006. As a result of severe hurricanes such as Katrina and Rita that occurred in 2005, market conditions for obtaining property damage insurance coverage were difficult. Under our renewed insurance programs, coverage is more restrictive, including increased physical damage and business interruption deductibles. For example, our deductible for onshore physical damage increased from $2.5 million to $5 million per event and our deductible period for onshore business interruption claims increased from 30 days to 60 days. Additional restrictions will also be applied in the event of damage from named windstorms.

In addition to changes in coverage, the cost of property damage insurance increased substantially from prior periods. At present, our annualized cost of insurance premiums for all lines of coverage is approximately $49.2 million, which represents a $28.1 million (or 133%) increase from our 2005 annualized insurance cost.

The following is a discussion of the general status of insurance claims related to significant storm events that affected our assets in 2004 and 2005. To the extent we include estimates regarding the dollar value of damages, please be aware that a change in our estimates may occur as additional information becomes available to us.

Hurricane Ivan Insurance Claims. Our final purchase price allocation related to the merger of GulfTerra with a wholly-owned subsidiary of Enterprise Products Partners in September 2004 (the "GulfTerra Merger") included a $26.2 million receivable for insurance claims related to expenditures to repair property damage to certain pre-merger GulfTerra assets caused by Hurricane Ivan. During 2006, we received cash reimbursements from insurance carriers totaling $24.1 million related to these property damage claims, and we expect to recover the remaining $2.1 million in 2007. If the final recovery of funds is different than the amount previously expended, we will recognize an income impact at that time.

In addition, we have submitted business interruption insurance claims for our estimated losses caused by Hurricane Ivan. During 2006, we received $17.4 million of nonrefundable cash proceeds from such claims. We are continuing our efforts to collect residual balances and expect to complete the process during 2007. To the extent we receive nonrefundable cash proceeds from business interruption insurance claims, they are recorded as a gain in our Statements of Consolidated Operations in the period of receipt.

Hurricanes Katrina and Rita Insurance Claims. Hurricanes Katrina and Rita, both significant storms, affected certain of our Gulf Coast assets in August and September of 2005, respectively. The majority of repairs to our facilities are completed; however, certain minor repairs are ongoing to two offshore pipelines and an onshore gas processing facility. To the extent that insurance proceeds from property damage claims are not probable of collection or do not cover our estimated expenditures (in excess of $5.0 million of insurance deductibles we expensed during 2005), such amounts are charged to earnings when realized. With respect to these storms, we have $78.2 million of estimated property damage claims outstanding at December 31, 2006 that we believe are probable of collection during the period 2007 through 2009. For the year ended December 31, 2006, we received $10.5 million of physical damage proceeds related to such storms.

In addition, we received $46.5 million of nonrefundable cash proceeds from business interruption claims during the year ended December 31, 2006. We are aggressively pursuing collection of our remaining property damage and business interruption claims related to Hurricanes Katrina and Rita.

The following table summarizes proceeds we received during 2006 from business interruption and property damage insurance claims with respect to certain named storms (dollars in thousands).

Business interruption proceeds:	
Hurricane Ivan	$ 17,382
Hurricane Katrina	24,500
Hurricane Rita	22,000
Total proceeds	$ 63,882
Property damage proceeds:	
Hurricane Ivan	$ 24,104
Hurricane Katrina	7,500
Hurricane Rita	3,000
Total proceeds	$ 34,604
Total proceeds received during 2006	$ 98,486

During 2005, we received $4.8 million of nonrefundable cash proceeds from business interruption claims.

GENERAL OUTLOOK FOR 2007

We are currently in a major asset construction phase that began in 2005. Fiscal 2007 will be a transition year as we take several major projects from the construction phase and place them in service. In addition, we have continued to grow our relationships with customers by executing several long-term natural gas gathering and processing agreements with major producers to support our newly constructed assets. As we further expand our portfolio of midstream assets, we expect our results of operations to be affected by the following key trends and events during 2007.

- We believe that drilling activity in the major producing areas where we operate, including the Gulf of Mexico and supply basins in Texas, San Juan and the Rocky Mountains, will result in increased demand for our midstream energy services. As a result, we expect higher transportation and processing volumes for our existing assets due to increased natural gas and crude oil production from both onshore and offshore producing areas. In addition, we expect to benefit from increased demand as new assets come on-line during 2007.

- We expect to benefit from an increase in crude oil and natural gas production in the Gulf of Mexico as our Independence Hub platform and Independence Trail pipeline are placed in service during the second half of 2007. Our Independence Hub platform and Independence Trail pipeline will benefit from initial natural gas production from dedicated production fields in the Atwater Valley, DeSoto Canyon, Lloyd Ridge and Mississippi Canyon areas of the Gulf of Mexico. In addition, we believe that our Marco Polo Oil Pipeline and Marco Polo platform will continue to benefit as production volumes increase from developments in the South Green Canyon area of the Gulf of Mexico. Increased production in the Gulf of Mexico will increase volumes of natural gas and NGLs available to our facilities in southern Louisiana.

- We expect the volume of natural gas and NGLs available to our facilities in Texas to increase as a result of drilling activity and long-term agreements executed with new customers. We expect natural gas transportation volumes on our Texas Intrastate System to increase during 2007 as we begin to supply the Houston, Texas area with natural gas volumes under a long-term agreement with CenterPoint Energy. As a result of the Encinal acquisition, we expect to increase natural gas gathering and processing volumes in South Texas. In turn, this should increase our NGL production in South Texas. In addition, we will continue to expand our natural gas gathering assets in the Barnett Shale region of North Texas.

- We expect to benefit from increased natural gas and NGL volumes as several new assets are placed in service throughout Wyoming, Colorado and New Mexico. We expect our new Pioneer natural gas processing plant and expanded Jonah Gathering System to benefit from increased production in the Greater Green River Basin of Wyoming. Production from the Piceance Basin of western Colorado should benefit our Piceance Creek Gathering System and Meeker natural gas processing plant. We expect our Mid-America Pipeline System, Seminole Pipeline and Hobbs NGL fractionator to benefit from increased volumes of NGLs produced at the Pioneer and Meeker natural gas processing facilities.

- We believe that the strength of the domestic and global economy will continue to drive increased demand for all forms of energy despite fluctuating commodity prices. Our largest NGL consuming customers in the ethylene industry continue to see strong demand for their products. Ethane and propane continue to be the preferred feedstocks for the ethylene industry with the high price of crude oil relative to natural gas.

LIQUIDITY AND CAPITAL RESOURCES

Our primary cash requirements, in addition to normal operating expenses and debt service, are for working capital, capital expenditures, business acquisitions and distributions to our partners. We expect to fund our short-term needs for such items as operating expenses and sustaining capital expenditures with operating cash flows and short-term revolving credit arrangements. Capital expenditures for long-term needs resulting from internal growth projects and business acquisitions are expected to be funded by a variety of sources (either separately or in combination) including cash flows from operating activities, borrowings under credit facilities, the issuance of additional equity and debt securities and proceeds from divestitures of ownership interest in assets to affiliates or third parties. We expect to fund cash distributions to partners primarily with operating cash flows. Our debt service requirements are expected to be funded by operating cash flows and/or refinancing arrangements.

At December 31, 2006, we had $22.6 million of unrestricted cash on hand and approximately $790.1 million of available credit under our Operating Partnership's Multi-Year Revolving Credit Facility. In total, we had approximately $5.3 billion in principal outstanding under various debt agreements at December 31, 2006.

As a result of our growth objectives, we expect to access debt and equity capital markets from time-to-time and we believe that financing arrangements to support our growth activities can be obtained on reasonable terms. Furthermore, we believe that maintenance of an investment grade credit rating combined with continued ready access to debt and equity capital at reasonable rates and sufficient trade credit to operate our businesses efficiently provide a solid foundation to meet our long- and short-term liquidity and capital resource requirements.

For additional information regarding our growth strategy, see "*Capital Spending*" beginning on page 21.

Registration Statements

We may issue equity or debt securities to assist us in meeting our liquidity and capital spending requirements. Duncan Energy Partners may do likewise in meeting its liquidity and capital spending requirements. In March 2005, we filed a universal shelf registration statement with the SEC registering the issuance of $4 billion of equity and debt securities. After taking into account the past issuance of securities under this universal registration statement, we can issue approximately $2.1 billion of additional securities under this registration statement as of February 1, 2007.

Our significant issuances of partnership equity during the year ended December 31, 2006 were as follows:

- In March 2006, we sold 18,400,000 common units (including an over-allotment amount of 2,400,000 common units) to the public at an offering price of $23.90 per unit. Net proceeds from this offering, including Enterprise Products GP's proportionate net capital contribution of $8.6 million, were approximately $430 million after deducting applicable underwriting discounts, commissions and estimated offering expenses of $18.3 million. The net proceeds from this offering, including Enterprise Products GP's proportionate net capital contribution, were used to temporarily reduce indebtedness outstanding under our Operating Partnership's Multi-Year Revolving Credit Facility.

- In July 2006, we issued approximately 7.1 million of our common units in connection with the Encinal business acquisition. In August 2006, we filed a registration statement with the SEC for the resale of these common units.

- In September 2006, we sold 12,650,000 common units (including an over-allotment amount of 1,650,000 common units) to the public at an offering price of $25.80 per unit. Net proceeds from this offering, including Enterprise Products GP's proportionate net capital contribution of $6.4 million, were approximately $320.8 million after deducting applicable underwriting discounts, commissions and estimated offering expenses of $11.8 million. Net proceeds of $260 million from this offering, including Enterprise Products GP's proportionate net capital contribution, were used to temporarily reduce indebtedness outstanding under our Operating Partnership's Multi-Year Revolving Credit Facility. The remaining net proceeds were used for general partnership purposes.

During 2003, we instituted a distribution reinvestment plan ("DRIP"). The DRIP provides unitholders of record and beneficial owners of our common units a voluntary means by which they can increase the number of common units they own by reinvesting the quarterly cash distributions they would otherwise receive into the purchase of additional common units. We have a registration statement on file with the SEC covering the issuance of up to 15,000,000 common units in connection with the DRIP. During the year ended December 31, 2006, we issued 3,639,949 common units in connection with our DRIP, which generated proceeds of $91.6 million from plan participants. These proceeds include $50 million reinvested by EPCO in August 2006 with respect to its beneficial ownership of our common units. A total of 1,966,354 common units were issued to EPCO as a result of this reinvestment in our partnership.

We also have a registration statement on file related to our employee unit purchase plan, under which we can issue up to 1,200,000 common units. Under this plan, employees of EPCO can purchase our common units at a 10% discount through payroll deductions. During the year ended December 31, 2006, we issued 134,700 common units to employees under this plan, which generated proceeds of $3.4 million.

In February 2007, Duncan Energy Partners completed its initial public offering of 14,950,000 common units, the majority of proceeds from which were distributed to us. Duncan Energy Partners may issue additional amounts of equity in the future in connection with other acquisitions. For additional information regarding Duncan Energy Partners, see "*Other Items – Initial Public Offering of Duncan Energy Partners*" beginning on page 47.

For information regarding our public debt obligations or partnership equity, see Notes 14 and 15, respectively, of the Notes to Consolidated Financial Statements beginning on page 100 of this annual report.

Credit Ratings of Operating Partnership

At February 27, 2007, the investment grade credit ratings of our Operating Partnership's debt securities were Baa3 by Moody's Investor Services; BBB- by Fitch Ratings; and BBB- by Standard and Poor's. All three ratings services have assigned to us a "stable outlook" with respect to their judgment of our future business performance.

Based on the characteristics of the fixed/floating unsecured junior subordinated notes that the Operating Partnership issued during the third quarter of 2006, the rating agencies assigned partial equity treatment to the notes. Moody's Investor Services and Standard and Poor's each assigned 50% equity treatment and Fitch Ratings assigned 75% equity treatment.

In connection with the construction of our Pascagoula, Mississippi natural gas processing plant, the Operating Partnership entered into a $54 million, ten-year, fixed-rate loan with the Mississippi Business Finance Corporation ("MBFC"). The indenture agreement for this loan contains an acceleration clause whereby if the Operating Partnership's credit rating by Moody's declines below Baa3 in combination with our credit rating at Standard & Poor's declining below BBB-, the $54.0 million principal balance of this loan, together with all accrued and unpaid interest would become immediately due and payable 120 days following such event. If such an event occurred, we would have to either redeem the Pascagoula MBFC Loan or provide an alternative credit agreement to support our obligation under this loan.

Debt Obligations

For detailed information regarding our consolidated debt obligations and those of our unconsolidated affiliates, see Note 14 of the Notes to Consolidated Financial Statements beginning on page 100 of this annual report. The following table summarizes our consolidated debt obligations at the dates indicated (dollars in thousands):

	At December 31, 2006	At December 31, 2005
Operating Partnership senior debt obligations:		
Multi-Year Revolving Credit Facility, variable-rate, due October 2011[1]	$ 410,000	$ 490,000
Pascagoula MBFC Loan, 8.70% fixed-rate, due March 2010	54,000	54,000
Senior Notes B, 7.50% fixed-rate, due February 2011	450,000	450,000
Senior Notes C, 6.375% fixed-rate, due February 2013	350,000	350,000
Senior Notes D, 6.875% fixed-rate, due March 2033	500,000	500,000
Senior Notes E, 4.00% fixed-rate, due October 2007	500,000	500,000
Senior Notes F, 4.625% fixed-rate, due October 2009	500,000	500,000
Senior Notes G, 5.60% fixed-rate, due October 2014	650,000	650,000
Senior Notes H, 6.65% fixed-rate, due October 2034	350,000	350,000
Senior Notes I, 5.00% fixed-rate, due March 2015	250,000	250,000
Senior Notes J, 5.75% fixed-rate, due March 2035	250,000	250,000
Senior Notes K, 4.950% fixed-rate, due June 2010	500,000	500,000
Dixie Revolving Credit Facility, variable-rate, due June 2010[2]	10,000	17,000
Other, 8.75% fixed-rate, due June 2010[5]	5,068	5,068
Total principal amount of senior debt obligations	4,779,068	4,866,068
Operating Partnership Junior Subordinated Notes A, due August 2066	550,000	—
Total principal amount of senior and junior debt obligations	5,329,068	4,866,068
Other, including unamortized discounts and premiums and changes in fair value [3]	(33,478)	(32,287)
Long-term debt [4]	$ 5,295,590	$ 4,833,781
Standby letters of credit outstanding	$ 49,858	$ 33,129

(1) In June 2006, the Operating Partnership executed a second amendment (the "Second Amendment") to the credit agreement governing its Multi-Year Revolving Credit Facility. The Second Amendment, among other things, extends the maturity date of amounts borrowed under the Multi-Year Revolving Credit Facility from October 2010 to October 2011 with respect to $1.25 billion of the commitments. Borrowings with respect to the remaining $48 million in commitments mature in October 2010.

(2) The maturity date of this facility was extended from June 2007 to June 2010 in August 2006. The other terms of the Dixie facility remain unchanged from those described in our annual report on Form 10-K for the year ended December 31, 2005. In accordance with GAAP, we consolidated Dixie's debt with that of our own; however, we are not obligated to make interest or debt payments with respects to Dixie's debt.

(3) The December 31, 2006 amount includes $29.1 million related to fair value hedges and a net $4.4 million in unamortized discounts and premiums. The December 31, 2005 amount includes $19.2 million related to fair value hedges and a net $13.1 million in unamortized discounts and premiums.

(4) In accordance with SFAS 6, "*Classification of Short-Term Obligations Expected to be Refinanced*," long-term and current maturities of debt reflects the classification of such obligations at December 31, 2006. With respect to Senior Notes E due in October 2007, the Operating Partnership has the ability to use available credit capacity under its Multi-Year Revolving Credit Facility to fund the repayment of this debt.

(5) Represents the remaining debt obligations assumed in connection with the GulfTerra merger.

Issuance of Junior Subordinated Notes A. The Operating Partnership sold $550.0 million in principal amount of fixed/floating, unsecured, long-term subordinated notes due 2066 during the third quarter of 2006. The Operating Partnership used the proceeds from issuing this subordinated debt to temporarily reduce borrowings outstanding under its Multi-Year Revolving Credit Facility and for general partnership purposes. The Operating Partnership's payment obligations under the Junior Subordinated Notes A are subordinated to all of its current and future senior indebtedness (as defined in the Indenture Agreement). We have guaranteed repayment of amounts due under the Junior Subordinated Notes A through an unsecured and subordinated guarantee.

The indenture agreement governing the Junior Subordinated Notes A allows the Operating Partnership to defer interest payments on one or more occasions for up to ten consecutive years subject to certain conditions. The indenture agreement also provides that, unless (i) all deferred interest on the Junior Subordinated Notes A has been paid in full as of the most recent interest payment date, (ii) no event of default under the Indenture has occurred and is continuing, and (iii) we are not in default of our obligations under related guarantee agreements, then the Operating Partnership and we cannot declare or make any distributions with respect to any of their respective equity securities or make any payments on indebtedness or other obligations that rank pari passu with or subordinate to the Junior Subordinated Notes A.

The Junior Subordinated Notes A will bear interest at a fixed annual rate of 8.375% from July 2006 to August 2016, payable semi-annually in arrears in February and August of each year, commencing in February 2007. After August 2016, the Junior Subordinated Notes A will bear variable-rate interest at an annual rate equal to the 3-month LIBOR rate for the related interest period plus 3.708%, payable quarterly in arrears in February, May, August and November of each year commencing in November 2016. Interest payments may be deferred on a cumulative basis for up to ten consecutive years, subject to the certain provisions. The Junior Subordinated Notes A mature in August 2066 and are not redeemable by the Operating Partnership prior to August 2016 without payment of a make-whole premium.

In connection with the issuance of the Junior Subordinated Notes A, the Operating Partnership entered into a Replacement Capital Covenant in favor of the covered debt holders (as named therein) pursuant to which the Operating Partnership agreed for the benefit of such debt holders that it would not redeem or repurchase such junior subordinated notes unless such redemption or repurchase is made from the proceeds of issuance of certain securities.

Based on the characteristics of the Junior Subordinated Notes A, rating agencies assigned partial equity treatment to the notes. Moody's Investor Services and Standard and Poor's each assigned 50% equity treatment and Fitch Ratings assigned 75% equity treatment.

Debt Obligations of Unconsolidated Affiliates. The following table summarizes the debt obligations of our unconsolidated affiliates (on a 100% basis to the joint venture) at December 31, 2006 and our ownership interest in each entity on that date (dollars in thousands):

	Our Ownership Interest	Total
Cameron Highway	50.0%	$ 415,000
Poseidon	36.0%	91,000
Evangeline	49.5%	25,650
Total		$ 531,650

In March 2006, Cameron Highway amended the note purchase agreement governing its senior secured notes to primarily address the effect of reduced deliveries of crude oil to Cameron Highway resulting from production delays caused by the lingering effects of Hurricanes Katrina and Rita. In general, this amendment modified certain financial covenants in light of production forecasts. In addition, the amendment increased the letters of credit required to be issued by the Operating Partnership and an affiliate of our joint venture partner from $18.4 million each to $36.8 million each.

In September 2006, Fitch Ratings reaffirmed its BBB- rating (with a negative outlook) of Cameron Highway's privately placed senior secured notes. The rating was placed on watch in March 2006 due to the near-term financial impact of lower than anticipated volumes on the Cameron Highway Oil Pipeline. While Fitch continues to believe that the current volume shortfalls are temporary, particularly with completion of the Atlantis development expected in the first quarter of 2007, if transportation volumes remain impaired over the next several months Fitch will likely lower the rating. Currently, production from Atlantis is expected to commence by the end of 2007. If the rating falls below BBB-, the interest rates paid by Cameron Highway will increase by 1% to 1.5% per annum depending on the lower rating.

In May 2006, Poseidon amended its revolving credit facility, which, among other things, decreased the availability to $150.0 million from $170.0 million, extended the maturity date from January 2008 to May 2011 and lowered the borrowing rate.

Cash Flows from Operating, Investing and Financing Activities

The following table summarizes our cash flows from operating, investing and financing activities for the periods indicated (dollars in thousands). For information regarding the individual components of our cash flow amounts, see the Statements of Consolidated Cash Flows on page 61 of this annual report.

	For the Year Ended December 31,		
	2006	2005	2004
Net cash flows provided by operating activities	$ 1,175,069	$ 631,708	$ 391,541
Net cash used in investing activities	1,689,288	1,130,395	941,424
Net cash provided by financing activities	494,972	516,229	543,973

Net cash flows provided by operating activities is largely dependent on earnings from our business activities. As a result, these cash flows are exposed to certain risks. We operate predominantly in the midstream energy industry. We provide services for producers and consumers of natural gas, NGLs and crude oil. The products that we process, sell or transport are principally used as fuel for residential, agricultural and commercial heating; feedstocks in petrochemical manufacturing; and in the production of motor gasoline. Reduced demand for our services or products by industrial customers, whether because of general economic conditions, reduced demand for the end products made with our products or increased competition from other service providers or producers due to pricing differences or other reasons could have a negative impact on our earnings and thus the availability of cash from operating activities.

Cash used in investing activities primarily represents expenditures for capital projects, business combinations, asset purchases and investments in unconsolidated affiliates. Cash provided by (or used in) financing activities generally consists of borrowings and repayments of debt, distributions to partners and proceeds from the issuance of equity securities. Amounts presented in our Statements of Consolidated Cash Flows for borrowings and repayments under debt agreements are influenced by the magnitude of cash receipts and payments under our revolving credit facilities.

Our Statements of Consolidated Cash Flows are prepared using the indirect method. The indirect method derives net cash flows from operating activities by adjusting net income to remove (i) the effects of all deferrals of past operating cash receipts and payments, such as changes during the period in inventory, deferred income and similar transactions, (ii) the effects of all accruals of expected future operating cash receipts and cash payments, such as changes during the period in receivables and payables, (iii) the effects of all items classified as investing or financing cash flows, such as gains or losses on sale of property, plant and equipment or extinguishment of debt, and (iv) other non-cash amounts such as depreciation, amortization, operating lease expense paid by EPCO and changes in the fair market value of financial instruments. Equity in income from unconsolidated affiliates is also a non-cash item that must be removed in determining net cash provided by operating activities. Our cash flows from operating activities reflect the actual cash distributions we receive from such investees.

In general, the net effect of changes in operating accounts results from the timing of cash receipts from sales and cash payments for purchases and other expenses during each period. Increases or decreases in inventory are influenced by the quantity of products held in connection with our marketing activities and changes in energy commodity prices.

The following information highlights the significant year-to-year variances in our cash flow amounts:

Comparison of Year Ended December 31, 2006 with Year Ended December 31, 2005

Operating Activities. Net cash flows provided by operating activities for the year ended December 31, 2006 increased $543.4 million over that recorded for the year ended December 31, 2005. In addition to changes in our earnings and other factors as described below, cash flows from operating activities are influenced by the timing of cash receipts and disbursements. The following information highlights factors that influenced the year-to-year change in cash flows provided by operating activities:

- Gross operating margin for the year ended December 31, 2006 increased $226.1 million over that recorded for the year ended December 31, 2005. The increase in gross operating margin is discussed under "*Results of Operations*" beginning on page 28.

- With respect to changes in operating accounts, the timing of cash receipts and disbursements improved year-to-year generally due to the successful integration of acquired businesses and increased efficiencies. As to cash receipts, the average collection period for accounts receivable during the year ended December 31, 2006 improved approximately nine days when compared to the year ended December 31, 2005, with the related turnover rate increasing 26% year-to-year. In addition, as to cash disbursements, our payable turnover rate increased significantly year-to-year.

Investing Activities. Cash used in investing activities was $1.7 billion for the year ended December 31, 2006 compared to $1.1 billion for the year ended December 31, 2005.

Our cash outlays for business combinations were $276.5 million in 2006 versus $326.6 million in 2005. During the year ended December 31, 2006, we paid $100.0 million for a 100% interest in Piceance Creek Pipeline and paid Lewis $145.2 million in cash in connection with the Encinal acquisition. Our cash outlay for acquisitions during 2005 included (i) $145.5 million for storage assets purchased from Ferrellgas LP, (ii) $74.9 million for indirect interests in certain East Texas natural gas gathering and processing assets, (iii) $68.6 million for additional ownership interests in Dixie, and (iv) $25.0 million for the remaining ownership interests in our Mid-America Pipeline System and an additional interest in the Seminole Pipeline.

Proceeds from the sale of assets during 2005 include $42.1 million from the sale of our investment in Starfish Pipeline Company, LLC ("Starfish"). We were required to divest our ownership interest in this entity by the Federal Trade Commission in order to gain its approval for our merger with GulfTerra Energy Partners, L.P. in September 2004. In addition, we received $47.5 million as a return of our investment in Cameron Highway in June 2005. As a result of refinancing its project debt, Cameron Highway was authorized by its lenders to make this special distribution.

Investments in unconsolidated affiliates were $138.3 million for the year ended December 31, 2006 compared to $87.3 million for the year ended December 31, 2005. The 2006 period includes $120.1 million we invested to date in Jonah. The 2005 period primarily reflects $72.0 million we contributed to Deepwater Gateway to fund our share of the repayment of its construction loan in March 2005.

For additional information related to our capital spending program, see "*Capital Spending*" beginning on page 21.

Financing Activities. Cash provided by financing activities was $495.0 million for the year ended December 31, 2006 compared to $516.2 million for the year ended December 31, 2005. As a result of our capital spending program, we utilized the Operating Partnership's Multi-Year Revolving Credit Facility in varying degrees throughout 2006. During 2006, we applied all or a portion of the net proceeds from equity and debt offerings to reduce debt outstanding. We used $430 million of net proceeds from our March 2006 equity offering and $260 million of net proceeds from our September 2006 equity offering to temporarily reduce amounts due under the Multi-Year Revolving Credit Facility. We also used the net proceeds from the Operating Partnership's issuance of Junior Subordinated Notes A in the third quarter of 2006 to reduce debt outstanding under this facility. We used any remaining net proceeds from these offerings in 2006 for general partnership purposes.

During 2005, our Operating Partnership issued an aggregate of $1 billion in senior notes, the proceeds of which were used to repay $350 million due under Senior Notes A, to temporarily reduce amounts outstanding under our bank credit facilities and for general partnership purposes. Additionally, we repaid the remaining

$242.2 million that was due under our 364-Day Acquisition Credit Facility (which was used to finance elements of the GulfTerra Merger) using proceeds generated from our February 2005 equity offering.

Net proceeds from the issuance of our limited partner interests were $857.2 million for 2006 compared to $646.9 million for 2005. With respect to equity offerings (including sales through our distribution reinvestment program and employee unit purchase plan), we issued 34,824,649 common units 2006 versus 23,979,740 common units during 2005. Net proceeds from underwritten equity offerings were $750.8 million during 2006 reflecting the sale of 31,050,000 common units and $555.5 million during 2005 reflecting the sale of 21,250,000 common units. Our distribution reinvestment program and related employee unit purchase plan generated net proceeds of $96.9 million during 2006, including $50 million reinvested by EPCO. In comparison, this program generated proceeds of $69.7 million during 2005, including $30 million reinvested by EPCO.

Cash distributions to partners increased from $716.7 million during 2005 to $843.3 million during 2006. The period-to-period increase in cash distributions is due to an increase in common units outstanding and quarterly cash distribution rates. Cash contributions from minority interests were $27.6 million for 2006 compared to $39.1 million for 2005.

Comparison of Year Ended December 31, 2005 with Year Ended December 31, 2004

Operating Activities. Net cash flows provided by operating activities for the year ended December 31, 2005 increased $240.2 million over that recorded for the year ended December 31, 2004. The following information highlights factors that influenced the year-to-year change in cash flows provided by operating activities:

- Gross operating margin for the year ended December 31, 2005 increased $481.2 million over that recorded for the year ended December 31, 2004. The increase in gross operating margin is discussed under "*Results of Operations*" beginning on page 28.

- Cash payments for interest for the year ended December 31, 2005 increased $103.3 million over that recorded for the year ended December 31, 2004. The increase in cash outflows for interest was due to the additional debt we incurred to complete the GulfTerra Merger.

- The carrying value of our inventories increased from $189 million at December 31, 2004 to $339.6 million at December 31, 2005. The $150.6 million increase is primarily due to higher commodity prices during 2005 when compared to 2004 and an increase in volumes purchased and held in inventory in connection with our marketing activities at December 31, 2005 versus December 31, 2004.

- With respect to changes in operating accounts, the timing of cash disbursements slowed following the GulfTerra Merger as integration activities were ongoing. A slight improvement in the collection of accounts receivable also added to our operating cash flows.

Investing Activities. Cash used in investing activities was $1.1 billion in 2005 compared to $941.4 million in 2004. Expenditures for growth and sustaining capital projects (net of contributions in aid of construction costs) increased $670.5 million year-to-year primarily due to cash payments associated with our offshore Gulf of Mexico projects. Our cash outlays for business combinations were $326.6 million in 2005 versus $724.7 million in 2004. The 2004 period includes $638.8 million paid to El Paso in connection with the GulfTerra Merger.

Our investments in unconsolidated affiliates increased to $87.3 million in 2005 from $57.9 million in 2004. In 2005, we contributed $72.0 million to Deepwater Gateway to fund our share of the repayment of its term loan. During 2004, we used $27.5 million to acquire additional ownership interests in Promix, which owns the Promix NGL fractionator, and contributed $24.0 million to Cameron Highway for the construction of its crude oil pipeline.

Cash flows related to investing activities for 2005 also include (i) a $47.5 million cash receipt related to the partial return of our investment in Cameron Highway, and (ii) a $42.1 million cash receipt from the sale of our investment in Starfish. The sale of our Starfish investment was required by the FTC in order to gain its approval for the GulfTerra Merger.

Financing Activities. Cash provided by financing activities was $516.2 million in 2005 compared to $544.0 million in 2004. We had net borrowings under our debt agreements of $561.7 million during 2005 versus $125.6 million during 2004. During 2005, we issued an aggregate $1 billion in senior notes, the proceeds of which were used to temporarily reduce debt outstanding under our bank credit facilities, repay Senior Notes A and for general partnership purposes, including capital expenditures, asset purchases and business combinations. In addition, we repaid the remaining $242.2 million that was outstanding at the end of 2004 under our 364-Day Acquisition Credit Facility using proceeds from our February 2005 equity offering. We used the net proceeds from our November 2005 equity offering to temporarily reduce amounts outstanding under our Multi-Year Revolving Credit Facility.

In September 2004, we borrowed $2.8 billion under our bank credit facilities (principally the 364-Day Acquisition Credit Facility) to fund $655.3 million in cash payment obligations to El Paso in connection with the GulfTerra Merger; purchase $1.1 billion of GulfTerra's senior and senior subordinated notes in connection with our tender offers; and repay $962 million outstanding under GulfTerra's revolving credit facility and secured term loans. In October 2004, we issued an aggregate $2 billion in senior notes, the proceeds of which were used to reduce indebtedness outstanding under our bank credit facilities. Our repayments of debt during 2004 also reflect the use of $563.1 million of net proceeds from our May 2004 and August 2004 equity offerings to reduce indebtedness under bank credit facilities.

Net proceeds from the issuance of limited partner interests were $646.9 million in 2005 compared to $846.1 million in 2004. We issued 23,979,740 common units in 2005 and 39,683,591 common units in 2004. Net proceeds from underwritten equity offerings were $555.5 million during 2005 reflecting the sale of 21,250,000 units and $694.3 million during 2004 reflecting the sale of 34,500,000 units. We used net proceeds from these underwritten offerings to reduce debt, including the temporary repayment of indebtedness under bank credit facilities. Our distribution reinvestment program and related plan generated net proceeds of $69.7 million in 2005 and $111.6 million in 2004. We used net proceeds from these offerings for general partnership purposes. For additional information regarding our equity issuances, please read Note 15 of the Notes to Consolidated Financial Statements beginning on page 105 of this annual report.

Cash distributions to partners increased from $438.8 million in 2004 to $716.7 million in 2005 primarily due to an increase in common units outstanding and our quarterly cash distribution rates. We expect that future cash distributions to partners will increase as a result of our periodic issuance of common units. Cash contributions from minority interests were $39.1 million in 2005 compared to $9.6 million in 2004. These amounts relate to contributions from our joint venture partner in the Independence Hub project.

Our financing activities for 2004 include a net cash receipt of $19.4 million resulting from the settlement of forward starting interest rate swaps.

CRITICAL ACCOUNTING POLICIES

In our financial reporting process, we employ methods, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of our financial statements. These methods, estimates and assumptions also affect the reported amounts of revenues and expenses during the reporting period. Investors should be aware that actual results could differ from these estimates if the underlying assumptions prove to be incorrect. The following describes the estimation risk underlying our most significant financial statement items:

Depreciation Methods and Estimated Useful Lives of Property, Plant and Equipment

In general, depreciation is the systematic and rational allocation of an asset's cost, less its residual value (if any), to the periods it benefits. The majority of our property, plant and equipment is depreciated using the straight-line method, which results in depreciation expense being incurred evenly over the life of the assets. Our estimate of depreciation incorporates assumptions regarding the useful economic lives and residual values of our assets. At the time we place our assets in service, we believe such assumptions are reasonable; however, circumstances may develop that would cause us to change these assumptions, which would change our depreciation amounts prospectively. Some of these circumstances include changes in laws and regulations relating to restoration and abandonment requirements; changes in expected costs for dismantlement, restoration and abandonment as a result of changes, or expected changes, in labor, materials and other related costs associated with these activities; changes in the useful life of an asset based on the actual known life of similar assets, changes in technology, or other factors; and changes in expected salvage proceeds as a result of a change, or expected change in the salvage market.

At December 31, 2006 and 2005, the net book value of our property, plant and equipment was $9.8 billion and $8.7 billion, respectively. We recorded $352.2 million, $328.7 million and $161.0 million in depreciation expense for the years ended December 31, 2006, 2005 and 2004, respectively. A significant portion of the year-to-year increase in depreciation expense between 2005 and 2004 is attributable to the property, plant and equipment assets we acquired in the GulfTerra Merger in September 2004. For additional information regarding our property, plant and equipment, see Notes 2 and 10 of the Notes to Consolidated Financial Statements on pages 63 and 85 of this annual report.

Measuring Recoverability of Long-Lived Assets and Equity Method Investments

In general, long-lived assets (including intangible assets with finite useful lives and property, plant and equipment) are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Examples of such events or changes might be production declines that are not replaced by new discoveries or long-term decreases in the demand or price of natural gas, oil or NGLs. Long-lived assets with recorded values that are not expected to be recovered through future expected cash flows are written-down to their estimated fair values. The carrying value of a long-lived asset is not recoverable if it exceeds the sum of undiscounted estimated cash flows expected to result from the use and eventual disposition of the existing asset. Our estimates of such undiscounted cash flows are based on a number of assumptions including anticipated operating margins and volumes, estimated useful life of the asset or asset group and estimated salvage values. An impairment charge would be recorded for the excess of a long-lived asset's carrying value over its estimated fair value, which is based on a series of assumptions similar to those used to derive undiscounted cash flows. Those assumptions also include usage of probabilities for a range of possible outcomes, market values and replacement cost estimates.

Equity method investments are evaluated for impairment whenever events or changes in circumstances indicate that there is a possible loss in value for the investment other than a temporary decline. Examples of such events include sustained operating losses of the investee or long-term negative changes in the investee's industry. The carrying value of an equity method investment is not recoverable if it exceeds the sum of discounted estimated cash flows expected to be derived from the investment. This estimate of discounted cash flows is based on a number of assumptions including discount rates, probabilities assigned to different cash flow scenarios, anticipated margins and volumes and estimated useful life of the investment. A significant change in these underlying assumptions could result in our recording an impairment charge.

We recognized non-cash asset impairment charges related to property, plant and equipment of $0.1 million in 2006 and $4.1 million in 2004, which are reflected as components of operating costs and expenses. No such asset impairment charges were recorded in 2005.

During 2006, we evaluated our equity method investment in Neptune Pipeline Company, L.L.C. for impairment. As a result of this evaluation, we recorded a $7.4 million non-cash impairment charge that is a component of equity income from unconsolidated affiliates for the year ended December 31, 2006. We had no such impairment charges during the years ended December 31, 2005 or 2004. For additional information regarding impairment charges associated with our long-lived assets and equity method investments, see Notes 2 and 11 of the Notes to Consolidated Financial Statements on pages 63 and 87 of this annual report.

Amortization Methods and Estimated Useful Lives of Qualifying Intangible Assets

The specific, identifiable intangible assets of a business enterprise depend largely upon the nature of its operations. Potential intangible assets include intellectual property, such as technology, patents, trademarks and trade names, customer contracts and relationships, and non-compete agreements, as well as other intangible assets. The method used to value each intangible asset will vary depending upon the nature of the asset, the business in which it is utilized and the economic returns it is generating or is expected to generate.

Our customer relationship intangible assets primarily represent the customer base we acquired in connection with business combinations and asset purchases. The value we assigned to these customer relationships is being amortized to earnings using methods that closely resemble the pattern in which the economic benefits of the underlying oil and natural gas resource bases from which the customers produce are estimated to be consumed or otherwise used. Our estimate of the useful life of each resource base is based on a number of factors, including third-party reserve estimates, the economic viability of production and exploration activities and other industry factors.

Our contract-based intangible assets represent the rights we own arising from discrete contractual agreements, such as the long-term rights we possess under the Shell natural gas processing agreement. A contract-based intangible asset with a finite life is amortized over its estimated useful life (or term), which is the period over which the asset is expected to contribute directly or indirectly to the cash flows of an entity. Our estimates of useful life are based on a number of factors, including (i) the expected useful life of the related tangible assets (e.g., fractionation facility, pipeline, etc.), (ii) any legal or regulatory developments that would impact such contractual rights, and (iii) any contractual provisions that enable us to renew or extend such agreements.

If our underlying assumptions regarding the estimated useful life of an intangible asset change, then the amortization period for such asset would be adjusted accordingly. Additionally, if we determine that an intangible asset's unamortized cost may not be recoverable due to impairment, we may be required to reduce the carrying value and the subsequent useful life of the asset. Any such write-down of the value and unfavorable change in the useful life of an intangible asset would increase operating costs and expenses at that time.

At December 31, 2006 and 2005, the carrying value of our intangible asset portfolio was $1.0 billion and $913.6 million, respectively. We recorded $88.8 million, $88.9 million and $33.8 million in amortization expense associated with our intangible assets for the years ended December 31, 2006, 2005 and 2004, respectively. A significant portion of the year-to-year increase in amortization expense between 2005 and 2004 is attributable to the intangible assets we acquired in the GulfTerra Merger.

For additional information regarding our intangible assets, see Notes 2 and 13 of the Notes to Consolidated Financial Statements on pages 63 and 97 of this annual report.

Methods We Employ To Measure the Fair Value of Goodwill

Goodwill represents the excess of the purchase prices we paid for certain businesses over their respective fair values and is primarily comprised of $385.9 million associated with the GulfTerra Merger. We do not amortize goodwill; however, we test our goodwill (at the reporting unit level) for impairment during the second quarter of each fiscal year, and more frequently, if circumstances indicate it is more likely than not that the fair value of goodwill is below its carrying amount. Our goodwill testing involves the determination of a reporting unit's fair value, which is predicated on our assumptions regarding the future economic prospects of the reporting unit. Such assumptions include (i) discrete financial forecasts for the assets contained within the reporting unit, which rely on management's estimates of operating margins and transportation volumes, (ii) long-term growth rates for cash flows beyond the discrete forecast period, and (iii) appropriate discount rates. If the fair value of the reporting unit (including its inherent goodwill) is less than its carrying value, a charge to earnings is required to reduce the carrying value of goodwill to its implied fair value. At December 31, 2006 and 2005, the carrying value of our goodwill was $590.5 million and $494.0 million, respectively. We did not record any goodwill impairment charges during the years ended December 31, 2006, 2005 and 2004. For additional information regarding our goodwill, see Notes 2 and 13 of the Notes to Consolidated Financial Statements on pages 63 and 97 of this annual report.

Our Revenue Recognition Policies and Use of Estimates for Revenues and Expenses

In general, we recognize revenue from our customers when all of the following criteria are met: (i) persuasive evidence of an exchange arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the buyer's price is fixed or determinable, and (iv) collectibility is reasonably assured. When sales contracts are settled (i.e., either physical delivery of product has taken place or the services designated in the contract have been performed), we record any necessary allowance for doubtful accounts.

Our use of certain estimates for revenues and expenses has increased as a result of SEC regulations that require us to submit financial information on accelerated time frames. Such estimates are necessary due to the timing of compiling actual billing information and receiving third-party data needed to record transactions for financial reporting purposes. One example of such use of estimates is the accrual of an estimate of processing plant revenue and the cost of natural gas for a given month (prior to receiving actual customer and vendor-related plant operating information for the subject period). These estimates reverse in the following month and are offset by the corresponding actual customer billing and vendor-invoiced amounts. Accordingly, we include one month of certain estimated data in our results of operations. Such estimates are generally based on actual volume and price data through the first part of the month and estimated for the remainder of the month, adjusted accordingly for any known or expected changes in volumes or rates through the end of the month.

If the basis of our estimates proves to be substantially incorrect, it could result in material adjustments in results of operations between periods. On an ongoing basis, management reviews its estimates based on currently available information. Changes in facts and circumstances may result in revised estimates.

Reserves for Environmental Matters

Each of our business segments is subject to federal, state and local laws and regulations governing environmental quality and pollution control. Such laws and regulations may, in certain instances, require us to remediate current or former operating sites where specified substances have been released or disposed of. We accrue reserves for environmental matters when our assessments indicate that it is probable that a liability has been incurred and an amount can be reasonably estimated. Our assessments are based on studies, as well as site surveys, to determine the extent of any environmental damage and the necessary requirements to remediate this damage. Future environmental developments, such as increasingly strict environmental laws and additional claims for damages to property, employees and other persons resulting from current or past operations, could result in substantial additional costs beyond our current reserves.

At December 31, 2006 and 2005, we had a liability for environmental remediation of $24.2 million and $22.1 million, respectively, which was derived from a range of reasonable estimates based upon studies and site surveys. We follow the provisions of AICPA Statement of Position 96-1, which provides key guidance on recognition, measurement and disclosure of remediation liabilities. We have recorded our best estimate of the cost of remediation activities.

Natural Gas Imbalances

In the pipeline transportation business, natural gas imbalances frequently result from differences in gas volumes received from and delivered to our customers. Such differences occur when a customer delivers more or less gas into our pipelines than is physically redelivered back to them during a particular time period. The vast majority of our settlements are through in-kind arrangements whereby incremental volumes are delivered to a customer (in the case of an imbalance payable) or received from a customer (in the case of an imbalance receivable). Such in-kind deliveries are on-going and take place over several months. In some cases, settlements of imbalances built up over a period of time are ultimately cashed out and are generally negotiated at values which approximate average market prices over a period of time. As a result, for gas imbalances that are ultimately settled over future periods, we estimate the value of such current assets and liabilities using average market prices, which is representative of the estimated value of the imbalances upon final settlement. Changes in natural gas prices may impact our estimates.

At December 31, 2006 and 2005, our imbalance receivables, net of allowance for doubtful accounts were $97.8 million and $89.4 million, respectively, and are reflected as a component of "Accounts and notes receivable – trade" on our Consolidated Balance Sheets. At December 31, 2006 and 2005, our imbalance payables were $51.2 million and $80.5 million, respectively, and are reflected as a component of "Accrued gas payables" on our Consolidated Balance Sheets on page 59 of this annual report.

OTHER ITEMS

Initial Public Offering of Duncan Energy Partners

In September 2006, we formed a consolidated subsidiary, Duncan Energy Partners, to acquire, own and operate a diversified portfolio of midstream energy assets. On February 5, 2007, this subsidiary completed its initial public offering of 14,950,000 common units (including an overallotment amount of 1,950,000 common units) at $21.00 per unit, which generated net proceeds to Duncan Energy Partners of $291.3 million. As consideration for assets contributed and reimbursement for capital expenditures related to these assets, Duncan Energy Partners distributed $260.6 million of these net proceeds to us along with $198.9 million in borrowings under its credit facility and a final amount of 5,351,571 common units of Duncan Energy Partners. Duncan Energy Partners used $38.5 million of net proceeds from the overallotment to redeem 1,950,000 of the 7,301,571 common units it had originally issued to Enterprise Products Partners, resulting in the final amount of 5,351,571 common units beneficially owned by Enterprise Products Partners. We used the cash received from Duncan Energy Partners to temporarily reduce amounts outstanding under our Multi-Year Revolving Credit Facility.

In summary, we contributed 66% of our equity interests in the following subsidiaries to Duncan Energy Partners:

- *Mont Belvieu Caverns, LLC* ("Mont Belvieu Caverns"), a recently formed subsidiary, which owns salt dome storage caverns located in Mont Belvieu, Texas that receive, store and deliver NGLs and certain petrochemical products for industrial customers located along the upper Texas Gulf Coast, which has the largest concentration of petrochemical plants and refineries in the United States;

- *Acadian Gas, LLC* ("Acadian Gas"), which owns an onshore natural gas pipeline system that gathers, transports, stores and markets natural gas in Louisiana. The Acadian Gas system links natural gas supplies from onshore and offshore Gulf of Mexico developments (including offshore pipelines, continental shelf and deepwater production) with local gas distribution companies, electric generation plants and industrial customers, including those in the Baton Rouge-New Orleans-Mississippi River corridor. A subsidiary of Acadian Gas owns a 49.5% equity interest in Evangeline Gas Pipeline, L.P. ("Evangeline");

- *Sabine Propylene Pipeline L.P.* ("Sabine Propylene"), which transports polymer-grade propylene between Port Arthur, Texas and a pipeline interconnect located in Cameron Parish, Louisiana;

- *Enterprise Lou-Tex Propylene Pipeline L.P.* ("Lou-Tex Propylene"), which transports chemical-grade propylene from Sorrento, Louisiana to Mont Belvieu, Texas; and

- *South Texas NGL Pipelines, LLC* ("South Texas NGL"), a recently formed subsidiary, which began transporting NGLs from Corpus Christi, Texas to Mont Belvieu, Texas in January 2007. South Texas NGL owns the DEP South Texas NGL Pipeline System.

In addition, to the 34% ownership interest we retained in each of these entities, we also own the 2% general partner interest in Duncan Energy Partners and 26.4% of Duncan Energy Partners' outstanding common units. Our Operating Partnership directs the business operations of Duncan Energy Partners through its ownership and control of the general partner of Duncan Energy Partners.

The formation of Duncan Energy Partners had no effect on our financial statements at December 31, 2006. For financial reporting purposes, the consolidated financial statements of Duncan Energy Partners will be consolidated into those of our own. Consequently, the results of operations of Duncan Energy Partners will be a component of our business segments. Also, due to common control of the entities by Dan L. Duncan, the initial consolidated balance sheet of Duncan Energy Partners will reflect our historical carrying basis in each of the subsidiaries contributed to Duncan Energy Partners.

The public owners of Duncan Energy Partners' common units will be presented as a noncontrolling interest in our consolidated financial statements beginning in February 2007. The public owners of Duncan Energy Partners have no direct equity interests in us as a result of this transaction. The borrowings of Duncan Energy Partners will be presented as part of our consolidated debt; however, we do not have any obligation for the payment of interest or repayment of borrowings incurred by Duncan Energy Partners.

We have significant continuing involvement with all of the subsidiaries of Duncan Energy Partners, including the following types of transactions:

- We utilize storage services provided by Mont Belvieu Caverns to support our Mont Belvieu fractionation and other businesses;

- We buy natural gas from and sell natural gas to Acadian Gas in connection with its normal business activities; and

- We are the sole shipper on the DEP South Texas NGL Pipeline System.

We may contribute other equity interests in our subsidiaries to Duncan Energy Partners in the near term and use the proceeds we receive from Duncan Energy Partners to fund our capital spending program. We have no obligation or commitment to make such contributions to Duncan Energy Partners.

Contractual Obligations

The following table summarizes our significant contractual obligations at December 31, 2006 (dollars in thousands). For additional information regarding these significant contractual obligations, see Note 20 of the Notes to Consolidated Financial Statements beginning on page 128 of this annual report.

		Payment or Settlement due by Period			
Contractual Obligations	**Total**	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More Than 5 Years**
Scheduled maturities of long-term debt	$ 5,329,068	$ —	$ 500,000	$ 1,929,068	$ 2,900,000
Estimated cash payments for interest	$ 5,703,440	$ 325,267	$ 613,348	$ 465,947	$ 4,298,878
Operating lease obligations	$ 274,700	$ 19,190	$ 36,251	$ 31,951	$ 187,308
Purchase obligations:					
Product purchase commitments:					
Estimated payment obligations:					
Natural gas	$ 920,736	$ 153,316	$ 307,052	$ 306,632	$ 153,736
NGLs	$ 2,902,805	$ 959,127	$ 436,885	$ 426,630	$ 1,080,163
Petrochemicals	$ 2,656,633	$ 1,110,957	$ 693,362	$ 339,434	$ 512,880
Other	$ 79,418	$ 35,183	$ 41,334	$ 1,424	$ 1,477
Underlying major volume commitments:					
Natural gas (in BBtus)	109,600	18,250	36,550	36,500	18,300
NGLs (in MBbls)	68,331	21,957	10,408	10,172	25,794
Petrochemicals (in MBbls)	45,535	19,250	11,749	5,694	8,842
Service payment commitments	$ 15,725	$ 10,413	$ 4,659	$ 186	$ 467
Capital expenditure commitments	$ 239,000	$ 239,000	$ —	$ —	$ —
Other Long-Term Liabilities, as reflected in our Consolidated Balance Sheet	$ 86,121	$ —	$ 14,101	$ 4,004	$ 68,016
Total	$18,207,646	$ 2,852,453	$ 2,646,992	$ 3,505,276	$ 9,202,925

Off-Balance Sheet Arrangements

Cameron Highway issued senior secured notes in December 2005. We secure a portion of these notes by (i) a pledge by us of our 50% partnership interest in Cameron Highway, (ii) mortgages on and pledges of certain assets related to certain rights of way and pipeline assets of an indirect wholly-owned subsidiary of ours that serves as the operator of the Cameron Highway Oil Pipeline, and (iii) letters of credit in an initial amount of $18.4 million issued by the Operating Partnership on behalf of Cameron Highway.

In March 2006, Cameron Highway amended the note purchase agreement governing its senior secured notes to primarily address the effect of reduced deliveries of crude oil to Cameron Highway resulting from production delays caused by the lingering effects of Hurricanes Katrina and Rita. In general, this amendment modified certain financial covenants in light of production forecasts. In addition, the amendment increased the face amount of the letters of credit required to be issued by our Operating Partnership and an affiliate of our joint venture partner from $18.4 million each to $36.8 million each. For more information regarding Cameron Highway's senior secured notes, see Note 14 of the Notes to Consolidated Financial Statements beginning on page 100 of this annual report.

In May 2006, Poseidon amended its revolving credit facility to, among other things, reduce commitments from $170.0 million to $150.0 million, extend the maturity date from January 2008 to May 2011 and lower the borrowing rate.

At December 31, 2006, long-term debt for Evangeline consisted of (i) $18.2 million in principal amount of 9.9% fixed-rate Series B senior secured notes due December 2010 and (ii) a $7.5 million subordinated note payable. In addition, we furnished $1.1 million in letters of credit on behalf of Evangeline at December 31, 2006.

Except for the foregoing, we have no off-balance sheet arrangements, as described in Item 303(a)(4)(ii) of Regulation S-K, that have or are reasonably expected to have a material current or future effect on our financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources. See Note 14 of the Notes to the Consolidated Financial Statements beginning on page 100 of this annual report for the information regarding the debt obligations of our unconsolidated affiliates.

Summary of Related Party Transactions

The following table summarizes our related party transactions for the periods indicated (dollars in thousands).

	For the Year Ended December 31,		
	2006	2005	2004
Revenues from consolidated operations			
EPCO and affiliates	$ 98,671	$ 311	$ 2,697
Shell	—	—	542,912
Unconsolidated affiliates	304,559	354,461	258,541
Total	$ 403,230	$ 354,772	$ 804,150
Operating costs and expenses			
EPCO and affiliates	$ 311,537	$ 293,134	$ 203,100
Shell	—	—	725,420
Unconsolidated affiliates	31,606	23,563	37,587
Total	$ 343,143	$ 316,697	$ 966,107
General and administrative expenses			
EPCO and affiliates	$ 41,265	$ 40,954	$ 29,307

For additional information regarding our related party transactions, see Note 17 of the Notes to Consolidated Financial Statements beginning on page 114 of this annual report.

We have an extensive and ongoing relationship with EPCO and its affiliates, including TEPPCO. Our revenues from EPCO and affiliates are primarily associated with sales of NGL products. Our expenses with EPCO and affiliates are primarily due to (i) reimbursements we pay EPCO in connection with an administrative services agreement and (ii) purchases of NGL products. TEPPCO is an affiliate of ours due to the common control relationship of both entities.

Many of our unconsolidated affiliates perform supporting or complementary roles to our consolidated business operations. The majority of our revenues from unconsolidated affiliates relate to natural gas sales to a Louisiana affiliate. The majority of our expenses with unconsolidated affiliates pertain to payments we make to K/D/S Promix, L.L.C. for NGL transportation, storage and fractionation services.

On February 5, 2007, our consolidated subsidiary, Duncan Energy Partners, completed an underwritten initial public offering of its common units. Duncan Energy Partners was formed in September 2006 as a Delaware limited partnership to, among other things, acquire ownership interests in certain of our midstream energy businesses. For additional information regarding Duncan Energy Partners, see "*Other Items – Initial Public Offering of Duncan Energy Partners*" beginning on page 47.

Non-GAAP Reconciliations

A reconciliation of our measurement of total non-GAAP gross operating margin to GAAP operating income and income before provision for income taxes, minority interest and the cumulative effect of changes in accounting principles follows (dollars in thousands):

	For the Year the Ended December 31,		
	2006	2005	2004
Total non-GAAP segment gross operating margin	$ 1,362,449	$ 1,136,347	$ 655,191
Adjustments to reconcile total non-GAAP gross operating margin to GAAP operating income:			
Depreciation, amortization and accretion in operating costs and expenses	(440,256)	(413,441)	(193,734)
Retained lease expense, net in operating costs and expenses	(2,109)	(2,112)	(7,705)
Gain on sale of assets in operating costs and expenses	3,359	4,488	15,901
General and administrative costs	(63,391)	(62,266)	(46,659)
GAAP consolidated operating income	860,052	663,016	422,994
Other net expense, primarily interest expense	(229,967)	(225,178)	(153,625)
GAAP income before provision for income taxes, minority interest and the cumulative effect of changes in accounting principles	$ 630,085	$ 437,838	$ 269,369

EPCO subleases to us certain equipment located at our Mont Belvieu facility and 100 railcars for $1 per year (the "retained leases"). These subleases are part of the administrative services agreement that we executed with EPCO in connection with our formation in 1998. EPCO holds this equipment pursuant to operating leases for which it has retained the corresponding cash lease payment obligation. We record the full value of such lease payments made by EPCO as a non-cash related party operating expense, with the offset to partners' equity recorded as a general contribution to our partnership. Apart from the partnership interests we granted to EPCO at our formation, EPCO does not receive any additional ownership rights as a result of its contribution to us of the retained leases. For additional information regarding the administrative services agreement and the retained leases, see Note 17 of the Notes to Consolidated Financial Statements beginning on page 114 of this annual report.

Cumulative Effect of Changes in Accounting Principles

Our Statements of Consolidated Operations reflect the following cumulative effects of changes in accounting principles:

- We recognized, as a benefit, a cumulative effect of a change in accounting principle of $1.5 million in 2006 based on the SFAS 123(R), "*Share-Based Payment*," requirements to recognize compensation expense based upon the grant date fair value of an equity award and the application of an estimated forfeiture rate to unvested awards.

- We recorded a $4.2 million non-cash expense related to certain asset retirement obligations in 2005 due to our implementation of FIN 47 as of December 31, 2005.

- We recorded a combined $10.8 million non-cash gain in 2004 related to the impact of (i) changing the method our BEF subsidiary uses to account for its planned major maintenance activities from the accrue-in-advance method to the expense-as-incurred method and (ii) changing the method in which we account for our investment in VESCO from the cost method to the equity method.

For additional information regarding these changes in accounting principles, including a presentation of the pro forma effects these changes would have had on our historical earnings, see Note 8 of the Notes to Consolidated Financial Statements beginning on page 81 of this annual report.

Recent Accounting Pronouncements

The accounting standard setting bodies and the SEC have recently issued the following accounting guidance that will or may affect our future financial statements:

- Emerging Issues Task Force No. 06-3, "*How Taxes Collected From Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation)*,"
- SFAS 155, "*Accounting for Certain Hybrid Financial Instruments*,"
- SFAS 157, "*Fair Value Measurements*," and
- SFAS 159, "*Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115*."

For additional information regarding these recent accounting developments and others that may affect our future financial statements, see Note 3 of the Notes to Consolidated Financial Statements on page 70 of this annual report.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to financial market risks, including changes in commodity prices, interest rates and foreign exchange rates. We may use financial instruments (i.e., futures, forwards, swaps, options and other financial instruments with similar characteristics) to mitigate the risks of certain identifiable and anticipated transactions. In general, the type of risks we attempt to hedge are those related to (i) the variability of future earnings, (ii) fair values of certain debt instruments, and (iii) cash flows resulting from changes in applicable interest rates or commodity prices. As a matter of policy, we do not use financial instruments for speculative (or "trading") purposes.

We recognize financial instruments as assets and liabilities on our Consolidated Balance Sheets based on fair value. Fair value is generally defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, not in a forced or liquidation sale. The estimated fair values of our financial instruments have been determined using available market information and appropriate valuation techniques. We must use considerable judgment, however, in interpreting market data and developing these estimates. Accordingly, our fair value estimates are not necessarily indicative of the amounts that we could realize upon disposition of these instruments. The use of different market assumptions and/or estimation techniques could have a material effect on our estimates of fair value.

Changes in the fair value of financial instrument contracts are recognized currently in earnings unless specific hedge accounting criteria are met. If the financial instruments meet those criteria, the instrument's gains and losses offset the related results of the hedged item in earnings for a fair value hedge and are deferred in other comprehensive income for a cash flow hedge. Gains and losses related to a cash flow hedge are reclassified into earnings when the forecasted transaction affects earnings. For additional information regarding our accounting for financial instruments, see Note 7 of the Notes to Consolidated Financial Statements beginning on page 78 of this annual report.

To qualify as a hedge, the item to be hedged must be exposed to commodity, interest rate or exchange rate risk and the hedging instrument must reduce the exposure and meet the hedging requirements of SFAS 133, "*Accounting for Derivative Instruments and Hedging Activities*" (as amended and interpreted). We must formally designate the financial instrument as a hedge and document and assess the effectiveness of the hedge at inception and on a quarterly basis. Any ineffectiveness of the hedge is recorded in current earnings.

We routinely review our outstanding financial instruments in light of current market conditions. If market conditions warrant, some financial instruments may be closed out in advance of their contractual settlement dates thus realizing income or loss depending on the specific exposure. When this occurs, we may enter into a new financial instrument to reestablish the economic hedge to which the closed instrument relates.

INTEREST RATE RISK HEDGING PROGRAM

Our interest rate exposure results from variable- and fixed-rate borrowings under debt agreements. We assess cash flow risk related to interest rates by identifying and measuring changes in our interest rate exposures that may impact future cash flows and evaluating hedging opportunities to manage these risks. We use analytical techniques to measure our exposure to fluctuations in interest rates, including cash flow sensitivity analysis models to forecast the expected impact of changes in interest rates on our future cash flows. Enterprise Products GP oversees the strategies associated with these financial risks and approves instruments that are appropriate for our requirements.

We manage a portion of our interest rate exposures by utilizing interest rate swaps and similar arrangements, which allow us to convert a portion of fixed-rate debt into variable-rate debt or a portion of variable-rate debt into fixed-rate debt. We believe that it is prudent to maintain an appropriate balance of variable-rate and fixed-rate debt in the current business environment.

Fair Value Hedges – Interest Rate Swaps

As summarized in the following table, we had eleven interest rate swap agreements outstanding at December 31, 2006 that were accounted for as fair value hedges.

Hedged Fixed-Rate Debt	Number of Swaps	Period Covered by Swap	Termination Date of Swap	Fixed- to Variable-Rate [(1)]	Notional Amount
Senior Notes B, 7.50% fixed-rate, due Feb. 2011	1	Jan. 2004 to Feb. 2011	Feb. 2011	7.50% to 8.89%	$50 million
Senior Notes C, 6.375% fixed-rate, due Feb. 2013	2	Jan. 2004 to Feb. 2013	Feb. 2013	6.38% to 7.43%	$200 million
Senior Notes G, 5.6% fixed-rate, due Oct. 2014	6	4th Qtr. 2004 to Oct. 2014	Oct. 2014	5.60% to 6.33%	$600 million
Senior Notes K, 4.95% fixed-rate, due June 2010	2	Aug. 2005 to June 2010	June 2010	4.95% to 5.76%	$200 million

(1) The variable rate indicated is the all-in variable rate for the current settlement period.

We have designated these interest rate swaps as fair value hedges under SFAS 133 since they mitigate changes in the fair value of the underlying fixed-rate debt. As effective fair value hedges, an increase in the fair value of these interest rate swaps is equally offset by an increase in the fair value of the underlying hedged debt. The offsetting changes in fair value have no effect on current period interest expense.

These eleven agreements have a combined notional amount of $1.1 billion and match the maturity dates of the underlying debt being hedged. Under each swap agreement, we pay the counterparty a variable interest rate based on six-month London interbank offered rate ("LIBOR") (plus an applicable margin as defined in each swap agreement), and receive back from the counterparty a fixed interest rate payment based on the stated interest rate of the debt being hedged, with both payments calculated using the notional amounts stated in each swap agreement. We settle amounts receivable from or payable to the counterparties every six months (the "settlement period"). The settlement amount is amortized ratably to earnings as either an increase or a decrease in interest expense over the settlement period.

The total fair value of these eleven interest rate swaps at December 31, 2006, was a liability of $29.1 million, with an offsetting decrease in the fair value of the underlying debt. Interest expense for the years ended December 31, 2006, 2005 and 2004 reflects a $5.2 million loss, $10.8 million benefit and $9.1 million benefit from these swap agreements, respectively.

The following tables show the effect of hypothetical price movements on the estimated fair value ("FV") of our interest rate swap portfolio and the related change in fair value of the underlying debt at the dates indicated (dollars in thousands). Income is not affected by changes in the fair value of these swaps; however, these swaps effectively convert the hedged portion of fixed-rate debt to variable-rate debt. As a result, interest expense (and related cash outlays for debt service) will increase or decrease with the change in the periodic "reset" rate associated with the respective swap. Typically, the reset rate is an agreed upon index rate published for the first day of the six-month interest calculation period.

Scenario	Resulting Classification	Swap Fair Value at December 31, 2005	December 31, 2006	February 7, 2007
FV assuming no change in underlying interest rates	*Asset (Liability)*	$ (19,179)	$ (29,060)	$ (31,918)
FV assuming 10% increase in underlying interest rates	*Asset (Liability)*	(50,308)	(56,249)	(58,956)
FV assuming 10% decrease in underlying interest rates	*Asset (Liability)*	11,950	(1,872)	(4,881)

The fair value of the interest rate swaps excludes the benefit (detriment) we have already recorded in earnings. The change in fair value between December 31, 2006 and February 7, 2007 is primarily due to an increase in market interest rates relative to the forward interest rate curve used to determine the fair value of our financial instruments. The underlying floating LIBOR forward interest rate curve used to determine the February 7, 2007 fair values ranged from approximately 4.8% to 5.4% using 6-month reset periods ranging from February 2007 to October 2014.

Cash Flow Hedges – Treasury Locks

During the second quarter of 2006, the Operating Partnership entered into a treasury lock transaction having a notional amount of $250.0 million. In addition, in July 2006, the Operating Partnership entered into an additional treasury lock transaction having a notional amount of $50.0 million. A treasury lock is a specialized agreement that fixes the price (or yield) on a specific treasury security for an established period of time. A treasury lock purchaser is protected from a rise in the yield of the underlying treasury security during the lock period. The Operating Partnership's purpose in entering into these transactions was to hedge the underlying U.S. treasury rate related to its anticipated issuance of subordinated debt during the second quarter of 2006. In July 2006, the Operating Partnership issued $300.0 million in principal amount of its Junior Subordinated Notes A (see Note 14 in the Notes to the Consolidated Financial Statements beginning on page 100 of this annual report. Each of the treasury lock transactions was designated as a cash flow hedge under SFAS 133. In July 2006, the Operating Partnership elected to terminate these treasury lock transactions and recognized a minimal gain.

During the fourth quarter of 2006, the Operating Partnership entered into treasury lock transactions having a notional value of $562.5 million. The Operating Partnership entered into these transactions to hedge the underlying U.S. treasury rates related to its anticipated issuances of debt during 2007. Each of the treasury lock transactions was designated as a cash flow hedge under SFAS 133. At December 31, 2006, the value of the treasury locks was $11.2 million.

On February 27, 2007, the Operating Partnership entered into additional treasury lock transactions having a notional value of $437.5 million. The Operating Partnership entered into these transactions to hedge the underlying U.S. treasury rates related to its anticipated issuances of debt during 2007. Each of the treasury lock transactions will be designated as a cash flow hedge under SFAS 133.

Commodity Risk Hedging Program

The prices of natural gas, NGLs and petrochemical products are subject to fluctuations in response to changes in supply, market uncertainty and a variety of additional factors that are beyond our control. In order to manage the price risks associated with such products, we may enter into commodity financial instruments. The primary purpose of our commodity risk management activities is to hedge our exposure to price risks associated with (i) natural gas purchases, (ii) the value of NGL production and inventories, (iii) related firm commitments, (iv) fluctuations in transportation revenues where the underlying fees are based on natural gas index prices, and (v) certain anticipated transactions involving either natural gas, NGLs or certain petrochemical products. The commodity financial instruments we utilize may be settled in cash or with another financial instrument.

The fair value of our commodity financial instrument portfolio at December 31, 2006 was a liability of $3.2 million. During the years ended December 31, 2006, 2005 and 2004, we recorded $10.3 million, $1.1 million and $0.4 million, respectively, of income related to our commodity financial instruments, which is included in operating costs and expenses on our Statements of Consolidated Operations.

We assess the risk of our commodity financial instrument portfolio using a sensitivity analysis model. The sensitivity analysis applied to this portfolio measures the potential income or loss (i.e., the change in fair value of the portfolio) based upon a hypothetical 10% movement in the underlying quoted market prices of the commodity financial instruments outstanding at the date indicated within the following table. The following table shows the effect of hypothetical price movements on the estimated fair value of this portfolio at the dates presented (dollars in thousands):

	Resulting	Commodity Financial Instrument Portfolio FV		
Scenario	**Classification**	**December 31, 2005**	**December 31, 2006**	**February 7, 2007**
FV assuming no change in underlying commodity prices	*Asset (Liability)*	$ (53)	$ (3,184)	$ 549
FV assuming 10% increase in underlying commodity prices	*Asset (Liability)*	(53)	(2,119)	1,734
FV assuming 10% decrease in underlying commodity prices	*Asset (Liability)*	(53)	(4,249)	(637)

Foreign Currency Hedging Program

In October 2006, we acquired all of the outstanding stock of an affiliated NGL marketing company located in Canada from EPCO and Dan L. Duncan. Since this foreign subsidiary's functional currency is the Canadian dollar, we could be adversely affected by fluctuations in foreign currency exchange rates. We attempt to hedge this risk using foreign purchase contracts to fix the exchange rate. As of December 31, 2006, we had entered into foreign purchase contracts valued at $5.1 million, all of which settled in January 2007. In January and February 2007, we entered into $3.8 million and $4.8 million, respectively, of such instruments. These contracts typically settle in the month following their inception. Due to the limited duration of these contracts, we utilize mark-to-market accounting for these transactions, the effect of which has had a minimal impact on our earnings.

Product Purchase Commitments

We have long- and short-term purchase commitments for NGLs, petrochemicals and natural gas with several suppliers. The purchase prices that we are obligated to pay under these contracts are based on market prices at the time we take delivery of the volumes. For additional information regarding these commitments, see "*Contractual Obligations*" included on page 49 of this annual report.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Controls and Procedures

DISCLOSURE CONTROLS AND PROCEDURES

Our management, including the chief executive officer (“CEO”) and chief financial officer (“CFO”) of Enterprise Products GP, evaluated the effectiveness of our disclosure controls and procedures, including internal controls over financial reporting, as of December 31, 2006. This evaluation concluded that our disclosure controls and procedures, including internal controls over financial reporting, are effective to provide us with a reasonable assurance that the information required to be disclosed in reports filed with the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Our management noted no material weaknesses in the design or operation of our internal controls over financial reporting that are likely to adversely affect our ability to record, process, summarize and report financial information. In addition, no fraud involving management or employees who have a significant role in our internal controls over financial reporting was detected.

The disclosure controls and procedures are also designed to provide reasonable assurance that such information is accumulated and communicated to our management, including the CEO and CFO of our general partner, as appropriate to allow such persons to make timely decisions regarding required disclosures.

Our management does not expect that our disclosure controls and procedures will prevent all errors and all fraud. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Based on the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Enterprise Products Partners have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events. Therefore, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Our disclosure controls and procedures are designed to provide such reasonable assurance of achieving our desired control objectives, and our CEO and CFO have concluded that our disclosure controls and procedures are effective in achieving that level of reasonable assurance as of December 31, 2006.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Our internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements in accordance with GAAP. These internal controls over financial reporting were designed under the supervision of our management, including the CEO and CFO of Enterprise Products GP, and include policies and procedures that:

(i) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets,
(ii) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
(iii) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

In accordance with Item 308 of SEC Regulation S-K, management is required to provide an annual report regarding internal controls over our financial reporting. This report, which includes management’s assessment of the effectiveness of our internal controls over financial reporting, is found on page 56.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING DURING THE FOURTH QUARTER OF 2006

There were no changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) or in other factors during the fourth quarter of 2006, that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AS OF DECEMBER 31, 2006

The management of Enterprise Products Partners L.P. and its consolidated subsidiaries, including the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934, as amended. Our internal control system was designed to provide reasonable assurance to Enterprise Products Partners' management and board of directors regarding the preparation and fair presentation of published financial statements. However, our management does not represent that our disclosure controls and procedures or internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only a reasonable, not an absolute, assurance that the objectives of the control system are met.

Our management assessed the effectiveness of Enterprise Products Partners' internal control over financial reporting as of December 31, 2006. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control—Integrated Framework.* This assessment included design effectiveness and operating effectiveness of internal controls over financial reporting as well as the safeguarding of assets. Based on our assessment, we believe that, as of December 31, 2006, Enterprise Products Partners' internal control over financial reporting is effective based on those criteria.

Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2006 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included herein on page 57 of this annual report.

Our Audit, Conflicts and Governance Committee is composed of directors who are not officers or employees of Enterprise Products GP. It meets regularly with members of management, the internal auditors and the representatives of the independent registered public accounting firm to discuss the adequacy of Enterprise Products Partners' internal controls over financial reporting, financial statements and the nature, extent and results of the audit effort. Management reviews with the Audit, Conflicts and Governance Committee all of Enterprise Products Partners' significant accounting policies and assumptions affecting the results of operations. Both the independent registered public accounting firm and internal auditors have direct access to the Audit, Conflicts and Governance Committee without the presence of management.

Pursuant to the requirements of Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934, as amended, this Annual Report on Internal Control Over Financial Reporting has been signed below by the following persons on behalf of the registrant and in the capacities indicated below on February 28, 2007.

/s/ Robert G. Phillips

Name: Robert G. Phillips
Title: Chief Executive Officer of our general partner, Enterprise Products GP, LLC

/s/ Michael A. Creel

Name: Michael A. Creel
Title: Chief Financial Officer of our general partner, Enterprise Products GP, LLC

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of Enterprise Products GP, LLC and Unitholders of Enterprise Products Partners L.P.
Houston, Texas

We have audited management's assessment, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting as of December 31, 2006, that Enterprise Products Partners L.P. and its consolidated subsidiaries ("Enterprise Products Partners") maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Enterprise Products Partners' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of Enterprise Products Partners' internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

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

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Enterprise Products Partners maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, Enterprise Products Partners maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet, the related statements of consolidated operations, consolidated comprehensive income, consolidated cash flows and consolidated partners' equity as of and for the year ended December 31, 2006 of Enterprise Products Partners and our report dated February 28, 2007 expressed an unqualified opinion on those financial statements.

Deloitte & Touche LLP
Houston, Texas
February 28, 2007

REPORT OF INDEPENDENT REGISTERED ACCOUNTING FIRM

To the Board of Directors of Enterprise Products GP, LLC and
Unitholders of Enterprise Products Partners L.P.
Houston, Texas

We have audited the accompanying consolidated balance sheets of Enterprise Products Partners L.P. and subsidiaries (the "Company") as of December 31, 2006 and 2005, and the related statements of consolidated operations and comprehensive income, consolidated cash flows and consolidated partners' equity for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Enterprise Products Partners L.P. and subsidiaries at December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2006, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2007 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Deloitte & Touche LLP
Houston, Texas
February 28, 2007

ENTERPRISE PRODUCTS PARTNERS L.P.

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

	December 31,	
ASSETS	**2006**	**2005**
Current assets:		
Cash and cash equivalents	$ 22,619	$ 42,098
Restricted cash	23,667	14,952
Accounts and notes receivable - trade, net of allowance for doubtful accounts of $23,406 at December 31, 2006 and $37,329 at December 31, 2005	1,306,290	1,448,026
Accounts receivable - related parties	16,738	6,557
Inventories	423,844	339,606
Prepaid and other current assets	129,000	120,208
Total current assets	1,922,158	1,971,447
Property, plant and equipment, net	9,832,547	8,689,024
Investments in and advances to unconsolidated affiliates	564,559	471,921
Intangible assets, net of accumulated amortization of $251,876 at December 31, 2006 and $163,121 at December 31, 2005	1,003,955	913,626
Goodwill	590,541	494,033
Deferred tax asset	1,855	3,606
Other assets	74,103	47,359
Total assets	$13,989,718	$ 12,591,016
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities:		
Accounts payable – trade	$ 277,070	$ 265,699
Accounts payable – related parties	6,785	23,367
Accrued gas payables	1,364,493	1,372,837
Accrued expenses	35,763	30,294
Accrued interest	90,865	71,193
Other current liabilities	209,945	126,881
Total current liabilities	1,984,921	1,890,271
Long-term debt: (see Note 14)		
Senior debt obligations – principal	4,779,068	4,866,068
Junior Subordinated Notes A – principal	550,000	—
Other	(33,478)	(32,287)
Total long-term debt	5,295,590	4,833,781
Deferred tax liabilities	13,723	—
Other long-term liabilities	86,121	84,486
Minority interest	129,130	103,169
Commitments and contingencies		
Partners' equity:		
Limited Partners		
Common units (431,303,193 units outstanding at December 31, 2006 and 389,109,564 units outstanding at December 31, 2005)	6,320,577	5,542,700
Restricted common units (1,105,237 units outstanding at December 31, 2006 and 751,604 units outstanding at December 31, 2005)	9,340	18,638
General partner	129,175	113,496
Accumulated other comprehensive income	21,141	19,072
Deferred compensation	—	(14,597)
Total partners' equity	6,480,233	5,679,309
Total liabilities and partners' equity	$ 13,989,718	$ 12,591,016

See Notes to Consolidated Financial Statements

ENTERPRISE PRODUCTS PARTNERS L.P.

STATEMENTS OF CONSOLIDATED OPERATIONS AND COMPREHENSIVE INCOME

(Dollars in thousands, except per unit amounts)

	For the Year Ended December 31,		
	2006	**2005**	**2004**
Revenues:			
Third parties	$ 13,587,739	$ 11,902,187	$ 7,517,052
Related parties	403,230	354,772	804,150
Total (see Note 16)	13,990,969	12,256,959	8,321,202
Costs and expenses:			
Operating costs and expenses			
Third parties	12,745,948	11,229,528	6,938,229
Related parties	343,143	316,697	966,107
Total operating costs and expenses	13,089,091	11,546,225	7,904,336
General and administrative costs			
Third parties	22,126	21,312	17,352
Related parties	41,265	40,954	29,307
Total general and administrative costs	63,391	62,266	46,659
Total costs and expenses	13,152,482	11,608,491	7,950,995
Equity in income of unconsolidated affiliates	21,565	14,548	52,787
Operating income	860,052	663,016	422,994
Other income (expense):			
Interest expense	(238,023)	(230,549)	(155,740)
Interest income	7,589	5,237	2,083
Other, net	467	134	32
Other expense	(229,967)	(225,178)	(153,625)
Income before provision for income taxes, minority interest and the cumulative effect of changes in accounting principles	630,085	437,838	269,369
Provision for income taxes	(21,323)	(8,362)	(3,761)
Income before minority interest and the cumulative effect of changes in accounting principles	608,762	429,476	265,608
Minority interest	(9,079)	(5,760)	(8,128)
Income before the cumulative effect of changes in accounting principles	599,683	423,716	257,480
Cumulative effect of changes in accounting principles (see Note 8)	1,472	(4,208)	10,781
Net income	$ 601,155	$ 419,508	$ 268,261
Cash flow hedges:			
Net commodity financial instrument gains during period	7,574	—	1,434
Less: Reclassification adjustment for gain included in net income related to commodity financial instruments	—	(1,434)	—
Net interest rate financial instrument gains during period	—	—	19,405
Less: Amortization of cash flow financing hedges	(4,234)	(4,048)	(1,275)
Total cash flow hedges	3,340	(5,482)	19,564
Foreign currency translation adjustment	(807)	—	—
Total other comprehensive income	2,533	(5,482)	19,564
Comprehensive income	$ 603,688	$ 414,026	$ 287,825
Net income allocation: (see Note 15)			
Limited partners' interest in net income	$ 504,156	$ 348,512	$ 231,153
General partner interest in net income	$ 96,999	$ 70,996	$ 37,108
Earnings per unit: (see Note 19)			
Basic and diluted income per unit before changes in accounting principles	$ 1.22	$ 0.92	$ 0.83
Basic and diluted income per unit	$ 1.22	$ 0.91	$ 0.87

See Notes to Consolidated Financial Statements

ENTERPRISE PRODUCTS PARTNERS L.P.

STATEMENTS OF CONSOLIDATED CASH FLOWS

(Dollars in thousands)

	For the Year Ended December 31,		
	2006	2005	2004
Operating activities:			
Net income	$ 601,155	$ 419,508	$ 268,261
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Depreciation, amortization and accretion in operating costs and expenses	440,256	413,441	193,734
Depreciation and amortization in general and administrative costs	7,186	7,184	1,650
Amortization in interest expense	766	152	3,503
Equity in income of unconsolidated affiliates	(21,565)	(14,548)	(52,787)
Distributions received from unconsolidated affiliates	43,032	56,058	68,027
Provision for impairment of long-lived asset	88	—	4,114
Cumulative effect of changes in accounting principles	(1,472)	4,208	(10,781)
Operating lease expense paid by EPCO, Inc.	2,109	2,112	7,705
Minority interest	9,079	5,760	8,128
Gain on sale of assets	(3,359)	(4,488)	(15,901)
Deferred income tax expense	14,427	8,594	9,608
Changes in fair market value of financial instruments	(51)	122	5
Net effect of changes in operating accounts (see Note 22)	83,418	(266,395)	(93,725)
Net cash flows provided by operating activities	$1,175,069	$ 631,708	$ 391,541
Investing activities:			
Capital expenditures	$(1,341,070)	$ (864,453)	$ (182,057)
Contributions in aid of construction costs	60,492	47,004	8,865
Proceeds from sale of assets	3,927	44,746	6,882
Decrease (increase) in restricted cash	(8,715)	11,204	(12,305)
Cash used for business combinations (see Note 12)	(276,500)	(326,602)	(696,745)
Acquisition of intangible assets	—	(1,750)	(1,652)
Investments in unconsolidated affiliates	(138,266)	(87,342)	(57,948)
Advances from (to) unconsolidated affiliates	10,844	(702)	(6,464)
Return of investment from unconsolidated affiliate	—	47,500	—
Cash used in investing activities	$(1,689,288)	$ (1,130,395)	$ (941,424)
Financing activities:			
Borrowings under debt agreements	$ 3,378,285	$ 4,192,345	$ 5,934,505
Repayments of debt	(2,907,000)	(3,630,611)	(5,808,877)
Debt issuance costs	(8,955)	(9,297)	(19,911)
Distributions paid to partners	(843,292)	(716,699)	(438,765)
Distributions paid to minority interests	(8,831)	(5,724)	(6,440)
Contributions from minority interests	27,578	39,110	9,585
Contributions from general partner related to issuance of restricted units	—	177	—
Net proceeds from issuance of common units	857,187	646,928	846,077
Treasury units reissued	—	—	8,394
Settlement of cash flow financing hedges	—	—	19,405
Cash provided by financing activities	$ 494,972	$ 516,229	$ 543,973
Effect of exchange rate changes on cash	$ (232)	$ —	$ —
Net change in cash and cash equivalents	(19,247)	17,542	(5,910)
Cash and cash equivalents, January 1	42,098	24,556	30,466
Cash and cash equivalents, December 31	$ 22,619	$ 42,098	$ 24,556

See Notes to Consolidated Financial Statements

ENTERPRISE PRODUCTS PARTNERS L.P.

STATEMENTS OF CONSOLIDATED PARTNERS' EQUITY

(See Note 15 for Unit History and Detail of Changes in Limited Partners' Equity)
(Dollars in thousands)

	Limited Partners	General Partner	Treasury Units	Deferred Comp.	AOCI	Total
Balance, December 31, 2003	$ 1,683,133	$ 34,349	$ (16,519)	$ —	$ 4,990	$ 1,705,953
Net income	231,153	37,108	—	—	—	268,261
Operating leases paid by EPCO, Inc.	7,551	154	—	—	—	7,705
Cash distributions to partners	(394,434)	(40,440)	—	—	—	(434,874)
Unit option reimbursements to EPCO, Inc.	(3,813)	(78)	—	—	—	(3,891)
Net proceeds from sales of common units	789,758	16,117	—	—	—	805,875
Proceeds from conversion of Series F2 convertible units to common units	38,800	792	—	—	—	39,592
Proceeds from exercise of unit options	398	8	—	—	—	406
Value of equity interests granted to complete GulfTerra Merger	2,854,275	58,252	—	(1,755)	—	2,910,772
Other issuance of restricted units	9,922	202	—	(9,922)	—	202
Amortization of deferred compensation	—	—	—	826	—	826
Treasury units issued to satisfy unit options	524	11	7,859	—	—	8,394
Cash flow hedges	—	—	—	—	19,564	19,564
Balance, December 31, 2004	5,217,267	106,475	(8,660)	(10,851)	24,554	5,328,785
Net income	348,512	70,996	—	—	—	419,508
Operating leases paid by EPCO, Inc.	2,070	42	—	—	—	2,112
Cash distributions to partners	(630,560)	(76,752)	—	—	—	(707,312)
Unit option reimbursements to EPCO, Inc.	(9,199)	(188)	—	—	—	(9,387)
Net proceeds from sales of common units	612,616	12,502	—	—	—	625,118
Proceeds from exercise of unit options	21,374	436	—	—	—	21,810
Issuance of restricted units	9,478	177	—	(9,480)	—	175
Forfeiture of restricted units	(2,663)	(38)	—	2,361	—	(340)
Amortization of Employee Partnership awards	1,358	28	—	—	—	1,386
Amortization of deferred compensation	—	—	—	3,373	—	3,373
Cancellation of treasury units	(8,915)	(182)	8,660	—	—	(437)
Cash flow hedges	—	—	—	—	(5,482)	(5,482)
Balance, December 31, 2005	5,561,338	113,496	—	(14,597)	19,072	5,679,309
Net income	504,156	96,999	—	—	—	601,155
Operating leases paid by EPCO, Inc.	2,067	42	—	—	—	2,109
Cash distributions to partners	(739,632)	(101,805)	—	—	—	(841,437)
Unit option reimbursements to EPCO, Inc.	(1,818)	(41)	—	—	—	(1,859)
Net proceeds from sales of common units	830,825	16,943	—	—	—	847,768
Common units issued to Lewis in connection with Encinal acquisition	181,112	3,705	—	—	—	184,817
Proceeds from exercise of unit options	5,601	114	—	—	—	5,715
Change in accounting method for equity awards (see Note 5)	(15,815)	(307)	—	14,597	—	(1,525)
Change in funded status of pension and postretirement plans, net of tax	—	—	—	—	(464)	(464)
Amortization of equity awards	8,282	155	—	—	—	8,437
Foreign currency translation adjustment	—	—	—	—	(807)	(807)
Acquisition-related disbursement of cash (see Note 17)	(6,199)	(126)	—	—	—	(6,325)
Cash flow hedges	—	—	—	—	3,340	3,340
Balance, December 31, 2006	$ 6,329,917	$ 129,175	$ —	$ —	$ 21,141	$ 6,480,233

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. 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 L.P. (our "Operating Partnership"). We are owned 98% by our limited partners and 2% by Enterprise Products GP, LLC (our general partner, referred to as "Enterprise Products GP"). Enterprise Products GP is owned 100% by Enterprise GP Holdings L.P. ("Enterprise GP Holdings"), a publicly traded affiliate, 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, the membership interests of which are owned by Dan L. Duncan. We, Enterprise Products GP, Enterprise GP Holdings, EPE Holdings and Dan Duncan LLC are affiliates and under common control of Dan L. Duncan, the Chairman and controlling shareholder of EPCO.

In September 2004, we completed the "GulfTerra Merger" transactions, whereby GulfTerra Energy Partners L.P. ("GulfTerra") merged with one of our wholly-owned subsidiaries. As a result of the GulfTerra Merger, GulfTerra and its subsidiaries and GulfTerra's general partner ("GulfTerra GP") became our wholly-owned subsidiaries. The GulfTerra Merger expanded our asset base to include numerous natural gas and crude oil pipelines, offshore platforms and other midstream energy assets. In connection with the GulfTerra Merger, we purchased various midstream energy assets from El Paso Corporation ("El Paso") that are located in South Texas (referred to as the "STMA" acquisition).

References to "TEPPCO" mean TEPPCO Partners, L.P., a publicly traded affiliate, the units of which are listed on the NYSE under the ticker symbol "TPP". References to "TEPPCO GP" refer to Texas Eastern Products Pipeline Company, LLC, which is the general partner of TEPPCO and is wholly owned by a private company subsidiary of EPCO.

References to "*Employee Partnerships*" mean EPE Unit L.P. and EPE Unit II, L.P., collectively, which are private company affiliates of EPCO. References to "EPE Unit I" and "EPE Unit II" refer to EPE Unit L.P. and EPE Unit II, L.P., respectively.

On February 5, 2007, a consolidated subsidiary of ours, Duncan Energy Partners L.P. ("Duncan Energy Partners"), completed an initial public offering of its common units (see Note 25). Duncan Energy Partners owns equity interests in certain of our midstream energy businesses (see Note 17). The formation of Duncan Energy Partners had no effect on our financial statements at December 31, 2006. For financial reporting purposes, we will continue to consolidate the financial statements of Duncan Energy Partners with those of our own (using our historical carrying basis in such entities) and reflect its operations in our business segments. The public owners of Duncan Energy Partners' common units will be presented as a noncontrolling interest in our consolidated financial statements beginning in February 2007. The public owners of Duncan Energy Partners have no direct equity interests in us as a result of this transaction. The borrowings of Duncan Energy Partners will be presented as part of our consolidated debt.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Allowance for Doubtful Accounts

Our allowance for doubtful accounts is determined based on specific identification and estimates of future uncollectible accounts. Our procedure for determining the allowance for doubtful accounts is based on (i) historical experience with customers, (ii) the perceived financial stability of customers based on our research, and (iii) the levels of credit we grant to customers. In addition, we may increase the allowance account in response to the specific identification of customers involved in bankruptcy proceedings and similar financial difficulties. On a routine basis, we review estimates associated with the allowance for doubtful accounts to ensure that we have recorded sufficient reserves to cover potential losses. Our allowance also includes estimates for uncollectible natural gas imbalances based on specific identification of accounts. Our allowance for doubtful accounts was $23.4 million and $37.3 million at December 31, 2006 and 2005, respectively.

Cash and Cash Equivalents

Cash and cash equivalents represent unrestricted cash on hand and highly liquid investments with original maturities of less than three months from the date of purchase.

Our Statements of Consolidated Cash Flows are prepared using the indirect method. The indirect method derives net cash flows from operating activities by adjusting net income to remove (i) the effects of all deferrals of past operating cash receipts and payments, such as changes during the period in inventory, deferred income and similar transactions, (ii) the effects of all accruals of expected future operating cash receipts and cash payments, such as changes during the period in receivables and payables, (iii) the effects of all items classified as investing or financing cash flows, such as gains or losses on sale of property, plant and equipment or extinguishment of debt, and (iv) other non-cash amounts such as depreciation, amortization and changes in the fair market value of financial instruments.

Consolidation Policy

We evaluate our financial interests in business enterprises to determine if they represent variable interest entities where we are the primary beneficiary. If such criteria are met, we consolidate the financial statements of such businesses with those of our own. Our consolidated financial statements include our accounts and those of our majority-owned subsidiaries in which we have a controlling interest, after the elimination of all material intercompany accounts and transactions. We also consolidate other entities and ventures in which we possess a controlling financial interest, as well as partnership interests where we are the sole general partner of the partnership.

If the investee is organized as a limited partnership or limited liability company and maintains separate ownership accounts, we account for our investment using the equity method if our ownership interest is between 3% and 50% and we exercise significant influence over the investee's operating and financial policies. For all other types of investments, we apply the equity method of accounting if our ownership interest is between 20% and 50% and we exercise significant influence over the investee's operating and financial policies. Our proportionate share of profits and losses from transactions with equity method unconsolidated affiliates are eliminated in consolidation to the extent such amounts are material and remain on our balance sheet (or those of our equity method investees) in inventory or similar accounts.

If our ownership interest in an investee does not provide us with either control or significant influence over the investee, we account for the investment using the cost method.

Contingencies

Certain conditions may exist as of the date our financial statements are issued, which may result in a loss to us but which will only be resolved when one or more future events occur or fail to occur. Our management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise in judgment. In assessing loss contingencies related to legal proceedings that are pending against us or unasserted claims that may result in proceedings, our management and legal counsel evaluate the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of liability can be estimated, then the estimated liability would be accrued in our financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss (if determinable and material), is disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

Deferred Revenues

We recognize revenues when earned (see Note 4). Amounts billed in advance of the period in which the service is rendered or product delivered are recorded as deferred revenue.

Dollar Amounts

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 thousands of dollars.

Earnings Per Unit

Earnings per unit is based on the amount of income allocated to limited partners and the weighted-average number of units outstanding during the period (see Note 19).

Employee Benefit Plans

In 2005, we acquired a controlling ownership interest in Dixie Pipeline Company ("Dixie"), which resulted in Dixie becoming a consolidated subsidiary of ours. Dixie employs the personnel that operate its pipeline system and certain of these employees are eligible to participate in a defined contribution plan and pension and postretirement benefit plans.

SFAS 158, "*Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)*," requires businesses to record the over-funded or under-funded status of defined benefit pension and other postretirement plans as an asset or liability at a measurement date and to recognize annual changes in the funded status of each plan through other comprehensive income. At December 31, 2006, Dixie adopted the provisions of SFAS 158 (see Note 6).

Environmental Costs

Environmental costs for remediation are accrued based on estimates of known remediation requirements. Such accruals are based on management's estimate of the ultimate cost to remediate a site. Ongoing environmental compliance costs are charged to expense as incurred. Expenditures to mitigate or prevent future environmental contamination are capitalized.

Environmental costs and related accruals were not significant prior to the GulfTerra Merger. As a result of the merger, we assumed an environmental liability for remediation costs associated with mercury gas meters. The balance of this environmental liability was $20.3 million and $21.0 million at December 31, 2006 and 2005, respectively. At December 31, 2006 and 2005, total reserves for environmental liabilities, including those related to the mercury gas meters, were $24.2 million and $22.1 million. At December 31, 2006, $7.1 million of this liability is classified as current.

Costs of environmental compliance and monitoring aggregated $3.6 million, $3.3 million and $1.9 million during 2006, 2005 and 2004, respectively.

Equity Awards

In connection with the incentive plans of EPCO and its affiliates, we record amounts related to unit option and restricted unit awards and profits interests (see Note 5).

We currently account for our equity awards using the provisions of SFAS 123(R),"*Share-Based Payment.*" Prior to January 1, 2006, our equity awards were accounted for using the intrinsic value method described in Accounting Principles Board Opinion ("APB") 25, "*Accounting for Stock Issued to Employees.*" SFAS 123(R) requires us to recognize compensation expense related to equity awards based on the fair value of the award at grant date. The fair value of an equity award is estimated using option pricing models (Black-Scholes or binomial models). Under SFAS 123(R), the fair value of an award is amortized to earnings on a straight-line basis over the requisite service or vesting period. On January 1, 2006, we reclassified previously recognized deferred compensation related to nonvested awards due to the adoption of SFAS 123(R).

The following table discloses the pro forma effect of equity-based compensation amounts on our net income and earnings per unit for the years ended December 31, 2005 and 2004 as if we had applied the provisions of SFAS 123(R) instead of APB 25. The effects of applying SFAS 123(R) in the following pro forma disclosures may not be indicative of future amounts as additional awards in future years are anticipated. No pro forma adjustment to earnings is required for our restricted units in 2005 and 2004 since compensation expense related to these awards was based on their estimated fair values.

	For the Year Ended December 31,	
	2005	2004
Reported net income	$ 419,508	$ 268,261
Additional compensation expense that would have been recorded for unit options	(708)	(932)
Reduction in compensation expense related to awards of profits interest in EPE Unit L.P.	1,271	—
Pro forma net income	$ 420,071	$ 267,329
Basic and Diluted earnings per unit:		
As reported	$ 0.91	$ 0.87
Pro forma	$ 0.91	$ 0.87

Estimates

Preparing our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (or "GAAP") requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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.

Exchange Contracts

Exchanges are contractual agreements for the movements of NGLs and certain petrochemical products between parties to satisfy timing and logistical needs of the parties. Net exchange volumes borrowed from us under such agreements are valued and included in accounts receivable, and net exchange volumes loaned to us under such agreements are valued and accrued as a liability in accrued gas payables.

Receivables and payables arising from exchange transactions are settled with movements of products rather than with cash. When payment or receipt of monetary consideration is required for product differentials and service costs, such items are recognized in our consolidated financial statements on a net basis.

Exit and Disposal Costs

Exit and disposal costs are charges associated with an exit activity not associated with business combination or with a disposal activity covered by SFAS 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets.*" Examples of these costs include (i) termination benefits provided to current employees that are involuntarily terminated under the terms of a benefit arrangement that, in substance, is not an ongoing benefit arrangement or an individual deferred compensation contract, (ii) costs to terminate a contract that is not a capital lease, and (iii) costs to consolidate facilities or relocate employees. In accordance with SFAS 146, "*Accounting for Costs Associated with Exit and Disposal Activities*," we recognize such costs when they are incurred rather than at the date of our commitment to an exit or disposal plan.

Financial Instruments

We use financial instruments such as swaps, forward and other contracts to manage price risks associated with inventories, firm commitments, interest rates, foreign currency and certain anticipated transactions. We recognize these transactions on our balance sheet as assets and liabilities based on the instrument's fair value. Fair value is generally defined as the amount at which the financial instrument could be exchanged in a current transaction between willing parties, not in a forced or liquidation sale. Changes in fair value of financial instrument contracts are recognized currently in earnings unless specific hedge accounting criteria are met. If the financial instrument meets the criteria of a fair value hedge, gains and losses incurred on the instrument will be recorded in earnings to offset corresponding losses and gains on the hedged item. If the financial instrument meets the criteria of a cash flow hedge, gains and losses incurred on the instrument are recorded in other comprehensive income. Gains and losses on cash flow hedges are reclassified from other comprehensive income to earnings when the forecasted transaction occurs or, as appropriate, over the economic life of the underlying asset. A contract designated as a hedge of an anticipated transaction that is no longer likely to occur is immediately recognized in earnings.

To qualify as a hedge, the item to be hedged must expose us to risk and the related hedging instrument must reduce the exposure and meet the hedging requirements of SFAS 133, "*Accounting for Derivative Instruments and Hedging Activities*" (as amended and interpreted). We formally designate the financial instrument as a hedge and document and assess the effectiveness of the hedge at its inception and thereafter on a quarterly basis. Any hedge ineffectiveness is immediately recognized in earnings (see Note 7).

Foreign Currency Translation

In October 2006, we acquired all of the outstanding stock of an affiliated NGL marketing company located in Canada (see Note 15). Financial statements of this foreign operation are translated into U.S. dollars from the Canadian dollar, its functional currency, using the current rate method. Assets and liabilities are translated at the rate of exchange in effect at the balance sheet date, while revenue and expense items are translated at average rates of exchange during the reporting period. Exchange gains and losses arising from foreign currency translation adjustments are reflected as separate components of accumulated other comprehensive income in the accompanying Consolidated Balance Sheets.

Our net cash flows from this Canadian subsidiary may be adversely affected by changes in foreign currency exchange rates. We attempt to hedge this currency risk (see Note 7).

Impairment Testing for Goodwill

Our goodwill amounts are assessed for impairment (i) on a routine annual basis during the second quarter of each year or (ii) when impairment indicators are present. If such indicators occur (e.g., the loss of a significant customer, economic obsolescence of plant assets, etc.), the estimated fair value of the reporting unit to which the goodwill is assigned is determined and compared to its book value. If the fair value of the reporting unit exceeds its book value including associated goodwill amounts, the goodwill is considered to be unimpaired and no impairment charge is required. If the fair value of the reporting unit is less than its book value including associated goodwill amounts, a charge to earnings is recorded to reduce the carrying value of the goodwill to its implied fair value. We have not recognized any impairment losses related to goodwill for any of the periods presented (see Note 13).

Impairment Testing for Long-Lived Assets

Long-lived assets (including intangible assets with finite useful lives and property, plant and equipment) are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

Long-lived assets with carrying values that are not expected to be recovered through future cash flows are written down to their estimated fair values in accordance with SFAS 144. The carrying value of a long-lived asset is deemed not recoverable if it exceeds the sum of undiscounted cash flows expected to result from the use and eventual disposition of the asset. If the asset carrying value exceeds the sum of its undiscounted cash flows, a non-cash asset impairment charge equal to the excess of the asset's carrying value over its estimated fair value is recorded. Fair value is defined as the amount at which an asset or liability could be bought or settled in an arm's-length transaction. We measure fair value using market price indicators or, in the absence of such data, appropriate valuation techniques.

We recorded non-cash asset impairment charges of $0.1 million in 2006 and $4.1 million in 2004, which are reflected as components of operating costs and expenses. No asset impairment charges were recorded in 2005.

Impairment Testing for Unconsolidated Affiliates

We evaluate our equity method investments for impairment when events or changes in circumstances indicate that there is a loss in value of the investment attributable to an other than temporary decline. Examples of such events or changes in circumstances include continuing operating losses of the investee or long-term negative changes in the investee's industry. In the event we determine that the loss in value of an investment is other than a temporary decline, we record a charge to earnings to adjust the carrying value of the investment to its estimated fair value.

During 2006, we evaluated our investment in Neptune Pipeline Company, LLC ("Neptune") for impairment. As a result of this evaluation, we recorded a $7.4 million non-cash impairment charge that is a component of equity income from unconsolidated affiliates for the year ended December 31, 2006. We had no such impairment charges during the years ended December 31, 2005 or 2004 (see Note 11).

Income Taxes

Provision for income taxes is primarily applicable to our state tax obligations under the Texas State Margin Tax and certain federal and state tax obligations of Seminole Pipeline Company ("Seminole") and Dixie, both of which are consolidated subsidiaries of ours. Deferred income tax assets and liabilities are recognized for temporary differences between the assets and liabilities of our tax paying entities for financial reporting and tax purposes.

In May 2006, the State of Texas enacted a new business tax (the "Texas Margin Tax") that replaced its franchise tax. In general, legal entities that conduct business in Texas are subject to the Texas Margin Tax. Limited partnerships, limited liability companies, corporations and limited liability partnerships are examples of the types of entities that are subject to the Texas Margin Tax. As a result of the change in tax law, our tax status in the State of Texas will change from non-taxable to taxable (see Note 18).

Since we are structured as a pass-through entity, we are not subject to federal income taxes. As a result, our partners are individually responsible for paying federal income taxes on their share of our taxable income. Since we do not have access to information regarding each partner's tax basis, we cannot readily determine the total difference in the basis of our net assets for financial and tax reporting purposes.

Inventories

Inventories primarily consist of NGLs, certain petrochemical products and natural gas volumes that are valued at the lower of average cost or market. We capitalize, as a cost of inventory, shipping and handling charges directly related to volumes we purchase from third parties or take title to in connection with processing or other agreements. As these volumes are sold and delivered out of inventory, the average cost of these products (including freight-in charges that have been capitalized) are charged to operating costs and expenses. Shipping and handling fees associated with products we sell and deliver to customers are charged to operating costs and expenses as incurred (see Note 9).

Minority Interest

As presented in our Consolidated Balance Sheets, minority interest represents third-party ownership interests in the net assets of our consolidated subsidiaries. For financial reporting purposes, the assets and liabilities of our majority-owned subsidiaries are consolidated with those of our own, with any third-party ownership interest in such amounts presented as minority interest. As presented in our Statements of Consolidated Operations, minority interest expense reflects the allocation of earnings to third-party investors. As presented in our Statements of Consolidated Cash Flows, distributions to and contributions from minority interests represent cash payments and cash contributions, respectively, from such third-party investors.

At December 31, 2005 and 2006, our consolidated subsidiaries with third-party minority interest owners were Seminole, Dixie, Tri-States Pipeline LLC ("Tri-States"), Independence Hub, LLC ("Independence Hub"), Wilprise Pipeline Company LLC and Belle Rose NGL Pipeline LLC ("Belle Rose"). We will consolidate the financial statements of Duncan Energy Partners with those of our own, with minority interest treatment for the units of Duncan Energy Partners owned by unitholders other than us.

Natural Gas Imbalances

In the natural gas pipeline transportation business, imbalances frequently result from differences in natural gas volumes received from and delivered to our customers. Such differences occur when a customer delivers more or less gas into our pipelines than is physically redelivered back to them during a particular time period. We have various fee-based agreements with customers to transport their natural gas through our pipelines. Our customers retain ownership of their natural gas shipped through our pipelines. As such, our pipeline transportation activities are not intended to create physical volume differences that would result in significant accounting or economic events for either our customers or us during the course of the arrangement.

We settle pipeline gas imbalances through either physical delivery of in-kind gas or in cash. These settlements follow contractual guidelines or common industry practices. As imbalances occur, they may be settled (i) on a monthly basis, (ii) at the end of the agreement, or (iii) in accordance with industry practice, including negotiated settlements. Certain of our natural gas pipelines have a regulated tariff rate mechanism requiring customer imbalance settlements each month at current market prices.

However, the vast majority of our settlements are through in-kind arrangements whereby incremental volumes are delivered to a customer (in the case of an imbalance payable) or received from a customer (in the case of an imbalance receivable). Such in-kind deliveries are on-going and take place over several periods. In some cases, settlements of imbalances built up over a period of time are ultimately cashed out and are generally negotiated at values which approximate average market prices over a period of time. For those gas imbalances that are ultimately settled over future periods, we estimate the value of such current assets and liabilities using average market prices, which is representative of the estimated value of the imbalances upon final settlement. Changes in natural gas prices may impact our estimates.

At December 31, 2006 and 2005, our natural gas imbalance receivables, net of allowance for doubtful accounts, were $97.8 million and $89.4 million, respectively, and are reflected as a component of "Accounts and notes receivable – trade" on our Consolidated Balance Sheets. At December 31, 2006 and 2005, our imbalance payables were $51.2 million and $80.5 million, respectively, and are reflected as a component of "Accrued gas payables" on our Consolidated Balance Sheets.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost. Expenditures for additions, improvements and other enhancements to property, plant and equipment are capitalized and minor replacements, maintenance and repairs that do not extend asset life or add value are charged to expense as incurred. When property, plant and equipment assets are retired or otherwise disposed of, the related cost and accumulated depreciation is removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. For financial statement purposes, depreciation is recorded based on the estimated useful lives of the related assets primarily using the straight-line method. Where appropriate, we use other depreciation methods (generally accelerated) for tax purposes (see Note 10).

Certain of our plant operations entail periodic planned outages for major maintenance activities. These planned shutdowns typically result in significant expenditures, which are principally comprised of amounts paid to third parties for materials, contract services and related items. We use the expense-as-incurred method for our planned major maintenance activities.

Asset retirement obligations ("AROs") are legal obligations associated with the retirement of tangible long-lived assets that result from their acquisition, construction, development and/or normal operation. When an ARO is incurred, we record a liability for the ARO and capitalize an equal amount as an increase in the carrying value of the related long-lived asset. Over time, the liability is accreted to its present value (accretion expense) and the capitalized amount is depreciated over the remaining useful life of the related long-lived asset. To the extent we do not settle an ARO liability at our recorded amounts, we will incur a gain or loss.

Reclassifications

A reclassification was made to the Statement of Consolidated Cash Flows for the year ended December 31, 2004 in the investing activities section to conform to current presentations of similar items. With respect to our December 2004 acquisition of certain assets, we reclassified our $27.9 million purchase price from "Cash used for business combinations, net of cash received" to "Capital Expenditures" ($26.2 million) and "Acquisition of intangible assets" ($1.7 million).

Restricted Cash

Restricted cash represents amounts held by (i) a brokerage firm in connection with our commodity financial instruments portfolio and physical natural gas purchases made on the NYMEX exchange and (ii) us for the future settlement of current liabilities we assumed in connection with our acquisition of a Canadian affiliate in October 2006.

Revenue Recognition

See Note 4 for information regarding our revenue recognition policies.

Start-Up and Organization Costs

Start-up costs and organization costs are expensed as incurred. Start-up costs are defined as one-time activities related to opening a new facility, introducing a new product or service, conducting activities in a new territory, pursuing a new class of customer, initiating a new process in an existing facility or some new operation. Routine ongoing efforts to improve existing facilities, products or services are not considered start-up costs. Organization costs include legal fees, promotional costs and similar charges incurred in connection with the formation of a business.

NOTE 3. RECENT ACCOUNTING DEVELOPMENTS

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

Emerging Issues Task Force Issue ("EITF") No. 06-3

EITF 06-3, "*How Taxes Collected From Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation)*" requires companies to disclose their policy regarding the presentation of tax receipts on the face of their income statements. This guidance specifically applies to taxes imposed by governmental authorities on revenue-producing transactions between sellers and customers (gross receipts taxes are excluded). We adopted EITF 06-3 on January 1, 2007. As a matter of policy, we have consistently reported such taxes on a net basis.

SFAS 155

SFAS 155, "*Accounting for Certain Hybrid Financial Instruments*," amends SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*, amends SFAS 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, and resolves issues addressed in Statement 133 Implementation Issue D1, *Application of Statement 133 to Beneficial Interests to Securitized Financial Assets*. A hybrid financial instrument is one that embodies both an embedded derivative and a host contract. For certain hybrid financial instruments, SFAS 133 requires an embedded derivative instrument be separated from the host contract and accounted for as a separate derivative instrument. SFAS 155 amends SFAS 133 to provide a fair value measurement alternative for certain hybrid financial instruments that contain an embedded derivative that would otherwise be recognized as a derivative separately from the host contract. For hybrid financial instruments within its scope, SFAS 155 allows the holder of the instrument to make a one-time, irrevocable election to initially and subsequently measure the instrument in its entirety at fair value instead of separately accounting for the embedded derivative and host contract. This guidance was effective January 1, 2007, and our adoption of this guidance had no impact on our financial position, results of operations or cash flows.

SFAS 157

SFAS 157, "*Fair Value Measurements*," defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 applies only to fair value measurements that are already required or permitted by other accounting standards and is expected to increase the consistency of those measurements. The statement emphasizes that fair value is a market-based measurement that should be determined based on the assumptions that market participants would use in pricing an asset or liability. Companies will be required to disclose the extent to which fair value is used to measure assets and liabilities, the inputs used to develop the measurements, and the effect of certain of the measurements on earnings (or changes in net assets) for the period. SFAS 157 is effective for fiscal years beginning after December 15, 2007 and we will be required to adopt SFAS 157 on January 1, 2008. We do not believe that SFAS 157 will have a material impact on our financial position, results of operations and cash flows since we already apply its basic concepts in measuring fair values used to record various transactions such as business combinations and asset acquisitions.

SFAS 159

SFAS 159, "*Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115,*" permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected would be reported in net income. SFAS 159 also establishes presentation and disclosure requirements designed to draw comparisons between the different measurement attributes the company elects for similar types of assets and liabilities. SFAS 159 is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the impact that the adoption of SFAS 159 will have on our financial statements.

FIN 48

In accordance with FIN 48, "*Accounting for Uncertainty in Income Taxes*," we must recognize the tax effects of any uncertain tax positions we may adopt, if the position taken by us is more likely than not sustainable. If a tax position meets such criteria, the tax effect to be recognized by us would be the largest amount of benefit with a more than a 50% chance of being realized upon settlement. We did not recognize any such amounts at December 31, 2006. This guidance is effective January 1, 2007, and our adoption of this guidance is not anticipated to have a material impact on our financial position, results of operations or cash flows.

See Note 8 for new accounting principles adopted.

NOTE 4. REVENUE RECOGNITION

We recognize revenue using the following criteria: (i) persuasive evidence of an exchange arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the buyer's price is fixed or determinable, and (iv) collectibility is reasonably assured. We generally do not take title to products gathered, transported or processed unless noted below. The following information summarizes our revenue recognition policies by business segment:

NGL Pipelines & Services

In our natural gas processing activities, we enter into margin-band contracts, percent-of-liquids contracts, percent-of-proceeds contracts, fee-based contracts, hybrid contracts (these agreements include both percent-of-liquids and fee-based components) and keepwhole contracts. Under margin-band and keepwhole contracts, we take ownership of mixed NGLs extracted from the producer's natural gas stream and recognize revenue when the extracted NGLs are delivered and sold to customers. In the same way, revenue is recognized under our percent-of-liquids contracts except that the volume of NGLs we extract and sell is less than the total amount of NGLs extracted from the producers' natural gas stream. The producer retains title to the remaining percentage of mixed NGLs we extract under percent-of-liquids contract. Under a percent-of-proceeds contract, we share in the proceeds generated from the producer's sale of the mixed NGLs we extract on their behalf. Revenue is recognized under percent-of-proceeds arrangements when the extracted NGLs are delivered and sold to customers. If a cash fee for natural gas processing services is stipulated by the contract (i.e. fee-based arrangement), we record revenue in the period the services are provided.

Our NGL marketing activities generate revenues from the sale and delivery of NGLs obtained through our various processing activities and purchased from third parties on the open market. These sales contracts may also include forward product sales contracts. Revenues from these sales contracts are recognized when the NGLs are delivered to customers. In general, the sales prices referenced in these contracts are market-related and can include pricing differentials for such factors as delivery location.

Under our NGL pipeline transportation contracts, revenue is recognized when volumes have been delivered to customers. Revenue from these contracts is generally based upon a fixed fee per gallon of liquids transported multiplied by the volume delivered. The transportation fees charged under these arrangements are either contractual or regulated by governmental agencies, including the Federal Energy Regulatory Commission ("FERC").

Under our NGL and related product storage contracts, we collect a fee based on the number of days a customer has volumes in storage multiplied by a storage rate for each product. Under these contracts, revenue is recognized ratably over the length of the storage period based on the storage fees specified in each contract. With respect to capacity reservation agreements, we collect a fee for reserving space (typically in millions of barrels) for a customer's product in our underground storage wells. Under these agreements, revenue is recognized ratably over the specified reservation period. We also collect excess storage fees when customers exceed their reservation amounts. Such excess storage fees are recognized in the period of occurrence.

Revenues from product terminalling agreements (applicable to our import and export operations) are recorded in the period services are provided. Customers are typically billed a fee per unit of volume loaded or unloaded. In our export operations, we may also record revenues related to demand payments we charge customers who reserve the use of our export facilities and later fail to do so. We recognize such demand fee revenue when the customer fails to utilize our facilities as required by contract.

In our NGL fractionation business, we enter into fee-based arrangements and percent-of-liquids contracts. Under our fee-based arrangements, we recognize revenue in the period the services are provided. These fee-based arrangements typically include a base processing fee (typically in cents per gallon) that is subject to adjustment for changes in certain fractionation expenses, including natural gas fuel costs. At certain of our NGL fractionation facilities, we generate revenues using percent-of-liquids contracts. Such contracts allow us to retain a contractually determined percentage of the NGLs fractionated for customers as payment for our services. We recognize revenue from such arrangements when the NGLs we retain are sold and delivered to customers.

Onshore Natural Gas Pipelines & Services

Certain of our onshore natural gas pipelines generate revenues from transportation agreements as shippers are billed a fee per unit of volume transported (typically in MMBtus) multiplied by the volume delivered. The transportation fees charged under these arrangements are either contractual or regulated by governmental agencies, including the FERC. Revenues associated with these fee-based contracts are recognized when volumes have been physically delivered for the customer through the pipeline.

In addition, we have natural gas sales contracts associated with some of our onshore natural gas pipelines whereby revenue is recognized when we sell and deliver a volume of natural gas to customers. Revenues from these sales contracts are based upon market-related prices as determined by the individual agreements.

Under our natural gas storage contracts, there are typically two components of revenues: (i) a monthly demand payment, which is associated with storage capacity reservations and paid regardless of the customer's actual usage of the storage facilities, and (ii) a storage fee per unit of volume stored at the facilities. Revenues from demand payments are recognized during the period the customer reserves capacity. Revenues from storage fees are recognized in the period the services are provided.

Offshore Pipelines & Services

Our revenues from offshore natural gas pipelines are derived from fee-based contracts and are typically based on transportation fees per unit of volume transported (typically in MMBtus) multiplied by the volume delivered. We recognize revenue when volumes have been physically delivered for the customer through the pipeline.

The majority of our revenues from offshore crude oil pipelines are derived from purchase and sale arrangements whereby we purchase oil from shippers at various receipt points along our crude oil pipelines for an index-based price (less a price differential) and sell the oil back to the shippers at various redelivery points at the same index-based price. Net revenue recognized from such arrangements is based on the price differential per unit of volume (typically in barrels) multiplied by the volume delivered. We recognize revenues from such arrangements when we complete the delivery of crude oil to the purchaser.

In addition, certain of our offshore crude oil pipelines generate revenues based upon a gathering fee per unit of volume (typically in barrels) multiplied by the volume delivered to the customer. We recognize revenues from these gathering contracts when we complete delivery of the crude oil for the producer.

Revenues from offshore platform services generally consist of demand payments and commodity charges. Demand payments represent fixed-fees charged to customers who use our offshore platforms regardless of the volume the customer delivers to the platform. Such demand payments generally expire after a contractual period of time subject to certain cancellation conditions. Revenues from commodity charges are based on a fixed fee per unit of volume delivered to the platform (typically per MMcf of natural gas or per barrel of crude oil) multiplied by the total volume of each product delivered. Revenues for both platform services are recognized in the period the services are provided.

Petrochemical Services

We enter into isomerization and propylene fractionation fee-based processing arrangements and certain petrochemical product sales contracts. Under our processing arrangements, we recognize revenue in the period the services are provided. These processing arrangements typically include a base processing fee per gallon (or other unit of measurement) subject to adjustment for changes in natural gas, electricity and labor costs, which are the primary costs of our propylene fractionation and isomerization operations.

Our petrochemical marketing activities generate revenues from the sale and delivery of products obtained through our processing activities and purchases from third parties on the open market. Revenues from these sales contracts are recognized when the products are delivered to customers. In general, the sales prices referenced in these contracts are market-related and can include pricing differentials for such factors as delivery location.

NOTE 5. ACCOUNTING FOR EQUITY AWARDS

Effective January 1, 2006, we adopted SFAS 123(R) to account for equity awards (see Note 8). Prior to our adoption of SFAS 123(R), we accounted for equity awards using the intrinsic value method described in APB 25. SFAS 123(R) requires us to recognize compensation expense related to equity awards based on the fair value of the award at grant date. The fair value of an equity award is estimated using the Black-Scholes option pricing model. Under SFAS 123(R), the fair value of an award is amortized to earnings on a straight-line basis over the requisite service or vesting period.

Upon our adoption of SFAS 123(R), we recognized, as a benefit, a cumulative effect of a change in accounting principle of $1.5 million based on the SFAS 123(R) requirement to recognize compensation expense based upon the grant date fair value of an equity award and the application of an estimated forfeiture rate to unvested awards. In addition, previously recognized deferred compensation expense of $14.6 million related to our restricted common units was reversed on January 1, 2006.

Prior to our adoption of SFAS 123(R), we did not recognize any compensation expense related to unit options; however, compensation expense was recognized in connection with awards granted by EPE Unit L.P. ("EPE Unit I") and the issuance of restricted units. The effects of applying SFAS 123(R) during the year ended December 31, 2006 did not have a material effect on our net income or basic and diluted earnings per unit.

Since we adopted SFAS 123(R) using the modified prospective method, we have not restated the financial statements of prior periods to reflect this new standard.

Unit Options

Under EPCO's 1998 Long-Term Incentive Plan (the "1998 Plan"), non-qualified incentive options to purchase a fixed number of our common units may be granted to EPCO's key employees who perform management, administrative or operational functions for us. When issued, the exercise price of each option grant is equivalent to the market price of the underlying equity on the date of grant. In general, options granted under the 1998 Plan have a vesting period of four years and remain exercisable for ten years from the date of grant.

In order to fund its obligations under the 1998 Plan, EPCO may purchase common units at fair value either in the open market or directly from us. When employees exercise unit options, we reimburse EPCO for the cash difference between the strike price paid by the employee and the actual purchase price paid by EPCO for the units issued to the employee.

The fair value of each unit option is estimated on the date of grant using the Black-Scholes option pricing model, which incorporates various assumptions including expected life of the options, risk-free interest rates, expected distribution yield on our common units and expected unit price volatility of our common units. In general, our assumption of expected life of the options represents the period of time that the options are expected to be outstanding based on an analysis of historical option activity. Our selection of the risk-free interest rate is based on published yields for U.S. government securities with comparable terms. The expected distribution yield and unit price volatility is estimated based on several factors, which include an analysis of our historical unit price volatility and distribution yield over a period equal to the expected life of the option.

The information in the following table presents unit option activity under the 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, 2003	1,938,000	$ 16.07		
Granted [2]	910,000	22.17		
Exercised	(385,000)	12.79		
Outstanding at December 31, 2004	2,463,000	18.84		
Granted [3]	530,000	26.49		
Exercised	(826,000)	14.77		
Forfeited	(85,000)	24.73		
Outstanding at December 31, 2005	2,082,000	22.16		
Granted [4]	590,000	24.85		
Exercised	(211,000)	15.95		
Forfeited	(45,000)	24.28		
Outstanding at December 31, 2006	2,416,000	23.32	7.61	$ 4,808
Options exercisable at:				
December 31, 2004	1,154,000	$ 14.65	6.18	$ 13,768
December 31, 2005	727,000	$ 19.19	5.54	$ 3,503
December 31, 2006	591,000	$ 20.85	5.11	$ 4,808

(1) Aggregate intrinsic value reflects fully vested unit options at December 31, 2006.
(2) The total grant date fair value of these awards was $2.1 million based on the following assumptions: (i) expected life of options of seven years; (ii) risk-free interest rate of 4.0%; (iii) expected distribution yield on our units of 8.8%; and (iv) expected unit price volatility of 28.6%.
(3) The total grant date fair value of these awards was $0.7 million based on the following assumptions: (i) expected life of options of seven years; (ii) risk-free interest rate of 4.2%; (iii) expected distribution yield on our units of 9.2%; and (iv) expected unit price volatility of 20.0%.
(4) The total grant date fair value of these awards was $1.2 million based on the following assumptions: (i) expected life of options of seven years; (ii) risk-free interest rate of 5.0%; (iii) expected distribution yield on our units of 8.9%; and (iv) expected unit price volatility of 23.5%.

The total intrinsic value of unit options exercised during the year ended December 31, 2006 was $2.2 million. We recognized $0.7 million of compensation expense associated with unit options during the year ended December 31, 2006.

As of December 31, 2006, there was an estimated $2.3 million of total unrecognized compensation cost related to nonvested unit options granted under the 1998 Plan. That cost is expected to be recognized over a weighted-average period of 2.2 years in accordance with the EPCO administrative services agreement (see Note 17).

During the year ended December 31, 2006, we received cash of $5.6 million from the exercise of unit options, and our option-related reimbursements to EPCO were $1.8 million.

Restricted Units

Under the 1998 Plan, we may issue restricted common units to key employees of EPCO and directors of our general partner. The 1998 Plan provides for the issuance of 3,000,000 restricted common units, of which 1,900,443 remain authorized for issuance at December 31, 2006.

In general, our restricted unit awards allow recipients to acquire the underlying common units at no cost to the recipient once a defined vesting period expires, subject to certain forfeiture provisions. The restrictions on such units generally lapse four years from the date of grant. Compensation expense is recognized on a straight-line basis over the vesting period. The fair value of such restricted units is based on the market price of the underlying common units on the date of grant and an allowance for estimated forfeitures.

The following table summarizes information regarding our restricted units for the periods indicated:

	Number of Units	Weighted-Average Grant Date Fair Value per Unit [1]
Restricted Units at January 1, 2004		
Granted [2]	488,525	$ 22.89
Restricted Units at December 31, 2004	488,525	
Granted [3]	362,011	$ 26.43
Vested	(6,484)	$ 22.00
Forfeited	(92,448)	$ 24.03
Restricted Units at December 31, 2005	751,604	
Granted [4]	466,400	$ 25.21
Vested	(42,136)	$ 24.02
Forfeited	(70,631)	$ 22.86
Restricted Units at December 31, 2006	1,105,237	

(1) Determined by dividing the aggregate grant date fair value of awards (before allowance for forfeitures) by the number of awards issued
(2) Aggregate grant date fair value of restricted unit awards issued during 2004 was $10.3 million based on grant date market prices of our common units ranging from $20.95 to $23.31 per unit and an estimated forfeiture rate of 8.2%.
(3) Aggregate grant date fair value of restricted unit awards issued during 2005 was $8.8 million based on grant date market prices of our common units ranging from $25.83 to $26.95 per unit and an estimated forfeiture rate of 8.2%.
(4) Aggregate grant date fair value of restricted unit awards issued during 2006 was $10.8 million based on grant date market prices of our common units ranging from $24.85 to $27.45 per unit and estimated forfeiture rates ranging from 7.8% to 9.8%.

The total fair value of restricted units that vested during the year ended December 31, 2006 was $1.1 million.

During the year ended December 31, 2006, we recognized $4.1 million of compensation expense in connection with restricted units.

As of December 31, 2006, there was $17.5 million of total unrecognized compensation cost related to restricted units. We will recognize our share of such costs in accordance with the EPCO administrative services agreement. At December 31, 2006, these costs are expected to be recognized over a weighted-average period of 2.7 years.

Employee Partnerships

EPE Unit I. In connection with the initial public offering of Enterprise GP Holdings in August 2005, EPE Unit I was formed to serve as an incentive arrangement for certain employees of EPCO through a "profits interest" in EPE Unit I. In August 2005, EPE Unit I used $51.0 million in contributions it received from its Class A limited partner (an affiliate of EPCO) to purchase 1,821,428 units of Enterprise GP Holdings. Certain EPCO employees, including all of Enterprise Products GP's executive officers other than Dan L. Duncan and Dr. Ralph S. Cunningham, were admitted as Class B limited partners of EPE Unit I without any capital contributions.

Unless otherwise agreed to by EPCO, the Class A limited partner and a majority of the Class B limited partners, EPE Unit I will be liquidated upon the earlier of (i) August 2010 or (ii) a change in control of Enterprise GP Holdings or its general partner, EPE Holdings. Upon liquidation of EPE Unit I, units having a fair market value equal to the Class A limited partner's capital base, plus any Class A preferred return for the quarter in which liquidation occurs, will be distributed to the Class A limited partner. Any remaining units will be distributed to the Class B limited partners as a residual profits interest award in EPE Unit I.

Prior to our adoption of SFAS 123(R) in January 2006, the estimated value of the profits interest awards was accounted for in a manner similar to a stock appreciation right. Upon our adoption of SFAS 123(R), we began recognizing compensation expense based upon an estimated grant date fair value of the Class B partnership equity awards of approximately $12.4 million. As of December 31, 2006, there was $9.2 million of total unrecognized compensation cost related to these awards, of which we estimate our share to be $7.9 million. That cost is expected to be recognized on a straight-line basis through the third quarter of 2010.

The grant date fair value of the Class B limited partnership equity awards in EPE Unit I was estimated using the Black-Scholes option pricing model, which incorporates various assumptions including (i) an expected life of the awards ranging from four to five years, (ii) risk-free interest rates ranging from 4.0% to 4.8%, (iii) an expected distribution yield on units of Enterprise GP Holdings ranging from 3.0% to 3.7%, and (iv) an expected unit price volatility for Enterprise GP Holdings' units ranging from 21.1% to 30.0%.

For the years ended December 31, 2006 and 2005, we recorded $2.1 million and $2.0 million, respectively, of non-cash compensation expense for these awards associated with employees who provide services to us.

EPE Unit II, L.P. In December 2006, EPE Unit II, L.P. ("EPE Unit II") was formed to serve as an incentive arrangement for Dr. Ralph S. Cunningham, an executive officer of our general partner. The officer, who is not a participant in EPE Unit I, was granted a "profits interest" award in EPE Unit II. EPCO serves as the general partner of EPE Unit II.

At inception, EPE Unit II used $1.5 million in contributions it received from an affiliate of EPCO (which was admitted as the Class A limited partner of EPE Unit II as a result of such contribution) to purchase 40,725 units of Enterprise GP Holdings at an average price of $36.91 per unit in December 2006. The officer was issued a Class B limited partner interest in EPE Unit II without any capital contribution.

Unless otherwise agreed upon by EPCO, the Class A limited partner and the Class B limited partner, EPE Unit II will be liquidated upon the earlier of (i) December 2011 or (ii) a change in control of Enterprise GP Holdings or its general partner, EPE Holdings. Upon liquidation of the EPE Unit II, units having a fair market value equal to the Class A limited partner's capital base will be distributed to the Class A limited partner, plus any Class A preferred return for the quarter in which liquidation occurs. Any remaining units will be distributed to the Class B limited partner as a residual profits interest award in EPE Unit II.

The fair value of the Class B limited partnership equity award in EPE Unit II was estimated on the date of grant using the Black-Scholes option pricing model, which incorporated various assumptions including (i) an expected life of the award of five years, (ii) risk-free interest rate of 4.4%, (iii) an expected distribution yield on units of Enterprise GP Holdings of 3.8%, and (iv) an expected Enterprise GP Holdings unit price volatility of 18.7%.

For the year ended December 31, 2006 we recorded a nominal amount of non-cash compensation expense associated with EPE Unit II. As of December 31, 2006, there was $0.2 million of total unrecognized compensation cost related to this profits interest, of which we estimate our share to be $0.2 million. This cost is expected to be recognized on a straight-line basis through December 2010.

NOTE 6. EMPLOYEE BENEFIT PLANS

During the first quarter of 2005, we acquired a controlling ownership interest in Dixie, which resulted in it becoming a consolidated subsidiary of ours. Dixie employs the personnel that operate its pipeline system and certain of these employees are eligible to participate in a defined contribution plan and pension and postretirement benefit plans. Due to the immaterial nature of Dixie's employee benefit plans to our consolidated financial position, results of operations and cash flows, our discussion is limited to the following:

Defined Contribution Plan

Dixie contributed $0.3 million to its company-sponsored defined contribution plan during 2006 and 2005.

Pension and Postretirement Benefit Plans

Dixie's pension plan is a noncontributory defined benefit plan that provides for the payment of benefits to retirees based on their age at retirement, years of service and average compensation. Dixie's postretirement benefit plan also provides medical and life insurance to retired employees. The medical plan is contributory and the life insurance plan is noncontributory. Dixie employees hired after July 1, 2004 are not eligible for pension and other benefit plans after retirement.

The following table presents Dixie's benefit obligations, fair value of plan assets, unfunded liabilities and accrued benefit liabilities at December 31, 2006.

	Pension Plan	Postretirement Plan
Projected benefit obligation	$ 9,006	$ 5,311
Accumulated benefit obligation	6,625	5,311
Fair value of plan assets	7,731	—
Unfunded liability	1,274	5,311
Accrued benefit liability	1,186	5,311

Projected benefit obligations and net periodic benefit costs are based on actuarial estimates and assumptions. The weighted-average actuarial assumptions used in determining the projected benefit obligation at December 31, 2006 were as follows: discount rate of 5.75%, expected long-term rate of return on assets of 7.00%; rate of compensation increase of 4.00%; and a medical trend rate of 9.00% for 2007 grading to an ultimate trend of 5.00% for 2010 and later years. Dixie's net pension and postretirement benefit costs for 2006 were $0.7 million and $0.3 million, respectively.

Future benefits expected to be paid from Dixie's pension and postretirement plans are as follows for the periods indicated:

	Pension Plan	Postretirement Plan
2007	$ 621	$ 333
2008	526	331
2009	754	357
2010	765	395
2011	883	433
2012 through 2015	5,408	2,168
Total	$ 8,957	$ 4,017

On December 31, 2006, Dixie adopted the recognition and disclosure provisions of SFAS 158. SFAS 158 requires Dixie to recognize the funded status of its defined benefit pension and other postretirement plans as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income.

The incremental effects of Dixie's implementation of SFAS 158 on our Consolidated Balance Sheets at December 31, 2006 are presented in the following table. Had we not been required to adopt SFAS 158 at December 31, 2006, we would have recognized an additional minimum liability pursuant to the provisions of SFAS 87.

	At December 31, 2006		
	Prior to Adopting SFAS 158	Effect of Adopting SFAS 158	As Reported
Liability for Dixie benefit plans	$ 6,404	$ 751	$ 7,155
Deferred income taxes	—	(287)	(287)
Total liabilities	7,509,021	464	7,509,485
Accumulated other comprehensive income	—	(464)	(464)
Total equity	6,480,697	(464)	6,480,233

Included in Accumulated Other Comprehensive Income ("AOCI") on the Consolidated Balance Sheet at December 31, 2006 are the following amounts that have not been recognized in net periodic pension costs: unrecognized transition obligation of $1.2 million ($0.7 million, net of tax), unrecognized prior service costs of $1.5 million ($0.9 million, net of tax) and unrecognized actuarial loss of $3.1 million ($1.9 million, net of tax).

NOTE 7. FINANCIAL INSTRUMENTS

We are exposed to financial market risks, including changes in commodity prices and interest rates. In addition, we are exposed to fluctuations in exchange rates between the U.S. dollar and Canadian dollar with respect to a recently acquired NGL marketing business located in Canada. We may use financial instruments (i.e., futures, forwards, swaps, options and other financial instruments with similar characteristics) to mitigate the risks of certain identifiable and anticipated transactions. In general, the type of risks we attempt to hedge are those related to (i) variability of future earnings, (ii) fair values of certain debt instruments, and (iii) cash flows resulting from changes in applicable interest rates, commodity prices or exchange rates. As a matter of policy, we do not use financial instruments for speculative (or "trading") purposes.

We recognize financial instruments as assets and liabilities on our Consolidated Balance Sheets based on fair value. Fair value is generally defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, not in a forced or liquidation sale. The estimated fair values of our financial instruments have been determined using available market information and appropriate valuation techniques. We must use considerable judgment, however, in interpreting market data and developing these estimates. Accordingly, our fair value estimates are not necessarily indicative of the amounts that we could realize upon disposition of these instruments. The use of different market assumptions and/or estimation techniques could have a material effect on our estimates of fair value.

Changes in the fair value of financial instrument contracts are recognized currently in earnings unless specific hedge accounting criteria are met. If the financial instruments meet those criteria, the instrument's gains and losses offset the related results of the hedged item in earnings for a fair value hedge and are deferred in other comprehensive income for a cash flow hedge. Gains and losses related to a cash flow hedge are reclassified into earnings when the forecasted transaction affects earnings.

To qualify as a hedge, the transaction to be hedged must be exposed to commodity, interest rate or exchange rate risk and the hedging instrument must reduce the exposure and meet the hedging requirements of SFAS 133 (as amended and interpreted). We must formally designate the financial instrument as a hedge and document and assess the effectiveness of the hedge at inception and on a quarterly basis. Any ineffectiveness of the hedge is recorded in current earnings.

We routinely review our outstanding financial instruments in light of current market conditions. If market conditions warrant, some financial instruments may be closed out in advance of their contractual settlement dates thus realizing income or loss depending on the specific exposure. When this occurs, we may enter into a new financial instrument to reestablish the economic hedge to which the closed instrument relates.

Interest Rate Risk Hedging Program

Our interest rate exposure results from variable and fixed interest rate borrowings under various debt agreements. We assess cash flow risk related to interest rates by (i) identifying and measuring changes in our interest rate exposures that may impact future cash flows and (ii) evaluating hedging opportunities to manage these risks. We use analytical techniques to measure our exposure to fluctuations in interest rates, including cash flow sensitivity analysis models to forecast the expected impact of changes in interest rates on our future cash flows. Enterprise Products GP oversees the strategies associated with these financial risks and approves instruments that are appropriate for our requirements.

We manage a portion of our interest rate exposure by utilizing interest rate swaps and similar arrangements, which allow us to convert a portion of fixed-rate debt into variable-rate debt or a portion of variable-rate debt into fixed-rate debt. We believe it is prudent to maintain an appropriate balance of variable-rate and fixed-rate debt in the current business environment.

Fair Value Hedges – Interest Rate Swaps. As summarized in the following table, we had eleven interest rate swap agreements outstanding at December 31, 2006 that were accounted for as fair value hedges.

Hedged Fixed-Rate Debt	Number of Swaps	Period Covered by Swap	Termination Date of Swap	Fixed- to Variable-Rate (1)	Notional Amount
Senior Notes B, 7.50% fixed-rate, due Feb. 2011	1	Jan. 2004 to Feb. 2011	Feb. 2011	7.50%to 8.89%	$50 million
Senior Notes C, 6.375% fixed-rate, due Feb. 2013	2	Jan. 2004 to Feb. 2013	Feb. 2013	6.38% to7.43%	$200 million
Senior Notes G, 5.6% fixed-rate, due Oct. 2014	6	4th Qtr. 2004 to Oct. 2014	Oct. 2014	5.60% to 6.33%	$600 million
Senior Notes K, 4.95% fixed-rate, due June 2010	2	Aug. 2005 to June 2010	June 2010	4.95%to 5.76%	$200 million

(1) The variable rate indicated is the all-in variable rate for the current settlement period.

We have designated these interest rate swaps as fair value hedges under SFAS 133 since they mitigate changes in the fair value of the underlying fixed-rate debt. As effective fair value hedges, an increase in the fair value of these interest rate swaps is equally offset by an increase in the fair value of the underlying hedged debt. The offsetting changes in fair value have no effect on current period interest expense.

These eleven agreements have a combined notional amount of $1.1 billion and match the maturity dates of the underlying debt being hedged. Under each swap agreement, we pay the counterparty a variable interest rate based on the six-month London interbank offered rate ("LIBOR") (plus an applicable margin as defined in each swap agreement), and receive back from the counterparty a fixed interest rate payment based on the stated interest rate of the debt being hedged, with both payments calculated using the notional amounts stated in each swap agreement. We settle amounts receivable from or payable to the counterparties every six months (the "settlement period"). The settlement amount is amortized ratably to earnings as either an increase or a decrease in interest expense over the settlement period.

The total fair value of these eleven interest rate swaps at December 31, 2006, was a liability of $29.1 million, with an offsetting decrease in the fair value of the underlying debt. Interest expense for the years ended December 31, 2006, 2005 and 2004 reflects a $5.2 million loss, $10.8 million benefit and $9.1 million benefit from these swap agreements, respectively.

Cash Flow Hedges – Forward-Starting Interest Rate Swaps. During the first nine months of 2004, we entered into eight forward-starting interest rate swaps having an aggregate notional value of $2.0 billion in anticipation of our financing activities associated with closing the GulfTerra Merger. Our purpose in entering into these financial instruments was to effectively hedge the underlying U.S. treasury rate related to our issuance of $2.0 billion in principal amount of fixed-rate debt. In October 2004, the Operating Partnership issued $2.0 billion of private placement debt under Senior Notes E through H. Each of the forward-starting swaps was designated as a cash flow hedge under SFAS 133.

In April 2004, we elected to terminate the initial four forward-starting swaps in order to manage and maximize the value of the swaps and to reduce future debt service costs. As a result, we received $104.5 million in cash from the counterparties. In September 2004, we settled the remaining four swaps resulting in an $85.1 million payment to the counterparties.

The following table shows the notional amount covered by each forward-starting swap and the cash gain (loss) associated with each swap upon settlement:

Term of Anticipated Debt Offering (or Forecasted Transaction)	Notional Amount of Debt Covered by Forward Starting Swaps	Net Cash Received Upon Settlement of Forward Starting Swaps
3-year, fixed-rate debt instrument	$ 500,000	$ 4,613
5-year, fixed-rate debt instrument	500,000	7,213
10-year, fixed-rate debt instrument	650,000	10,677
30-year, fixed-rate debt instrument	350,000	(3,098)
Total	$ 2,000,000	$ 19,405

The net gain of $19.4 million from these settlements will be reclassified from AOCI to reduce interest expense over the life of the associated debt. We reclassified $4.2 million, $4.0 million and $1.3 million from AOCI during the years ended December 31, 2006, 2005 and 2004, respectively, which reduced the amount of interest expense we recognized.

Cash Flow Hedges – Treasury Locks. During the second quarter of 2006, the Operating Partnership entered into a treasury lock transaction having a notional amount of $250.0 million. In addition, in July 2006, the Operating Partnership entered into an additional treasury lock transaction having a notional amount of $50.0 million. A treasury lock is a specialized agreement that fixes the price (or yield) on a specific treasury security for an established period of time. A treasury lock purchaser is protected from a rise in the yield of the underlying treasury security during the lock period. The Operating Partnership's purpose of entering into these transactions was to hedge the underlying U.S. treasury rate related to its anticipated issuance of subordinated debt during the second quarter of 2006. In July 2006, the Operating Partnership issued $300.0 million in principal amount of its Junior Subordinated Notes A (see Note 14). Each of the treasury lock transactions was designated as a cash flow hedge under SFAS 133. In July 2006, the Operating Partnership elected to terminate these treasury lock transactions and recognized a minimal gain.

During the fourth quarter of 2006, the Operating Partnership entered into treasury lock transactions having a notional value of $562.5 million. The Operating Partnership entered into these transactions to hedge the underlying U.S. treasury rates related to its anticipated issuances of subordinated debt during the second and fourth quarters of 2007. Each of the treasury lock transactions was designated as a cash flow hedge under SFAS 133. At December 31, 2006, the value of the treasury locks was $11.2 million.

Commodity Risk Hedging Program

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

The primary purpose of our commodity risk management activities is to hedge our exposure to price risks associated with (i) natural gas purchases, (ii) the value of NGL production and inventories, (iii) related firm commitments, (iv) fluctuations in transportation revenues where the underlying fees are based on natural gas index prices, and (v) certain anticipated transactions involving either natural gas, NGLs or certain petrochemical products. The commodity financial instruments we utilize may be settled in cash or with another financial instrument.

We have adopted a policy to govern our use of commodity financial instruments to manage the risks of our natural gas and NGL businesses. The objective of this policy is to assist us in achieving our profitability goals while maintaining a portfolio with an acceptable level of risk, defined as remaining within the position limits established by Enterprise Products GP. We may enter into risk management transactions to manage price risk, basis risk, physical risk or other risks related to our commodity positions on both a short-term (less than 30 days) and long-term basis, not to exceed 24 months. Enterprise Products GP oversees the strategies associated with physical and financial risks (such as those mentioned previously), approves specific activities subject to the policy (including authorized products, instruments and markets) and establishes specific guidelines and procedures for implementing and ensuring compliance with the policy.

At December 31, 2006, we had a limited number of commodity financial instruments in our portfolio, which primarily consisted of economic hedges. The fair value of our commodity financial instrument portfolio at December 31, 2006 was a liability of $3.2 million. During the years ended December 31, 2006, 2005 and 2004, we recorded $10.3 million, $1.1 million and $0.4 million, respectively, of income related to our commodity financial instruments, which is included in operating costs and expenses on our Statements of Consolidated Operations.

Foreign Currency Hedging Program

In October 2006, we acquired all of the outstanding stock of an affiliated NGL marketing company located in Canada from EPCO and Dan L. Duncan. Since this foreign subsidiary's functional currency is the Canadian dollar, we could be adversely affected by fluctuations in foreign currency exchange rates. We attempt to hedge this risk using foreign purchase contracts to fix the exchange rate. As of December 31, 2006, we had entered into foreign purchase contracts valued at $5.1 million, all of which settled in January 2007. In January and February 2007, we entered into $3.8 million and $4.8 million, respectively, of such instruments. These contracts typically settle in the month following their inception. Due to the limited duration of these contracts, we utilize mark-to-market accounting for these transactions, the effect of which has had a minimal impact on our earnings.

Fair Value Information

Cash and cash equivalents, accounts receivable, accounts payable and accrued expenses 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 obligations reasonably approximate their fair values due to their variable interest rates. The fair values associated with our interest rate and commodity hedging portfolios were developed using available market information and appropriate valuation techniques.

The following table presents the estimated fair values of our financial instruments at the dates indicated:

Financial Instruments	At December 31, 2006 Carrying Value	At December 31, 2006 Fair Value	At December 31, 2005 Carrying Value	At December 31, 2005 Fair Value
Financial assets:				
Cash and cash equivalents	$ 46,286	$ 46,286	$ 57,050	$ 57,050
Accounts receivable	1,323,028	1,323,028	1,454,583	1,454,583
Commodity financial instruments (1)	1,472	1,472	1,114	1,114
Financial liabilities:				
Accounts payable and accrued expenses	1,774,976	1,774,976	1,763,390	1,763,390
Fixed-rate debt (principal amount)	4,909,068	4,955,176	4,359,068	4,395,110
Variable-rate debt	420,000	420,000	507,000	507,000
Commodity financial instruments (1)	4,655	4,655	1,167	1,167
Interest rate hedging financial instruments (2)	29,060	29,060	19,179	19,179

(1) Represent commodity financial 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) Represent interest rate hedging financial instrument transactions that have not settled. Settled transactions are reflected in either accounts receivable or accounts payable depending on the outcome of the transaction.

NOTE 8. CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES

During the years ended December 31, 2006, 2005 and 2004, we recorded various amounts related to the cumulative effect of changes in accounting principles, including (i) a benefit of $1.5 million in January 2006 related to the implementation of SFAS 123(R), (ii) a charge of $4.2 million in December 2005 related to our implementation of FIN 47, and (iii) a combined benefit of $10.8 million during 2004 related to changing a subsidiary's accounting method for planned major maintenance activities and the method we use to account for our investment in Venice Energy Services Company, LLC ("VESCO").

See Note 6 regarding the balance sheet impact of adopting SFAS 158 at December 31, 2006, which had no effect on net income.

SAB 108, "*Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements,*" addresses how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. This SAB requires us to quantify errors using both a balance sheet and an income statement approach and evaluate whether either approach results in quantifying a misstatement that, when all relevant quantitative and qualitative factors are considered, is material. The provisions of SAB 108 did not have a material impact on our consolidated financial statements.

Effect of Implementation of SFAS 123(R)

SFAS 123(R) requires us to recognize compensation expense related to our equity awards based on the fair value of the award at the grant date. The fair value of an equity award is estimated using the Black-Scholes option pricing model. Under SFAS 123(R), the fair value of an award is amortized to earnings on a straight-line basis over the requisite service or vesting period. Previously recognized deferred compensation related to restricted units was reversed on January 1, 2006.

Upon our adoption of SFAS 123(R), we recognized, as a benefit, a cumulative effect of a change in accounting principle of $1.5 million based on the SFAS 123(R) requirement to recognize compensation expense based upon the grant date fair value of an equity award and the application of an estimated forfeiture rate to unvested awards. See Notes 2 and 5 for additional information regarding our accounting for equity awards.

Effect of Implementation of FIN 47

In December 2005, we adopted FIN 47, which required us to record a liability for AROs in which the timing and/or amount of settlement of the obligation is uncertain. These conditional asset retirement obligations were not addressed in SFAS 143, which we adopted on January 1, 2003. We recorded a charge of $4.2 million in connection with our implementation of FIN 47, which represents the depreciation and accretion expense we would have recognized in prior periods had we recorded these conditional asset retirement obligations when incurred (see Note 10).

Effect of Change from the Accrue-In-Advance Method to the Expense-As-Incurred Method for BEF Major Maintenance Costs

In January 2004, our Belvieu Environmental Fuels ("BEF") subsidiary changed its accounting method for planned major maintenance activities from the accrue-in-advance method to the expense-as-incurred approach. BEF owns an octane-additive production facility that undergoes periodic planned outages of 30 to 45 days for major maintenance work. These planned shutdowns typically result in significant expenditures, which are principally comprised of amounts paid to third parties for materials, contract services and other related items. This accounting change conformed BEF's accounting policy for such costs to that followed by our other operations, which use the expense-as-incurred approach. As such, we believe this change was preferable under the circumstances. The cumulative effect of this accounting change for years prior to 2004 resulted in a benefit of $7.0 million.

Effect of Changing from the Cost Method to the Equity Method with Respect to our Investment in VESCO

In July 2004, we changed the method we use to account for our investment in VESCO from the cost method to the equity method in accordance with EITF 03-16, "*Accounting for Investments in Limited Liability Companies.*"EITF 03-16 requires partnership-type accounting for investments in limited partnerships and limited liability companies that have separate ownership accounts for each investor. As a result of EITF 03-16, investors are required to apply the equity method of accounting to such investments at a much lower ownership threshold (typically any ownership interest greater than 3% to 5%) than the traditional 20% threshold applied under APB 18, "*The Equity Method of Accounting for Investments in Common Stock*."

Prior to adopting EITF 03-16, we accounted for our 13.1% investment in VESCO using the cost method. As a result, we recognized dividend income from VESCO to the extent we received cash distributions from them. Our cumulative effect adjustment for EITF 03-16 represents (i) equity earnings from VESCO that would have been recorded had we used the equity method of accounting prior to 2004 less (ii) the dividend income we recorded from VESCO using the cost method prior to 2004. The cumulative effect of this accounting change resulted in a benefit of $3.8 million.

The following table shows unaudited pro forma net income for the years ended December 31, 2006, 2005 and 2004, assuming these accounting changes noted above were applied retroactively to January 1, 2004.

	For the Year Ended December 31,		
	2006	2005	2004
Pro forma income statement amounts:			
Historical net income	$ 601,155	$ 419,508	$ 268,261
Adjustments to derive pro forma net income:			
Effect of implementation of SFAS 123(R):			
Remove cumulative effect of change in accounting principle recorded in January 2006	(1,472)	—	—
Additional compensation expense that would have been recorded for unit options	—	(708)	(932)
Remove compensation expense related to awards of profits interests in EPE Unit L.P.	—	1,271	—
Effect of implementation of FIN 47:			
Remove cumulative effect of change in accounting principle recorded in December 2005	—	4,208	—
Record depreciation and accretion expense associated with conditional asset retirement obligations	—	(735)	(373)
Effect of change from the accrue-in-advance method to the expense-as-incurred method for BEF major maintenance costs:			
Remove cumulative effect of change in accounting principle recorded in January 2004	—	—	(7,013)
Remove minority interest expense associated with change in accounting principle - Sun 33.33% portion	—	—	2,338
Effect of changing from the cost method to the equity method with respect to our investment in VESCO:			
Remove cumulative effect of change in accounting principle recorded in July 2004	—	—	(3,768)
Remove historical dividend income recorded from VESCO	—	—	(2,136)
Record equity earnings from VESCO	—	—	2,429
Pro forma net income	599,683	423,544	258,806
Enterprise Products GP interest	(96,969)	(71,077)	(36,919)
Pro forma net income available to limited partners	$ 502,714	$ 352,467	$ 221,887
Pro forma per unit data (basic):			
Historical units outstanding	414,442	382,463	265,511
Per unit data:			
As reported	$ 1.22	$ 0.91	$ 0.87
Pro forma	$ 1.21	$ 0.92	$ 0.84
Pro forma per unit data (diluted):			
Historical units outstanding	414,759	382,963	266,045
Per unit data:			
As reported	$ 1.22	$ 0.91	$ 0.87
Pro forma	$ 1.21	$ 0.92	$ 0.83

NOTE 9. INVENTORIES

Our inventory amounts were as follows at the dates indicated:

	At December 31,	
	2006	2005
Working inventory	$ 387,973	$ 279,237
Forward-sales inventory	35,871	60,369
Inventory	$ 423,844	$ 339,606

Our regular trade (or "working") inventory is comprised of inventories of natural gas, NGLs and certain petrochemical products that are available-for-sale or used by us in the provision of services. Our forward-sales inventory consists of segregated NGL and natural gas volumes dedicated to the fulfillment of forward-sales contracts. 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. We value our inventories at the lower of average cost or market.

Operating costs and expenses, as presented on our Statements of Consolidated Operations, include cost of sales amounts related to the sale of inventories. Our costs of sales were $11.8 billion, $10.3 billion and $7.2 billion for the years ended December 31, 2006, 2005 and 2004, respectively.

In those instances where we take ownership of inventory volumes through percent-of-liquids contracts and similar arrangements (as opposed to actually purchasing volumes for cash from third parties, see Note 4), these volumes are valued at market-related prices during the month in which they are acquired. We capitalize as a component of inventory those ancillary costs (e.g. freight-in and other handling and processing charges) incurred in connection with volumes obtained through such contracts.

Due to fluctuating commodity prices in the NGL, natural gas and petrochemical industry, we recognize lower of cost or market ("LCM") adjustments when the carrying value of our inventories exceed their net realizable value. These non-cash charges are a component of cost of sales in the period they are recognized and generally affect our segment operating results in the following manner:

- Write-downs of NGL inventories are recorded as a cost of our NGL marketing activities within our NGL Pipelines & Services business segment;
- Write-downs of natural gas inventories are recorded as a cost of our natural gas pipeline operations within our Onshore Natural Gas Pipelines & Services business segment; and
- Write-downs of petrochemical inventories are recorded as a cost of our petrochemical marketing activities or octane-additive production business within our Petrochemical Services business segment, as applicable.

For the years ended December 31, 2006, 2005 and 2004, we recognized LCM adjustments of approximately $18.6 million, $21.9 million and $9.4 million, respectively. To the extent our commodity hedging strategies address inventory-related risks and are successful, these inventory valuation adjustments are mitigated or offset. See Note 7 for a description of our commodity hedging activities.

NOTE 10. 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	At December 31, 2006	2005
Plants and pipelines [1]	3-35 [5]	$ 8,774,683	$ 8,209,580
Underground and other storage facilities [2]	5-35 [6]	596,649	549,923
Platforms and facilities [3]	23-31	161,839	161,807
Transportation equipment [4]	3-10	27,008	24,939
Land		40,010	38,757
Construction in progress		1,734,083	854,595
Total		11,334,272	9,839,601
Less accumulated depreciation		1,501,725	1,150,577
Property, plant and equipment, net		$ 9,832,547	$ 8,689,024

(1) Plants and pipelines include processing plants; NGL, petrochemical, 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, 18-35 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).

Depreciation expense for the years ended December 31, 2006, 2005 and 2004 was $350.8 million, $328.7 million and $161.0 million, respectively. A significant portion of the year-to-year increase in depreciation expense between 2005 and 2004 is attributable to assets we acquired in connection with the GulfTerra Merger, which was completed in September 2004.

We capitalized $55.7 million, $22.0 million and $2.8 million of interest in connection with capital projects during the years ended December 31, 2006, 2005 and 2004, respectively.

Purchase of Pioneer Plant from TEPPCO. In March 2006, we paid $38.2 million to TEPPCO for its Pioneer natural gas processing plant located in Opal, Wyoming and certain natural gas processing rights related to production from the Jonah and Pinedale fields located in the Greater Green River Basin in Wyoming. After completing this asset purchase, we increased the capacity of the Pioneer natural gas processing plant at an additional cost of $21.0 million. This expansion was completed in July 2006 and enables us to process natural gas production from the Jonah and Pinedale fields that will be transported to our Wyoming facilities as a result of the contract rights we acquired from TEPPCO. Of the $38.2 million we paid TEPPCO to acquire the Pioneer facility, $37.8 million was allocated to the contract rights we acquired (see Note 13).

Purchase of Houston-area Pipelines from TEPPCO. In October 2006, we purchased certain idle pipeline assets in the Houston, Texas area from TEPPCO for $11.7 million in cash. These purchases are part of the pipeline projects we announced in July 2006 in connection with our new long-term natural gas transportation and storage contracts with CenterPoint Energy Resources Corp. The acquired pipelines will be modified for natural gas service.

See Note 17 for information regarding our relationship with TEPPCO.

Purchase of NGL Pipeline from ExxonMobil. In August 2006, we acquired a 220-mile pipeline from ExxonMobil Pipeline Company ("ExxonMobil") for $97.7 million in cash. This pipeline originates in Corpus Christi, Texas and extends to Pasadena, Texas. This pipeline is a component of the DEP South Texas NGL Pipeline System, which connects our Armstrong and Shoup NGL fractionation facilities located in South Texas to our Mont Belvieu facility.

Asset Retirement Obligations

We have recorded asset retirement obligations related to legal requirements to perform retirement activities as specified in contractual arrangements and/or governmental regulations. In general, our asset retirement obligations primarily result from (i) right-of-way agreements associated with our pipeline operations, (ii) leases of plant sites, and (iii) regulatory requirements triggered by the abandonment or retirement of certain underground storage assets and offshore facilities. In addition, our asset retirement obligations may result from the renovation or demolition of certain assets containing hazardous substances such as asbestos.

Previously, we recorded asset retirement obligations associated with the future retirement and removal activities of certain offshore assets located in the Gulf of Mexico. In December 2005, we adopted FIN 47 and recorded an additional $10.1 million in connection with conditional asset retirement obligations. The cumulative effect of this change in accounting principle for years prior to 2005 was a non-cash charge of $4.2 million. None of our assets are legally restricted for purposes of settling asset retirement obligations.

The following table presents information regarding our asset retirement obligations since December 31, 2005.

Asset retirement obligation liability balance, December 31, 2005	$ 16,795
Liabilities incurred	1,977
Liabilities settled	(1,348)
Revisions in estimated cash flows	5,650
Accretion expense	1,329
Asset retirement obligation liability balance, December 31, 2006	$ 24,403

Property, plant and equipment at December 31, 2006 and 2005 includes $3.0 million and $0.9 million, respectively, of asset retirement costs capitalized as an increase in the associated long-lived asset. Also, based on information currently available, we estimate that accretion expense will approximate $1.3 million for 2007, $1.4 million for 2008, $1.5 million for 2009, $1.7 million for 2010 and $1.8 million for 2011.

Certain of our unconsolidated affiliates have AROs recorded at December 31, 2006 and 2005 relating to contractual agreements and regulatory requirements. These amounts are immaterial to our financial statements.

NOTE 11. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED AFFILIATES

We own interests in a number of related businesses that are accounted for using the equity method of accounting. Our investments in and advances to unconsolidated affiliates are grouped according to the business segment to which they relate. See Note 16 for a general discussion of our business segments. The following table shows our investments in and advances to unconsolidated affiliates at the dates indicated.

	Ownership Percentage at December 31, 2006	Investments In and Advances To Unconsolidated Affiliates at December 31, 2006	Investments In and Advances To Unconsolidated Affiliates at December 31, 2005
NGL Pipelines & Services:			
VESCO	13.1%	$ 39,618	$ 39,689
K/D/S Promix, L.L.C. ("Promix")	50%	46,140	65,103
Baton Rouge Fractionators LLC ("BRF")	32.3%	25,471	25,584
Onshore Natural Gas Pipelines & Services:			
Jonah Gas Gathering Company ("Jonah")	14.4%	120,370	—
Evangeline [1]	49.5%	4,221	3,151
Coyote Gas Treating, LLC ("Coyote") [2]		—	1,493
Offshore Pipelines & Services:			
Poseidon Oil Pipeline, L.L.C. ("Poseidon")	36%	62,324	62,918
Cameron Highway Oil Pipeline Company ("Cameron Highway")	50%	60,216	58,207
Deepwater Gateway, L.L.C. ("Deepwater Gateway")	50%	117,646	115,477
Neptune Pipeline Company, L.L.C. ("Neptune") [3]	25.7%	58,789	68,085
Nemo Gathering Company, LLC ("Nemo")	33.9%	11,161	12,157
Petrochemical Services:			
Baton Rouge Propylene Concentrator, LLC ("BRPC")	30%	13,912	15,212
La Porte [4]	50%	4,691	4,845
Total		$ 564,559	$ 471,921

(1) Refers to our ownership interests in Evangeline Gas Pipeline Company, L.P. and Evangeline Gas Corp., collectively.
(2) We sold our 50% interest in Coyote in August 2006 and recorded a net gain on the sale of $3.3 million.
(3) In 2006, we recorded a $7.4 million non-cash impairment charge attributable to our investment in Neptune.
(4) Refers to our ownership interests in La Porte Pipeline Company, L.P. and La Porte GP, LLC, collectively.

On occasion, the price we pay to acquire an ownership interest in a company exceeds the underlying book value of the capital accounts we acquire. Such excess cost amounts are included within the carrying values of our investments in and advances to unconsolidated affiliates. At December 31, 2006 and 2005, our investments in Promix, La Porte, Neptune, Poseidon, Cameron Highway and Nemo included excess cost amounts totaling $38.7 million and $48.1 million, respectively, all of which were 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 such excess cost amounts was $2.1 million, $2.3 million and $1.9 million for the years ended December 31, 2006, 2005 and 2004, respectively.

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

	For the Year Ended December 31,		
	2006	2005	2004
NGL Pipelines & Services:			
Dixie [(1)]	$ —	$ 1,103	$ 1,273
VESCO [(2)]	1,719	1,412	6,132
Belle Rose [(1)]	—	(151)	(402)
Promix	1,353	1,876	859
BRF	2,643	1,313	2,190
Tri-States [(1)]	—	—	(154)
Onshore Natural Gas Pipelines & Services:			
Evangeline	958	331	231
Coyote	1,676	2,053	541
Jonah	238	—	—
Offshore Pipelines & Services:			
Poseidon	11,310	7,279	2,509
Cameron Highway [(3)]	(11,000)	(15,872)	(461)
Deepwater Gateway	18,392	10,612	3,562
Neptune [(4)]	(8,294)	2,019	(1,852)
Nemo	1,501	1,774	1,628
Starfish Pipeline Company, LLC ("Starfish") [(5)]	—	313	3,473
Petrochemical Services:			
BRPC	1,864	1,224	1,943
La Porte	(795)	(738)	(710)
Other:			
GulfTerra GP [(6)]	—	—	32,025
Total	$ 21,565	$ 14,548	$ 52,787

(1) We acquired additional ownership interests in or control over these entities since January 1, 2004 resulting in our consolidation of each company's post-acquisition financial results with those of our own. Our consolidation of each company's post-acquisition financial results began in the following periods: Dixie, February 2005; Belle Rose, June 2005; and Tri-States, April 2004.

(2) As a result of adopting EITF 03-16 during 2004, we changed from the cost method to the equity method of accounting with respect to our investment in VESCO (see Note 8).

(3) Equity earnings from Cameron Highway for the year ended December 31, 2005 were reduced by a charge of $11.5 million for costs associated with the refinancing of Cameron Highway's project debt (see Note 14).

(4) Equity earnings from Neptune for 2006 include a $7.4 million non-cash impairment charge.

(5) We were required under a consent decree published for comment by the U.S. Federal Trade Commission on September 30, 2004 to sell our 50% interest in Starfish. On March 31, 2005, we sold this asset to a third party.

(6) In connection with the GulfTerra Merger (see Note 12), GulfTerra GP became a wholly-owned consolidated subsidiary of ours on September 30, 2004. We had previously accounted for our 50% ownership interest in GulfTerra GP as an equity method investment from December 15, 2003 through September 29, 2004.

NGL Pipelines & Services

At December 31, 2006, our NGL Pipelines & Services segment included the following unconsolidated affiliates accounted for using the equity method:

VESCO. We own a 13.1% interest in VESCO, which owns a natural gas processing facility and related assets located in South Louisiana. On July 1, 2004, we changed our method of accounting for VESCO from the cost method to the equity method in accordance with EITF 03-16 (see Note 8).

Promix. We own a 50% interest in Promix, which owns an NGL fractionation facility and related storage and pipeline assets located in South Louisiana.

BRF. We own an approximate 32.3% interest in BRF, which owns an NGL fractionation facility located in South Louisiana.

The combined balance sheet information for the last two years and results of operations data for the last three years of this segment's current unconsolidated affiliates are summarized below.

	At December 31,	
	2006	2005
BALANCE SHEET DATA:		
Current assets	$ 62,138	$ 72,784
Property, plant and equipment, net	242,083	328,270
Other assets	12,189	12,471
Total assets	$ 316,410	$ 413,525
Current liabilities	$ 30,686	$ 32,886
Other liabilities	8,117	7,343
Combined equity	277,607	373,296
Total liabilities and combined equity	$ 316,410	$ 413,525

	For the Year Ended December 31,		
	2006	2005	2004
INCOME STATEMENT DATA:			
Revenues	$ 190,320	$ 207,775	$ 244,521
Operating income (loss)	(26,885)	6,696	40,259
Net income (loss)	(25,543)	6,509	40,355

Onshore Natural Gas Pipelines & Services

At December 31, 2006, our Onshore Natural Gas Pipelines & Services segment included the following unconsolidated affiliates accounted for using the equity method:

Evangeline. We own an approximate 49.5% aggregate interest in Evangeline, which owns a natural gas pipeline located in South Louisiana. A subsidiary of Acadian Gas, LLC owns the Evangeline interests, which were contributed to Duncan Energy Partners in February 2007 in connection with its initial public offering (see Note 17).

Coyote. We owned a 50% interest in Coyote during 2005 and 2004, which owns a natural gas treating facility located in the San Juan Basin of southwestern Colorado. During 2006, we sold our interest in Coyote and recorded a gain on the sale of $3.3 million.

Jonah. At December 31, 2006, we owned an approximate 14.4% interest in Jonah, which owns the Jonah Gas Gathering System located in the Greater Green River Basin of southwestern Wyoming. Upon completion of the Jonah Phase V expansion project in 2007, we expect to own an approximate 20% equity interest in Jonah, with TEPPCO owning the remaining 80%. Our equity interest in Jonah at December 31, 2006 is based on capital contributions we made to Jonah in connection with its Phase V expansion project through this date. See Note 17 for additional information regarding our Jonah affiliate.

The combined balance sheet information for the last two years and results of operations data for the last three years of this segment's current unconsolidated affiliates are summarized below.

	At December 31,	
	2006	2005
BALANCE SHEET DATA:		
Current assets	$ 65,048	$ 36,118
Property, plant and equipment, net	639,641	36,380
Other assets	192,027	33,950
Total assets	$ 896,716	$ 106,448
Current liabilities	$ 49,708	$ 72,498
Other liabilities	28,802	32,737
Combined equity	818,206	1,213
Total liabilities and combined equity	$ 896,716	$ 106,448

	For the Year Ended December 31,		
	2006	2005	2004
INCOME STATEMENT DATA:			
Revenues	$ 372,240	$ 347,561	$ 257,957
Operating income	48,387	9,142	8,971
Net income	40,608	4,668	4,657

Offshore Pipelines & Services

At December 31, 2006, our Offshore Pipelines & Services segment included the following unconsolidated affiliates accounted for using the equity method:

Poseidon. We own a 36% interest in Poseidon, which owns a crude oil pipeline that gathers production from the outer continental shelf and deepwater areas of the Gulf of Mexico for delivery to onshore locations in South Louisiana.

Cameron Highway. We own a 50% interest in Cameron Highway, which owns a crude oil pipeline that gathers production from deepwater areas of the Gulf of Mexico, primarily the South Green Canyon area, for delivery to refineries and terminals in southeast Texas. The Cameron Highway Oil Pipeline commenced operations during the first quarter of 2005.

Deepwater Gateway. We own a 50% interest in Deepwater Gateway, which owns the Marco Polo platform located in the Gulf of Mexico. The Marco Polo platform processes crude oil and natural gas production from the Marco Polo, K2, K2 North and Ghengis Khan fields located in the South Green Canyon area of the Gulf of Mexico.

Neptune. We own a 25.7% interest in Neptune, which owns the Manta Ray Offshore Gathering and Nautilus Systems, which are natural gas pipelines located in the Gulf of Mexico.

Nemo. We own a 33.9% interest in Nemo, which owns the Nemo Gathering System, which is a natural gas pipeline located in the Gulf of Mexico.

In connection with obtaining regulatory approval for the GulfTerra Merger, we were required by the U.S. Federal Trade Commission to sell our ownership interest in Starfish by March 31, 2005. In March 2005, we sold this asset to a third party for $42.1 million in cash and realized a gain on the sale of $5.5 million.

The combined balance sheet information for the last two years and results of operations data for the last three years of this segment's current unconsolidated affiliates are summarized below.

	At December 31,	
	2006	2005
BALANCE SHEET DATA:		
Current assets	$ 56,689	$ 141,756
Property, plant and equipment, net	1,178,811	1,201,926
Other assets	10,108	7,961
Total assets	$ 1,245,608	$ 1,351,643
Current liabilities	$ 22,043	$ 120,611
Other liabilities	510,773	511,633
Combined equity	712,792	719,399
Total liabilities and combined equity	$ 1,245,608	$ 1,351,643

	For the Year Ended December 31,		
	2006	2005	2004
INCOME STATEMENT DATA:			
Revenues	$ 153,996	$ 154,297	$ 88,603
Operating income	71,977	78,027	46,938
Net income	42,732	29,086	38,473

Neptune owns the Manta Ray Offshore Gathering System ("Manta Ray") and Nautilus Pipeline System ("Nautilus"). Manta Ray gathers natural gas originating from producing fields located in the Green Canyon, South Green Canyon, Ship Shoal, South Timbalier and Ewing Bank areas of the Gulf of Mexico to numerous downstream pipelines, including the Nautilus pipeline. Nautilus connects our Manta Ray pipeline to our Neptune natural gas processing plant located in South Louisiana. Due to a recent decrease in throughput volumes on the Manta Ray and Nautilus pipelines, we evaluated our 25.7% investment in Neptune for impairment during the third quarter of 2006. The decrease in throughput volumes is primarily due to underperformance of certain fields, natural depletion and hurricane-related delays in starting new production. These factors contributed to significant delays in throughput volumes Neptune expects to receive. As a result, Neptune has experienced operating losses in recent periods.

At December 31, 2005, the carrying value of our investment in Neptune was $68.1 million, which included $10.9 million of excess cost related to its original acquisition in 2001. Our review of Neptune's estimated cash flows during the third quarter of 2006 indicated that the carrying value of our investment exceeded its fair value, which resulted in a non-cash impairment charge of $7.4 million. This loss is recorded as a component of "Equity in income of unconsolidated affiliates" in our Statement of Consolidated Operations for the year ended December 31, 2006. After recording this impairment charge, the carrying value of our investment in Neptune at December 31, 2006 was $58.8 million.

Our investment in Neptune was written down to fair value, which management estimated using recognized business valuation techniques. The fair value analysis is based upon management's expectation of future cash flows, which incorporates certain industry information and assumptions made by management. For example, the review of Neptune included management estimates regarding natural gas reserves of producers served by Neptune. If the assumptions underlying our fair value analysis change and expected cash flows are reduced, additional impairment charges may result in the future.

Petrochemical Services

At December 31, 2006, our Petrochemical Services segment included the following unconsolidated affiliates accounted for using the equity method:

BRPC. We own a 30% interest in BRPC, which owns a propylene fractionation facility located in South Louisiana.

La Porte. We own an aggregate 50% interest in La Porte, which owns a propylene pipeline extending from Mont Belvieu, Texas to La Porte, Texas.

The combined balance sheet information for the last two years and results of operations data for the last three years of this segment's current unconsolidated affiliates are summarized below.

	At December 31,	
	2006	2005
BALANCE SHEET DATA:		
Current assets	$ 3,324	$ 5,508
Property, plant and equipment, net	51,159	54,751
Total assets	$ 54,483	$ 60,259
Current liabilities	$ 832	$ 1,178
Other liabilities	2	1
Combined equity	53,649	59,080
Total liabilities and combined equity	$ 54,483	$ 60,259

	For the Year Ended December 31,		
	2006	2005	2004
INCOME STATEMENT DATA:			
Revenues	$ 19,014	$ 16,849	$ 18,378
Operating income	4,626	2,606	5,131
Net income	4,729	2,650	5,151

Other, Non-Segment

The Other, Non-Segment category is presented for financial reporting purposes only to reflect the historical equity earnings we received from GulfTerra GP. We acquired a 50% membership interest in GulfTerra GP on December 15, 2003, in connection with the GulfTerra Merger. Our $425.0 million investment in GulfTerra GP was accounted for using the equity method until the GulfTerra Merger was completed on September 30, 2004. On that date, GulfTerra GP became a wholly-owned consolidated subsidiary of ours. Since the historical equity earnings of GulfTerra GP were based on net income amounts allocated to it by GulfTerra, it is impractical for us to allocate the equity income we received during the periods presented to each of our business segments. Therefore, we have segregated equity earnings from GulfTerra GP from our other segment results to aid in comparability between the periods presented.

NOTE 12. BUSINESS COMBINATIONS

Transactions Completed During the Year Ended December 31, 2004

Our expenditures for business combinations during the year ended December 31, 2004 were $4.1 billion, which includes consideration paid or granted to complete the GulfTerra Merger in September 2004.

GulfTerra Merger and Related Transactions. On September 30, 2004, we completed the merger of GulfTerra with a wholly-owned subsidiary of ours. In addition, we completed certain other transactions related to the merger, including (i) the receipt of Enterprise Products GP's contribution of a 50% membership interest in GulfTerra GP, which was acquired by Enterprise Products GP from El Paso, and (ii) the purchase of certain midstream energy assets located in South Texas from El Paso. As a result of the merger transactions, GulfTerra and GulfTerra GP became wholly-owned subsidiaries of ours.

The aggregate value of the total consideration we paid or issued to complete the GulfTerra Merger was approximately $4.0 billion. In connection with closing the merger transactions, the Operating Partnership borrowed an aggregate $2.8 billion under its credit facilities to fund our cash payment obligations of the GulfTerra Merger and to finance tender offers for GulfTerra's outstanding senior and senior subordinated notes.

In connection with the GulfTerra Merger, we were required under a consent decree to sell our 50% interest in Starfish, which owns the Stingray natural gas pipeline, and an undivided 50% interest in a Mississippi propane storage facility. We completed the sale of the storage facility in December 2004 and the sale of our investment in Starfish in March 2005. Net income for 2005 includes a gain on the sale of assets of $5.5 million resulting from the sale of our 50% ownership interest in Starfish.

As a result of the final purchase price allocation for the GulfTerra Merger, we recorded $743.4 million of amortizable intangible assets and $387.1 million of goodwill.

Since the closing date of the GulfTerra Merger was September 30, 2004, our Statements of Consolidated Operations do not include any earnings from GulfTerra prior to October 1, 2004. The effective closing date of our purchase of the South Texas midstream assets from El Paso was September 1, 2004. As a result, our Statements of Consolidated Operations for the year ended December 31, 2004 include four months of earnings from the South Texas midstream assets. Our fiscal 2006 and 2005 results already reflect the businesses we acquired in connection with the GulfTerra Merger; therefore, no pro forma presentation of these two periods is required.

Given the GulfTerra Merger's significance to us, the following table presents selected pro forma earnings information for the year ended December 31, 2004 as if the GulfTerra Merger and related transactions had been completed on January 1, 2004 instead of September 30, 2004. This information was prepared based on financial data available to us and reflects certain estimates and assumptions made by our management. Our pro forma financial information is not necessarily indicative of what our consolidated financial results would have been had the GulfTerra Merger transactions actually occurred on January 1, 2004. The amounts shown in the following table are in millions, except per unit amounts.

	For Year Ended December 31, 2004
Pro forma earnings data:	
Revenues	$ 9,615
Costs and expenses	$ 9,067
Operating income	$ 576
Net income	$ 335
Basic earnings per unit ("EPU"):	
Units outstanding, as reported	265
Units outstanding , pro forma	378
Basic EPU, as reported	$ 0.87
Basic EPU, pro forma	$ 0.75
Diluted EPU:	
Units outstanding, as reported	266
Units outstanding , pro forma	379
Diluted EPU, as reported	$ 0.87
Diluted EPU, pro forma	$ 0.75

Other Transactions. In addition to the GulfTerra Merger, our business combinations during 2004 included the purchase of (i) an additional 16.7% ownership interest in Tri-States for $16.5 million, (ii) an additional 10% ownership interest in Seminole for $28 million, and (iii) the remaining 33.3% ownership interest in BEF for $13.4 million.

Transactions Completed During the Year Ended December 31, 2005

Our expenditures for business combinations during the year ended December 31, 2005 were $326.6 million, which included $8.3 million of purchase price adjustments relating to transactions that occurred prior to 2005. Due to the immaterial nature of our 2005 business combinations, our pro forma basic and diluted earnings per unit amounts for 2005 are practically the same as our actual basic and diluted earnings per unit amounts for 2005.

In January 2005, we acquired indirect ownership interests in the Indian Springs Gathering System and Indian Springs natural gas processing plant for $74.9 million. In January and February 2005, we acquired an additional 46% of the ownership interests in Dixie for $68.6 million. In June 2005, we acquired additional indirect ownership interests in our Mid-America Pipeline System and Seminole Pipeline for $25.0 million. Also in June 2005, we acquired an additional 41.7% ownership interest in Belle Rose, which owns an NGL pipeline located in Louisiana, for $4.4 million. In July 2005, we purchased three underground NGL storage facilities and four propane terminals from Ferrellgas L.P. ("Ferrellgas") for $145.5 million in cash. Dixie and Belle Rose became consolidated subsidiaries of ours in 2005 as a result of our acquisition of additional ownership interests in these two entities.

During 2005, we paid El Paso an additional $7.0 million in purchase price adjustments related to the GulfTerra Merger, the majority of which were related to merger-related financial advisory services and involuntary severance costs. In addition, we made various minor revisions to the GulfTerra Merger purchase price allocation before it was finalized on September 30, 2005.

Transactions Completed During the Year Ended December 31, 2006

Our expenditures for business combinations during the year ended December 31, 2006 were $276.5 million.

Encinal Acquisition. On July 1, 2006, we acquired the Encinal and Canales natural gas gathering systems and related gathering and processing contracts that comprised the South Texas natural gas transportation and processing business of an affiliate of Lewis Energy Group, L.P. ("Lewis"). The aggregate value of total consideration we paid or issued to complete this business combination (referred to as the "Encinal acquisition") was $326.3 million, which consisted of $145.2 million in cash and 7,115,844 of our common units.

The Encinal and Canales gathering systems are located in South Texas and are connected to over 1,450 natural gas wells producing from the Olmos and Wilcox formations. The Encinal system consists of 452 miles of pipeline, which is comprised of 280 miles of pipeline we acquired from Lewis in this transaction and 172 miles of pipeline that we own and had previously leased to Lewis. The Canales gathering system is comprised of 32 miles of pipeline. Currently, natural gas volumes gathered by the Encinal and Canales systems are transported by our existing Texas Intrastate System and are processed by our South Texas natural gas processing plants.

The Encinal and Canales gathering systems will be supported by a life of reserves gathering and processing dedication by Lewis related to its natural gas production from the Olmos formation. In addition, we entered into a 10-year agreement with Lewis for the transportation of natural gas treated at its proposed Big Reef facility. This facility will treat natural gas from the southern portion of the Edwards Trend in South Texas. We also entered into a 10-year agreement with Lewis for the gathering and processing of rich gas it produces from below the Olmos formation.

The total consideration we paid or granted to Lewis in connection with the Encinal acquisition is as follows:

Cash payment to Lewis	$ 145,197
Fair value of our 7,115,844 common units issued to Lewis	181,112
Total consideration	$ 326,309

In accordance with purchase accounting, the value of our common units issued to Lewis was based on the average closing price of such units immediately prior to and after the transaction was announced on July 12, 2006. For purposes of this calculation, the average closing price was $25.45 per unit.

Since the closing date of the Encinal acquisition was July 1, 2006, our Statements of Consolidated Operations do not include any earnings from these assets prior to this date. Given the relative size of the Encinal acquisition to our other business combination transactions during 2006, the following table presents selected pro forma earnings information for the years ended December 31, 2006 and 2005 as if the Encinal acquisition had been completed on January 1, 2006 and 2005, respectively, instead of July 1, 2006. This information was prepared based on financial data available to us and reflects certain estimates and assumptions made by our management. Our pro forma financial information is not necessarily indicative of what our consolidated financial results would have been had the Encinal acquisition actually occurred on January 1, 2005. The amounts shown in the following table are in millions, except per unit amounts.

	For the Year Ended December 31,	
	2006	2005
Pro forma earnings data:		
Revenues	$ 14,066	$ 12,408
Costs and expenses	$ 13,228	$ 11,758
Operating income	$ 859	$ 664
Net income	$ 598	$ 418
Basic earnings per unit ("EPU"):		
Units outstanding, as reported	414	382
Units outstanding , pro forma	422	389
Basic EPU, as reported	$ 1.22	$ 0.91
Basic EPU, pro forma	$ 1.19	$ 0.89
Diluted EPU:		
Units outstanding, as reported	415	383
Units outstanding , pro forma	422	390
Diluted EPU, as reported	$ 1.22	$ 0.91
Diluted EPU, pro forma	$ 1.19	$ 0.89

Piceance Creek Acquisition. On December 27, 2006, one of our affiliates, Enterprise Gas Processing, LLC, purchased a 100% interest in Piceance Creek Pipeline, LLC ("Piceance Creek"), for cash consideration of $100.0 million. Piceance Creek was wholly owned by EnCana Oil & Gas ("EnCana").

The assets of Piceance Creek consist of a recently constructed 48-mile natural gas gathering pipeline, the Piceance Creek Gathering System, located in the Piceance Basin of northwestern Colorado. The Piceance Creek Gathering System has a transportation capacity of 1.6 Bcf/d of natural gas and extends from a connection with EnCana's Great Divide Gathering System located near Parachute, Colorado, northward through the heart of the Piceance Basin to our 1.5 Bcf/d Meeker natural gas treating and processing complex, which is currently under construction. Connectivity to EnCana's Great Divide Gathering System will provide the Piceance Creek Gathering System with access to production from the southern portion of the Piceance basin, including production from EnCana's Mamm Creek field. The Piceance Creek Gathering System was placed in service in January 2007 and began transporting initial volumes of approximately 300 MMcf/d of natural gas. We expect natural gas transportation volumes to increase to approximately 625 MMcf/d by the end of 2007, with a significant portion of these volumes being produced by EnCana, one of the largest natural gas producers in the region. In conjunction with our acquisition of Piceance Creek, EnCana signed a long-term, fixed-fee gathering agreement with us and dedicated significant production to the Piceance Creek Gathering System for the life of the associated lease holdings.

Our preliminary allocation of this acquisition's purchase price was as follows: (i) $91.5 million allocated to property, plant and equipment and (ii) $8.5 million to identifiable intangible assets. See Note 13 for additional information regarding the Piceance Creek intangible assets. Since this transaction closed at year-end, our preliminary purchase price allocation is based on estimates and is subject to change when actual values are determined.

Other Transactions. In addition to the Encinal and Piceance Creek acquisitions, our business combinations during 2006 included the purchase of (i) an additional 8.2% ownership interest in Dixie for $12.9 million, (ii) all capital stock of an affiliated NGL marketing company located in Canada from related parties for $17.7 million (see Note 17), and (iii) a storage business in Flagstaff, Arizona for $0.7 million.

Purchase Price Allocation for 2006 Transactions

Our 2006 business combinations were accounted for using the purchase method of accounting and, accordingly, their cost has been allocated to assets acquired and liabilities assumed based on estimated preliminary fair values. Such preliminary values have been developed using recognized business valuation techniques and are subject to change pending a final valuation analysis. We expect to finalize the purchase price allocations for these transactions during 2007.

	Encinal Acquisition	Piceance Creek Acquisition	Other	Total
Assets acquired in business combination:				
Current assets	$ 218	$ —	$ 36,080	$ 36,298
Property, plant and equipment, net	100,310	91,540	12,369	204,219
Investments in and advances to unconsolidated affiliates	—	—	—	—
Intangible assets	132,872	8,460	—	141,332
Other assets	—	—	—	—
Total assets acquired	233,400	100,000	48,449	381,849
Liabilities assumed in business combination:				
Current liabilities	(2,149)	—	(18,836)	(20,985)
Long-term debt	—	—	—	—
Other long-term liabilities	(108)	—	(175)	(283)
Minority interest	—	—	1,865	1,865
Total liabilities assumed	(2,257)	—	(17,146)	(19,403)
Total assets acquired less liabilities assumed	231,143	100,000	31,303	362,446
Total consideration given	326,309	100,000	31,303	457,612
Goodwill	$ 95,166	$ —	$ —	$ 95,166

Of the $326.3 million in consideration we paid or granted to effect the Encinal acquisition, $95.2 million has been assigned to goodwill. Management attributes this goodwill to potential future benefits we expect to realize from our other South Texas processing and NGL businesses as a result of the Encinal acquisition. Specifically, the long-term dedication rights we acquired in connection with the Encinal acquisition are expected to improve earnings from our South Texas processing facilities and related NGL businesses due to increased volumes. See Note 13 for additional information regarding our intangible assets and goodwill.

NOTE 13. INTANGIBLE ASSETS AND GOODWILL

Identifiable Intangible Assets

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

	At December 31, 2006			At December 31, 2005		
	Gross Value	Accum. Amort.	Carrying Value	Gross Value	Accum. Amort.	Carrying Value
NGL Pipelines & Services:						
Shell Processing Agreement	$ 206,216	$ (67,204)	$ 139,012	$ 206,216	$ (56,157)	$ 150,059
Encinal gas processing customer relationship	127,119	(6,049)	121,070	—	—	—
STMA and GulfTerra NGL Business customer relationships (1)	49,784	(12,980)	36,804	49,784	(7,829)	41,955
Pioneer gas processing contracts	37,752	—	37,752	—	—	—
Markham NGL storage contracts (1)	32,664	(9,800)	22,864	32,664	(5,444)	27,220
Toca-Western contracts	31,229	(7,156)	24,073	31,229	(5,595)	25,634
Piceance Creek customer relationship	8,460	—	8,460	—	—	—
Other	35,370	(7,455)	27,915	35,370	(4,460)	30,910
Segment total	528,594	(110,644)	417,950	355,263	(79,485)	275,778
Onshore Natural Gas Pipelines & Services:						
San Juan Gathering System customer relationships (1)	331,311	(52,318)	278,993	331,311	(30,065)	301,246
Petal & Hattiesburg natural gas storage contracts (1)	100,499	(19,337)	81,162	100,499	(10,742)	89,757
Other	31,741	(5,747)	25,994	25,988	(3,148)	22,840
Segment total	463,551	(77,402)	386,149	457,798	(43,955)	413,843
Offshore Pipelines & Services:						
Offshore pipeline & platform customer relationships (1)	205,845	(54,636)	151,209	205,845	(32,480)	173,365
Other	1,167	—	1,167	1,167	—	1,167
Segment total	207,012	(54,636)	152,376	207,012	(32,480)	174,532
Petrochemical Services:						
Mont Belvieu propylene fractionation contracts	53,000	(7,445)	45,555	53,000	(5,931)	47,069
Other	3,674	(1,749)	1,925	3,674	(1,270)	2,404
Segment total	56,674	(9,194)	47,480	56,674	(7,201)	49,473
Total all segments	$ 1,255,831	$ (251,876)	$ 1,003,955	$ 1,076,747	$ (163,121)	$ 913,626

(1) Acquired in connection with the GulfTerra Merger and related transactions in September 2004.

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

	For the Year Ended December 31,		
	2006	2005	2004
NGL Pipelines & Services	$ 31,159	$ 26,350	$ 16,000
Onshore Natural Gas Pipelines & Services	33,447	35,080	8,875
Offshore Pipelines & Services	22,156	25,515	6,965
Petrochemical Services	1,993	1,993	1,973
Total all segments	$ 88,755	$ 88,938	$ 33,813

Based on information currently available, we estimate that amortization expense associated with existing intangible assets will approximate $91.6 million in 2007, $88.1 million in 2008, $82.1 million in 2009, $77.3 million in 2010 and $71.6 million in 2011.

In general, our intangible assets fall within two categories – contract-based intangible assets and customer relationships. Contract-based intangible assets represent commercial rights we acquired in connection with business combinations or asset purchases. Customer relationship intangible assets represent customer bases that we acquired in connection with business combinations and asset purchases. The values assigned to intangible assets are amortized to earnings using either (i) a straight-line approach or (ii) other methods that closely resemble the pattern in which the economic benefits of associated resource bases are estimated to be consumed or otherwise used, as appropriate.

We acquired $141.3 million of intangible assets during the year ended December 31, 2006, primarily attributable to customer relationships we acquired in connection with the Encinal acquisition. We acquired

$743.3 million of intangible assets during the year ended December 31, 2004 in connection with the GulfTerra Merger and related transactions.

The $132.9 million of intangible assets we acquired in connection with the Encinal acquisition (see Note 12) represents the value we assigned to customer relationships, particularly the long-term relationship we now have with Lewis through natural gas processing and gathering arrangements. We recorded $127.1 million in our NGL Pipelines & Services segment associated with processing arrangements and $5.8 million in our Onshore Natural Gas Pipelines & Services segment associated with gathering arrangements. These intangible assets will be amortized to earnings over a 20-year life using methods that closely resemble the pattern in which we estimate the depletion of the underlying natural gas resources to occur.

We acquired numerous customer relationship and contract-based intangible assets in connection with the GulfTerra Merger. The customer relationship intangible assets represent the exploration and production, natural gas processing and NGL fractionation customer bases served by GulfTerra and the South Texas midstream assets at the time the merger was completed. The contract-based intangible assets represent the rights we acquired in connection with discrete contracts to provide storage services for natural gas and NGLs that GulfTerra had entered into prior to the merger.

The value we assigned to these customer relationships is being amortized to earnings using methods that closely resemble the pattern in which the economic benefits of the underlying oil and natural gas resource bases from which the customers produce are estimated to be consumed or otherwise used. Our estimate of the useful life of each resource base is based on a number of factors, including third-party reserve estimates, the economic viability of production and exploration activities and other industry factors. This group of intangible assets primarily consists of the (i) Offshore Pipelines & Platforms customer relationships; (ii) San Juan Gathering System customer relationships; (iii) Texas Intrastate pipeline customer relationships; and (iv) STMA and GulfTerra NGL Business customer relationships.

The contract-based intangible assets we acquired in connection with the GulfTerra Merger are being amortized over the estimated useful life (or term) of each agreement, which we estimate to range from two to eighteen years. This group of intangible assets consists of the Petal and Hattiesburg natural gas storage contracts and the Markham NGL storage contracts.

The Shell Processing Agreement grants us the right to process Shell's (or its assignee's) current and future production within the state and federal waters of the Gulf of Mexico. We acquired this intangible asset in connection with our 1999 purchase of certain of Shell's midstream energy assets located along the Gulf Coast. The value of the Shell Processing Agreement is being amortized on a straight-line basis over the remainder of its initial 20-year contract term through 2019.

Goodwill

Goodwill represents the excess of the purchase price of an acquired business over the amounts assigned to assets acquired and liabilities assumed in the transaction. Goodwill is not amortized; however, it is subject to annual impairment testing. The following table summarizes our goodwill amounts by segment at the dates indicated:

	At December 31,	
	2006	**2005**
NGL Pipelines & Services		
GulfTerra Merger	$ 23,854	$ 23,927
Acquisition of Indian Springs natural gas processing business	13,162	13,180
Encinal acquisition	95,166	—
Other	20,413	17,853
Onshore Natural Gas Pipelines & Services		
GulfTerra Merger	279,956	280,812
Acquisition of Indian Springs natural gas gathering business	2,165	2,185
Offshore Pipelines & Services		
GulfTerra Merger	82,135	82,386
Petrochemical Services		
Acquisition of Mont Belvieu propylene fractionation business	73,690	73,690
Total	$ 590,541	$ 494,033

Goodwill recorded in connection with the GulfTerra Merger can be attributed to our belief (at the time the merger was consummated) that the combined partnerships would benefit from the strategic location of each partnership's assets and the industry relationships that each possessed. In addition, we expected that various operating synergies could develop (such as reduced general and administrative costs and interest savings) that would result in improved financial results for the merged entity. Based on miles of pipelines, GulfTerra was one of the largest natural gas gathering and transportation companies in the United States, serving producers in the central and western Gulf of Mexico and onshore in Texas and New Mexico. These regions offer us significant growth potential through the acquisition and construction of additional pipelines, platforms, processing and storage facilities and other midstream energy infrastructure.

In 2006, the only significant change in goodwill was the recording of $95.2 million in connection with our preliminary purchase price allocation for the Encinal acquisition. Management attributes this goodwill to potential future benefits we may realize from our other South Texas processing and NGL businesses as a result of acquiring the Encinal business. Specifically, our acquisition of the long-term dedication rights associated with the Encinal business is expected to add value to our South Texas processing facilities and related NGL businesses due to increased volumes. The Encinal goodwill is recorded as part of the NGL Pipelines & Services business segment due to management's belief that such future benefits will accrue to businesses classified within this segment.

The remainder of our goodwill amounts are associated with prior acquisitions, principally that of our purchase of a propylene fractionation business in February 2002 and our acquisition of indirect ownership interests in the Indian Springs natural gas gathering and processing business in January 2005.

NOTE 14. DEBT OBLIGATIONS

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

	At December 31,	
	2006	2005
Operating Partnership senior debt obligations:		
Multi-Year Revolving Credit Facility, variable-rate, due October 2011 (1)	$ 410,000	$ 490,000
Pascagoula MBFC Loan, 8.70% fixed-rate, due March 2010	54,000	54,000
Senior Notes B, 7.50% fixed-rate, due February 2011	450,000	450,000
Senior Notes C, 6.375% fixed-rate, due February 2013	350,000	350,000
Senior Notes D, 6.875% fixed-rate, due March 2033	500,000	500,000
Senior Notes E, 4.00% fixed-rate, due October 2007 (2)	500,000	500,000
Senior Notes F, 4.625% fixed-rate, due October 2009	500,000	500,000
Senior Notes G, 5.60% fixed-rate, due October 2014	650,000	650,000
Senior Notes H, 6.65% fixed-rate, due October 2034	350,000	350,000
Senior Notes I, 5.00% fixed-rate, due March 2015	250,000	250,000
Senior Notes J, 5.75% fixed-rate, due March 2035	250,000	250,000
Senior Notes K, 4.950% fixed-rate, due June 2010	500,000	500,000
Dixie Revolving Credit Facility, variable-rate, due June 2010	10,000	17,000
Other, 8.75% fixed-rate, due June 2010 (3)	5,068	5,068
Total principal amount of senior debt obligations	4,779,068	4,866,068
Operating Partnership Junior Subordinated Notes A, due August 2066	550,000	—
Total principal amount of senior and junior debt obligations	5,329,068	4,866,068
Other, including unamortized discounts and premiums and changes in fair value (4)	(33,478)	(32,287)
Long-term debt	$ 5,295,590	$ 4,833,781
Standby letters of credit outstanding	$ 49,858	$ 33,129

(1) In June 2006, the Operating Partnership executed a second amendment (the "Second Amendment") to the credit agreement governing its Multi-Year Revolving Credit Facility. The Second Amendment, among other things, extends the maturity date of amounts borrowed under the Multi-Year Revolving Credit Facility from October 2010 to October 2011 with respect to $1.25 billion of the commitments. Borrowings with respect to the remaining $48.0 million in commitments mature in October 2010.

(2) In accordance with SFAS 6, "*Classification of Short-Term Obligations Expected to be Refinanced*," long-term and current maturities of debt reflects the classification of such obligations at December 31, 2006. With respect to Senior Notes E due in October 2007, the Operating Partnership has the ability to use available credit capacity under its Multi-Year Revolving Credit Facility to fund the repayment of this debt.

(3) Represents remaining debt obligations assumed in connection with the GulfTerra Merger.

(4) The December 31, 2006 amount includes $29.1 million related to fair value hedges and a net $4.4 million in unamortized discounts and premiums. The December 31, 2005 amount includes $19.2 million related to fair value hedges and a net $13.1 million in unamortized discounts and premiums.

Letters of Credit

At December 31, 2006 and 2005, we had $49.9 million and $33.1 million, respectively, in standby letters of credit outstanding, all of which were issued under the Operating Partnership's Multi-Year Revolving Credit Facility. As of February 2, 2007, our standby letters of credit outstanding were reduced to $37.9 million.

Parent-Subsidiary Guarantor Relationships

We act as guarantor of the debt obligations of our Operating Partnership, with the exception of the Dixie revolving credit facility and the senior subordinated notes of GulfTerra. If the Operating Partnership were to default on any debt we guarantee, we would be responsible for full repayment of that obligation.

Our Operating Partnership's senior indebtedness is structurally subordinated to and ranks junior in right of payment to the indebtedness of GulfTerra and Dixie. This subordination feature exists only to the extent that the repayment of debt incurred by GulfTerra and Dixie is dependent upon the assets and operations of these two entities. The Dixie revolving credit facility is an unsecured obligation of Dixie (of which we own 74.2% of its capital stock). The senior subordinated notes of GulfTerra are unsecured obligations of GulfTerra (of which we own 100% of its limited and general partnership interests).

Operating Partnership Debt Obligations

Multi-Year Revolving Credit Facility. In August 2004, our Operating Partnership entered into a five-year multi-year revolving credit agreement in connection with the completion of the GulfTerra Merger. In October 2005, the borrowing capacity under this credit agreement was increased from $750 million to $1.25 billion, with the possibility that the borrowing capacity could be further increased to $1.4 billion (subject to certain conditions). In June 2006, our Operating Partnership amended the terms of this credit agreement a second time. The second amendment, among other things, extends the maturity date of the Multi-Year Revolving Credit Facility from October 2010 to October 2011 with respect to $1.25 billion of the commitments. Borrowings with respect to $48.0 million in commitments mature in October 2010. The Operating Partnership may make up to two requests for one-year extensions of the maturity date (subject to certain conditions). There is no limit on the amount of standby letters of credit that can be outstanding under the amended facility.

The Operating Partnership's borrowings under this agreement are unsecured general obligations that are non-recourse to Enterprise Products GP. We have guaranteed repayment of amounts due under this revolving credit agreement through an unsecured guarantee.

As defined by the credit agreement, variable interest rates charged under this facility generally bear interest, at our election at the time of each borrowing, at (i) the greater of (a) the Prime Rate or (b) the Federal Funds Effective Rate plus ½%, or (ii) a Eurodollar rate plus an applicable margin, or (iii) a Competitive Bid Rate.

This revolving credit agreement contains various covenants related to our ability to incur certain indebtedness, grant certain liens, enter into certain merger or consolidation transactions and make certain investments. The loan agreement also requires us to satisfy certain financial covenants at the end of each fiscal quarter. The second amendment modified these financial covenants to, among other things, allow the Operating Partnership to include in the calculation of its Consolidated EBITDA (as defined in the credit agreement) pro forma adjustments for significant capital projects. In addition, the second amendment allows for the issuance of hybrid debt securities, such as the $550.0 million in principal amount of Junior Subordinated Notes A issued by the Operating Partnership during the third quarter of 2006.

The Multi-Year Revolving Credit Facility restricts the Operating Partnership's ability to pay cash distributions to us if a default or an event of default (as defined in the credit agreement) has occurred and is continuing at the time such distribution is scheduled to be paid.

In March 2006, we generated net proceeds of $430.0 million in connection with the sale of 18,400,000 of our common units in an underwritten equity offering. In addition, in September 2006, we generated net proceeds of $320.8 million in connection with the sale of 12,650,000 of our common units in an underwritten equity offering. Subsequently, these amounts were contributed to the Operating Partnership, which primarily used such proceeds to temporarily reduce debt outstanding under its Multi-Year Revolving Credit Facility. See Note 15 for additional information regarding our equity offerings during 2006.

Pascagoula MBFC Loan. In connection with the construction of our Pascagoula, Mississippi natural gas processing plant in 2000, the Operating Partnership entered into a ten-year fixed-rate loan with the Mississippi Business Finance Corporation ("MBFC"). This loan is subject to a make-whole redemption right and is guaranteed by us through an unsecured and unsubordinated guarantee. The Pascagoula MBFC Loan contains certain covenants including the maintenance of appropriate levels of insurance on the Pascagoula facility.

The indenture agreement for this loan contains an acceleration clause whereby if the Operating Partnership's credit rating by Moody's declines below Baa3 in combination with our credit rating at Standard & Poor's declining below BBB-, the $54 million principal balance of this loan, together with all accrued and unpaid interest, would become immediately due and payable 120 days following such event. If such an event occurred, we would have to either redeem the Pascagoula MBFC Loan or provide an alternative credit agreement to support our obligation under this loan.

Senior Notes B through K. These fixed-rate notes are unsecured obligations of our Operating Partnership and rank equally with its existing and future unsecured and unsubordinated indebtedness. They are senior to any future subordinated indebtedness. The Operating Partnership's borrowings under these notes are non-recourse to Enterprise Products GP. We have guaranteed repayment of amounts due under these notes through an unsecured and unsubordinated guarantee. Our guarantee of such notes is non-recourse to Enterprise Products GP.

Senior Notes B, C and D are subject to make-whole redemption rights and were issued under an indenture containing certain covenants. These covenants restrict our ability, with certain exceptions, to incur debt secured by liens and engage in sale and leaseback transactions. The remainder of the Senior Notes (E through K) are also subject to similar covenants.

Senior Notes E, F, G and H were issued as private placement debt in September 2004 and generated an aggregate $2 billion in proceeds, which were used to repay amounts borrowed under an acquisition-related credit facility. Senior Notes E through H were exchanged for registered debt securities in March 2005.

Senior Notes I and J were issued as private placement debt in February 2005 and generated an aggregate $500 million in proceeds, which were used to repay $350 million due under a senior note obligation that matured in March 2005 and the remainder for general partnership purposes, including the temporary repayment of amounts then outstanding under the Multi-Year Revolving Credit Facility. Senior Notes I and J were exchanged for registered debt securities in August 2005.

Senior Notes K were issued as registered securities in June 2005 and generated $500 million in proceeds, which were used for general partnership purposes, including the temporary repayment of amounts then outstanding under the Multi-Year Revolving Credit Facility. Senior Notes K were issued under the $4 billion universal shelf registration statement we filed in March 2005 (see Note 15).

Junior Subordinated Notes A. In the third quarter of 2006, the Operating Partnership sold $550.0 million in principal amount of fixed/floating, unsecured, long-term subordinated notes due 2066 ("Junior Subordinated Notes A"). The Operating Partnership used the proceeds from this subordinated debt to temporarily reduce borrowings outstanding under its Multi-Year Revolving Credit Facility and for general partnership purposes. The Operating Partnership's payment obligations under Junior Subordinated Notes A are subordinated to all of its current and future senior indebtedness (as defined in the related indenture agreement). We guaranteed the Operating Partnership's repayment of amounts due under Junior Subordinated Notes A through an unsecured and subordinated guarantee.

The indenture agreement governing Junior Subordinated Notes A allows the Operating Partnership to defer interest payments on one or more occasions for up to ten consecutive years, subject to certain conditions. The indenture agreement also provides that unless (i) all deferred interest on Junior Subordinated Notes A has been paid in full as of the most recent interest payment date, (ii) no event of default under the indenture agreement has occurred and is continuing, and (iii) we are not in default of our obligations under related guarantee agreements, neither we nor the Operating Partnership cannot declare or make any distributions to any of our respective equity securities or make any payments on indebtedness or other obligations that rank pari passu with or are subordinated to the Junior Subordinated Notes A.

The Junior Subordinated Notes A will bear interest at a fixed annual rate of 8.375% from July 2006 to August 2016, payable semi-annually in arrears in February and August of each year, commencing in February 2007. After August 2016, the Junior Subordinated Notes A will bear variable-rate interest at an annual rate equal to the 3-month LIBOR rate for the related interest period plus 3.708%, payable quarterly in arrears in February, May, August and November of each year commencing in November 2016. Interest payments may be deferred on a cumulative basis for up to ten consecutive years, subject to the certain provisions. The Junior Subordinated Notes A mature in August 2066 and are not redeemable by the Operating Partnership prior to August 2016 without payment of a make-whole premium.

In connection with the issuance of Junior Subordinated Notes A, the Operating Partnership entered into a Replacement Capital Covenant in favor of the covered debt holders (as defined in the underlying documents) pursuant to which the Operating Partnership agreed for the benefit of such debt holders that it would not redeem or repurchase such junior notes unless such redemption or repurchase is made using proceeds from the issuance of certain securities.

Dixie Revolving Credit Facility

As a result of acquiring a controlling interest in Dixie in February 2005, we began consolidating the financial statements of Dixie with those of our own. In accordance with GAAP, we consolidate the debt of Dixie with that of our own; however, we do not have the obligation to make interest or debt payments with respect to Dixie's debt. Dixie's debt obligations consist of a senior, unsecured revolving credit facility having a borrowing capacity of $28.0 million. The maturity date of this facility was extended from June 2007 to June 2010 in August 2006.

As defined in the Dixie credit agreement, variable interest rates charged under this facility generally bear interest, at our election at the time of each borrowing, at either (i) a Eurodollar rate plus an applicable margin or (ii) the greater of (a) the Prime Rate or (b) the Federal Funds Rate plus ½%.

The credit agreement contains various covenants related to Dixie's ability to incur certain indebtedness, grant certain liens, enter into merger transactions and make certain investments. The loan agreement also requires Dixie to satisfy a minimum net worth financial covenant. The revolving credit agreement restricts Dixie's ability to pay cash dividends to us and its other stockholders if a default or an event of default (as defined in the credit agreement) has occurred and its continuing at the time such dividend is scheduled to be paid.

Covenants

We are in compliance with the covenants of our consolidated debt agreements at December 31, 2006 and 2005.

Information Regarding Variable Interest Rates Paid

The following table shows the range of interest rates paid and weighted-average interest rate paid on our consolidated variable-rate debt obligations during the year ended December 31, 2006.

	Range of Interest Rates Paid	Weighted-Average Interest Rate Paid
Operating Partnership's Multi-Year Revolving Credit Facility	4.87% to 8.25%	5.66%
Dixie Revolving Credit Facility	4.67% to 5.79%	5.36%

Consolidated Debt Maturity Table

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

2007	$ —
2008	—
2009	500,000
2010	569,068
2011	1,360,000
Thereafter	2,900,000
Total scheduled principal payments	$ 5,329,068

In accordance with SFAS 6, long-term and current maturities of debt reflect the classification of such obligations at December 31, 2006. With respect to the $500.0 million in principal due under Senior Notes E in October 2007, the Operating Partnership has the ability to use available credit capacity under its Multi-Year Revolving Credit Facility to fund the repayment of this debt. The preceding table and our Consolidated Balance Sheet at December 31, 2006 reflect this ability to refinance.

Debt Obligations of Unconsolidated Affiliates

We have three unconsolidated affiliates with long-term debt obligations. The following table shows (i) our ownership interest in each entity at December 31, 2006, (ii) total debt of each unconsolidated affiliate at December 31, 2006 (on a 100% basis to the affiliate), and (iii) the corresponding scheduled maturities of such debt.

	Our Ownership Interest	Total	Scheduled Maturities of Debt 2007	2008	2009	2010	2011	After 2011
Cameron Highway	50%	$ 415,000	$ —	$ 25,000	$ 25,000	$ 50,000	$ 55,000	$ 260,000
Poseidon	36%	91,000	—	—	—	—	91,000	—
Evangeline	49.5%	25,650	5,000	5,000	5,000	10,650	—	—
Total		$ 531,650	$ 5,000	$ 30,000	$ 30,000	$ 60,650	$ 146,000	$ 260,000

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 December 31, 2006. The credit agreements of our unconsolidated affiliates 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.

The following information summarizes significant terms of the debt obligations of our unconsolidated affiliates at December 31, 2006:

Cameron Highway. In December 2005, Cameron Highway issued $415.0 million of private placement, non-recourse senior secured notes due December 2017. The senior secured notes were issued in two series – $365.0 million of Series A notes, which bear interest at a fixed annual rate of 5.86%, and $50.0 million of Series B notes, which charge variable interest based on a Eurodollar rate plus 1%. At December 31, 2006, the variable interest rate charged under the Series B notes was 6.18%.

The Series A and B notes are secured by (i) mortgages on and pledges of substantially all of the assets of Cameron Highway, (ii) mortgages on and pledges of certain assets of an indirect wholly-owned subsidiary of ours that serves as the operator of the Cameron Highway Oil Pipeline, (iii) pledges by us and our joint venture partner in Cameron Highway of our respective 50% ownership interests in Cameron Highway, and (iv) letters of credit in an amount of $36.8 million each issued by our Operating Partnership and an affiliate of our joint venture partner. Except for the foregoing, the noteholders do not have any recourse against our assets or any of our subsidiaries under the note purchase agreement.

In March 2006, Cameron Highway amended the note purchase agreement governing its Series A and B notes to primarily address the effect of reduced deliveries of crude oil to Cameron Highway resulting from production delays. In general, this amendment modified certain financial covenants in light of production forecasts made by management. Also, the amendment specifies that Cameron Highway cannot make distributions to its partners until the earlier of (i) December 31, 2007 or (ii) the date on which Cameron Highway's debt service coverage ratios are equal to or greater than 1.5 to 1 for three consecutive fiscal quarters. In order for Cameron Highway to resume paying distributions to its partners, no default or event of default can be present or continuing at the date Cameron Highway desires to start paying such distributions.

Poseidon. Poseidon has a $150.0 million revolving credit facility that matures in May 2011. Interest rates charged under this revolving credit facility are variable and depend on the ratio of Poseidon's total debt to its earnings before interest, taxes, depreciation and amortization. This credit agreement is secured by substantially all of Poseidon's assets. The variable interest rates charged on this debt at December 31, 2006 and 2005 were 6.68% and 5.34%, respectively.

Evangeline. At December 31, 2006, long-term debt for Evangeline consisted of (i) $18.2 million in principal amount of 9.9% fixed-rate Series B senior secured notes due December 2010 and (ii) a $7.5 million subordinated note payable. The Series B senior secured notes are collateralized by Evangeline's property, plant and equipment, proceeds from a gas sales contract and by a debt service reserve requirement. Scheduled principal repayments on the Series B notes are $5.0 million annually through 2009 with a final repayment in 2010 of approximately $3.2 million. The trust indenture governing the Series B notes contains covenants such as requirements to maintain certain financial ratios.

Evangeline incurred the subordinated note payable as a result of its acquisition of a contract-based intangible asset in the 1990s. This note is subject to a subordination agreement which prevents the repayment of principal and accrued interest on the note until such time as the Series B noteholders are either fully cash secured through debt service accounts or have been completely repaid. Variable-rate interest accrues on the subordinated note at a Eurodollar rate plus ½%. The variable interest rates charged on this note at December 31, 2006 and 2005 were 6.08% and 4.23%, respectively. Accrued interest payable related to the subordinated note was $7.9 million and $7.1 million at December 31, 2006 and 2005, respectively.

NOTE 15. PARTNERS' 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, Enterprise Products GP.

In accordance with the Partnership Agreement, capital accounts are maintained for our general partner and limited partners. The capital account provisions of our Partnership Agreement incorporate principles established for U.S. federal income tax purposes and are not comparable to the equity accounts reflected under GAAP in our consolidated financial statements.

Our Partnership Agreement sets forth the calculation to be used in determining the amount and priority of cash distributions that our limited partners and general partner will receive. The Partnership Agreement also contains provisions for the allocation of net earnings and losses to our limited partners and general partner. For purposes of maintaining partner capital accounts, the Partnership Agreement specifies that items of income and loss shall be allocated among the partners in accordance with their respective percentage interests. Normal income and loss allocations according to percentage interests are done only after giving effect to priority earnings allocations in an amount equal to incentive cash distributions allocated to our general partner.

In August 2005, we revised our Partnership Agreement to allow Enterprise Products GP, at its discretion, to elect not to make its proportionate capital contributions to us in connection with our issuance of limited partner interests, in which case its 2% general partner interest would be proportionately reduced. At the time of such offerings, Enterprise Products GP has historically contributed cash to us to maintain its 2% general partner interest. Enterprise Products GP made such cash contributions to us during the years ended December 31, 2006 and 2005. If Enterprise Products GP exercises this option in the future, the amount of earnings we allocate to it and the cash distributions it receives from us will be reduced accordingly. If this occurs, Enterprise Products GP can, under certain conditions, restore its full 2% general partner interest by making additional cash contributions to us.

Equity Offerings and Registration Statements

In general, the Partnership Agreement authorizes us to issue an unlimited number of additional limited partner interests and other equity securities for such consideration and on such terms and conditions as may be established by Enterprise Products GP in its sole discretion (subject, under certain circumstances, to the approval of our unitholders).

In March 2005, we filed a universal shelf registration statement with the U.S. Securities and Exchange Commission ("SEC") registering the issuance of up to $4.0 billion of additional equity and debt securities. After taking into account past issuance of securities under this registration statement, we have the ability to issue approximately $2.1 billion of additional securities under this registration statement as of December 31, 2006.

During 2003, we instituted a distribution reinvestment plan ("DRIP"). The DRIP provides unitholders of record and beneficial owners of our common units a voluntary means by which they can increase the number of common units they own by reinvesting the quarterly cash distributions they would otherwise receive into the purchase of additional common units. We have a registration statement on file with the SEC authorizing the issuance of up to 15,000,000 common units in connection with the DRIP. A total of 14,179,097 common units have been issued under this registration statement through December 31, 2006. We expect to file a registration statement in 2007 to increase the number of common units authorized for issuance under this plan.

We also have a registration statement on file related to our employee unit purchase plan, under which we can issue up to 1,200,000 common units. Under this plan, employees of EPCO can purchase our common units at a 10% discount through payroll deductions. A total of 362,686 common units have been issued to employees under this plan through December 31, 2006.

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 years ended December 31, 2006, 2005 and 2004:

	Net Proceeds from Sale of Common Units			
	Number of Common Units Issued	Contributed by Limited Partners	Contributed by General Partner	Total Net Proceeds
Fiscal 2004:				
Underwritten offerings	34,500,000	$ 680,390	$ 13,886	$ 694,276
Other offerings, primarily DRIP	5,183,591	109,368	2,231	111,599
Total 2004	39,683,591	$ 789,758	$ 16,117	$ 805,875
Fiscal 2005:				
Underwritten offerings	21,250,000	$ 544,347	$ 11,109	$ 555,456
Other offerings, primarily DRIP	2,729,740	68,269	1,393	69,662
Total 2005	23,979,740	$ 612,616	$ 12,502	$ 625,118
Fiscal 2006:				
Underwritten offerings	31,050,000	$ 735,819	$ 15,003	$ 750,822
Other offerings, primarily DRIP	3,774,649	95,006	1,940	96,946
Total 2006	34,824,649	$ 830,825	$ 16,943	$ 847,768

Net proceeds received from our underwritten offerings completed during 2004 were generally used to (i) repay a $225.0 million acquisition credit facility related to the GulfTerra Merger, (ii) partially fund our payment obligations under the GulfTerra Merger, and (iii) temporarily reduce borrowings outstanding under the Multi-Year Revolving Credit Facility. Net proceeds from our other offerings were used for general partnership purposes.

Other offerings primarily represents the issuance of common units under our distribution reinvestment plan ("DRIP"). Net proceeds received from our underwritten offerings completed during 2005 were generally used to repay an interim credit facility related to the GulfTerra Merger and to temporarily reduce borrowings outstanding under the Multi-Year Revolving Credit Facility. Net proceeds from our other offerings were used for general partnership purposes.

Net proceeds received from our underwritten and other offerings completed during 2006 were used to temporarily reduce borrowings outstanding under the 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, 2003:

	Common Units	Restricted Common Units	Class B Special Units	Treasury Units
Balance, December 31, 2003	213,366,760	—	4,413,549	798,313
Units issued in connection with underwritten offerings	34,500,000	—	—	—
Units issued in connection with other offerings	5,200,078			
Units issued in connection with equity-based awards	—	434,225	—	—
Reissuance of treasury units to satisfy exercise of options	371,113	—	—	(371,113)
Conversion of Class B special units to common units	4,413,549	—	(4,413,549)	—
Units issued in connection with GulfTerra Merger (see Note 12)	104,495,523	54,300	—	—
Conversion of Series F2 units to common units	1,950,317	—	—	—
Balance, December 31, 2004	364,297,340	488,525	—	427,200
Units issued in connection with underwritten offerings	21,250,000	—	—	—
Units issued in connection with other offerings	2,729,740	—	—	—
Units issued in connection with equity-based awards	826,000	362,011	—	—
Forfeiture of restricted units	—	(92,448)	—	—
Conversion of restricted units to common units	6,484	(6,484)	—	—
Cancellation of treasury units	—	—	—	(427,200)
Balance, December 31, 2005	389,109,564	751,604	—	—
Units issued in connection with underwritten offerings	31,050,000	—	—	—
Units issued in connection with other offerings	3,774,649	—	—	—
Units issued in connection with equity-based awards	211,000	466,400	—	—
Forfeiture of restricted units	—	(70,631)	—	—
Conversion of restricted units to common units	42,136	(42,136)	—	—
Units issued in connection with Encinal acquisition	7,115,844	—	—	—
Balance, December 31, 2006	431,303,193	1,105,237	—	—

Summary of Changes in Limited Partners' Equity

The following table details the changes in limited partners' equity since December 31, 2003:

	Common Units	Restricted Common Units	Class B Special Units	Total
Balance, December 31, 2003	$ 1,582,951	$ —	$ 100,182	$ 1,683,133
Net income	229,016	142	1,995	231,153
Operating leases paid by EPCO	7,449	2	100	7,551
Cash distributions to partners	(390,928)	(218)	(3,288)	(394,434)
Unit option reimbursements to EPCO	(3,813)	—	—	(3,813)
Net proceeds from sales of common units	789,758	—	—	789,758
Proceeds from conversion of Series F2 convertible units to common units	38,800	—	—	38,800
Proceeds from exercise of unit options	398	—	—	398
Conversion of Class B special units to common units	98,993	—	(98,993)	—
Value of equity interests granted to complete the GulfTerra Merger	2,851,796	2,479	—	2,854,275
Other issuance of restricted units	—	9,922	—	9,922
Treasury units reissued to satisfy unit options	520	—	4	524
Balance, December 31, 2004	5,204,940	12,327	—	5,217,267
Net income	347,948	564	—	348,512
Operating leases paid by EPCO	2,067	3	—	2,070
Cash distributions to partners	(629,629)	(931)	—	(630,560)
Unit option reimbursements to EPCO	(9,199)	—	—	(9,199)
Net proceeds from sales of common units	612,616	—	—	612,616
Proceeds from exercise of unit options	21,374	—	—	21,374
Issuance of restricted units	—	9,478	—	9,478
Vesting of restricted units	143	(143)	—	—
Forfeiture of restricted units	—	(2,663)	—	(2,663)
Amortization of equity-based awards	1,355	3	—	1,358
Cancellation of treasury units	(8,915)	—	—	(8,915)
Balance, December 31, 2005	5,542,700	18,638	—	5,561,338
Net income	502,969	1,187	—	504,156
Operating leases paid by EPCO	2,062	5	—	2,067
Cash distributions to partners	(738,004)	(1,628)	—	(739,632)
Unit option reimbursements to EPCO	(1,818)	—	—	(1,818)
Net proceeds from sales of common units	830,825	—	—	830,825
Common units issued in connection with Encinal acquisition	181,112	—	—	181,112
Proceeds from exercise of unit options	5,601	—	—	5,601
Amortization of equity-based awards	2,209	6,073	—	8,282
Change in accounting method for equity awards (see Note 5)	(896)	(14,919)	—	(15,815)
Acquisition-related disbursement of cash	(6,183)	(16)	—	(6,199)
Balance, December 31, 2006	$ 6,320,577	$ 9,340	$ —	$ 6,329,917

In October 2006, we acquired all of the capital stock of an affiliated NGL marketing company located in Canada from EPCO and Dan L. Duncan for $17.7 million in cash. The amount we paid for this business exceeded the carrying values of the assets acquired and liabilities assumed from this related party (which is under common control with us) by $6.3 million, of which $6.2 million was allocated to limited partners and $0.1 million to our general partner. The excess of the acquisition price over the net book value of this business at the time of acquisition is treated as a deemed distribution to our owners and presented as an "Acquisition-related disbursement of cash" in our Statement of Partners' Equity for the year ended December 31, 2006. The total purchase price is a component of "Cash used for business combinations" as presented in our Statement of Consolidated Cash Flows for the year ended December 31, 2006 (see Note 12).

Units issued in connection with the GulfTerra Merger. In conjunction with the GulfTerra Merger (see Note 12), we issued 1.81 of our common units for each GulfTerra common unit (including GulfTerra's restricted common units) remaining after our purchase of 2,876,620 GulfTerra common units owned by El Paso. The number of units we issued in connection with this conversion was calculated as follows:

GulfTerra units outstanding at September 30, 2004:	
Common units, including time-vested restricted common units	60,638,989
Series C units	10,937,500
Total historical units outstanding at September 30, 2004	71,576,489
Adjustments to GulfTerra historical units outstanding as a result of the GulfTerra Merger:	
Purchase of GulfTerra Series C units from El Paso	(10,937,500)
Purchase of GulfTerra common units from El Paso	(2,876,620)
GulfTerra common units outstanding subject exchange offer	57,762,369
Conversion ratio (1.81 of our common units for each GulfTerra common unit)	1.81
Common units issued to GulfTerra common unitholders in connection with GulfTerra Merger (adjusted for fractional common units)	104,549,823
Average closing price per unit of our common units immediately prior to and after proposed GulfTerra Merger was announced on December 15, 2003	$ 23.39
Fair value of our common units issued in conversion of remaining GulfTerra common units	$ 2,445,420

In accordance with purchase accounting, the $2.4 billion value of our common units was based on the average closing price of our common units immediately prior to and after the proposed merger was announced on December 15, 2003.

Overall, the fair value of equity interests we issued on September 30, 2004 of the GulfTerra Merger was approximately $2.9 billion. The following table presents the detail for this consideration:

Fair value of common units issued in conversion of remaining GulfTerra common units	$ 2,445,420
Fair value of equity interests issued to acquire the remaining 50% membership interest in GulfTerra GP (voting interest) (1)	461,347
Fair value of other equity interests issued for unit awards and Series F2 convertible units	4,005
Total value of equity interests issued upon closing of GulfTerra Merger	$ 2,910,772

(1) This fair value is based on 50% of an implied $922.7 million total value for GulfTerra GP, which assumes that the $370.0 million cash payment made by Enterprise Products GP to El Paso in September 2004 represented consideration for a 40.1% interest in GulfTerra GP. The 40.1% interest was derived by deducting the 9.9% membership interest in Enterprise Products GP granted to El Paso in this transaction from the 50% membership interest in GulfTerra GP that Enterprise Products GP acquired from El Paso. The fair value of $461.3 million assigned to this voting membership interest in GulfTerra GP compares favorably to the $425.0 million we paid El Paso in December 2003 to purchase our initial 50% non-voting membership interest in GulfTerra GP. The contribution of this 50% membership interest to Enterprise Products Partners is allocated for financial reporting purposes to our limited partners and general partner based on the respective ownership percentages and the related allocation of profits and losses of 98% and 2%, respectively, both of which are consistent with the Partnership Agreement.

As a result of the GulfTerra Merger, we assumed GulfTerra's obligation associated with its 80 Series F2 convertible units. All Series F2 convertible units outstanding at the merger date were converted into rights to receive our common units based on the 1.81 exchange ratio. In 2004, all of the convertible units were exercised and we issued 1,950,317 common units and received net proceeds of $40.0 million.

Units issued in connection with the Encincal acquisition. In July 2006, we issued 7,115,844 common units as partial consideration for the Encinal acquisition. In August 2006, we filed a registration statement for the resale of these common units by affiliates of Lewis. In accordance with purchase accounting, the $181.1 million fair value of these common units was determined using the average closing price of such units immediately prior to and after the transaction was announced on July 12, 2006. For purposes of this calculation, the average closing price was $25.45 per unit.

Class B Special Units. In December 2003, we sold 4,413,549 Class B special units to an affiliate of EPCO for $100.0 million. After receiving the approval of our unitholders, we converted the Class B special units into an equal number of common units in July 2004.

Treasury Units. In 2000, we and a consolidated trust (the "1999 Trust") were authorized by Enterprise Products GP to repurchase up to 2,000,000 publicly-held common units under an announced buy-back program. The repurchases would be made during periods of temporary market weakness at price levels that would be accretive to our remaining unitholders. After deducting for repurchases under the program in prior periods, we and the 1999 Trust could repurchase up to 618,400 common units at December 31, 2005. Common units repurchased under the program are accounted for in a manner similar to treasury stock under the cost method of accounting. For the purpose of calculating both basic and diluted earnings per unit, treasury units are not considered to be outstanding. We reissued 371,113 units and 30,887 units out of treasury in 2004 and 2003, respectively, in connection with the exercise of unit options by employees of EPCO. We retired 30,000 treasury units in 2003 and cancelled the remaining 427,200 treasury units in 2005.

Distributions to Partners

The percentage interest of Enterprise Products GP in our quarterly cash distributions is increased after certain specified target levels of quarterly distribution rates are met. At current distribution rates, we are in the highest tier of such incentive targets. Enterprise Products GP's quarterly incentive distribution thresholds are as follows:

- 2% of quarterly cash distributions up to $0.253 per unit;
- 15% of quarterly cash distributions from $0.253 per unit up to $0.3085 per unit; and
- 25% of quarterly cash distributions that exceed $0.3085 per unit.

We paid incentive distributions of $86.7 million, $63.9 million and $32.4 million to Enterprise Products GP during the years ended December 31, 2006, 2005 and 2004, respectively.

The following table presents our declared quarterly cash distribution rates per unit since the first quarter of 2005 and the related record and distribution payment dates. The quarterly cash distribution rates per unit correspond to the fiscal quarters indicated. Actual cash distributions are paid within 45 days after the end of such fiscal quarter.

	Distribution per Unit (1)	Record Date	Payment Date
2005			
1st Quarter	$ 0.4100	Apr. 29, 2005	May 10, 2005
2nd Quarter	$ 0.4200	Jul. 29, 2005	Aug. 10, 2005
3rd Quarter	$ 0.4300	Oct. 31, 2005	Nov. 8, 2005
4th Quarter	$ 0.4375	Jan. 31, 2006	Feb. 9, 2006
2006			
1st Quarter	$ 0.4450	Apr. 28, 2006	May 10, 2006
2nd Quarter	$ 0.4525	Jul. 31, 2006	Aug. 10, 2006
3rd Quarter	$ 0.4600	Oct. 31, 2006	Nov. 8, 2006
4th Quarter	$ 0.4675	Jan. 31, 2007	Feb. 8, 2007

(1) Distributions are paid on common and restricted units, and prior to their conversion to common units, were also paid on Class B special units.

NOTE 16. BUSINESS SEGMENTS

We have four reportable business segments: NGL Pipelines & Services, Onshore Natural Gas Pipelines & Services, Offshore Pipelines & Services and Petrochemical Services. Our business segments are generally organized and managed according to the type of services rendered (or technologies employed) and products produced and/or sold.

We evaluate segment performance based on the non-GAAP financial measure of gross operating margin. Gross operating margin (either in total or by individual segment) is an important performance measure of the core profitability of our operations. This measure forms the basis of our internal financial reporting and is used by senior management in deciding how to allocate capital resources among business segments. We believe that investors benefit from having access to the same financial measures that our management uses in evaluating segment results. The GAAP measure most directly comparable to total segment gross operating margin is operating income. Our non-GAAP financial measure of total segment gross operating margin should not be considered an alternative to GAAP operating income.

We define total segment gross operating margin as consolidated operating income before: (i) depreciation, amortization and accretion expense; (ii) operating lease expenses for which we do not have the payment obligation; (iii) gains and losses on the sale of assets; and (iv) general and administrative expenses. Gross operating margin is exclusive of other income and expense transactions, provision for income taxes, minority interest, extraordinary charges and the cumulative effect of changes in accounting principles. Gross operating margin by segment is calculated by subtracting segment operating costs and expenses (net of the adjustments noted above) from segment revenues, with both segment totals before the elimination of intersegment and intrasegment transactions.

Segment revenues include intersegment and intrasegment transactions, which are generally based on transactions made at market-related rates. Our consolidated revenues reflect the elimination of all material intercompany (both intersegment and intrasegment) transactions.

We include equity earnings from unconsolidated affiliates in our measurement of segment gross operating margin and operating income. Our equity investments with industry partners are a vital component of our business strategy. They are a means by which we conduct our operations to align our interests with those of our customers and/or suppliers. This method of operation enables us to achieve favorable economies of scale relative to the level of investment and business risk assumed versus what we could accomplish on a stand-alone basis. Many of these businesses perform supporting or complementary roles to our other business operations.

Our integrated midstream energy asset system (including the midstream energy assets of our equity method investees) provides services to producers and consumers of natural gas, NGLs, crude oil and certain petrochemicals. In general, hydrocarbons enter our asset system in a number of ways, such as an offshore natural gas or crude oil pipeline, an offshore platform, a natural gas processing plant, an onshore natural gas gathering pipeline, an NGL fractionator, an NGL storage facility or an NGL transportation or distribution pipeline.

Many of our equity investees are included within our integrated midstream asset system. For example, we have ownership interests in several offshore natural gas and crude oil pipelines. Other examples include our use of the Promix NGL fractionator to process mixed NGLs extracted by our gas plants. The fractionated NGLs we receive from Promix can then be sold in our NGL marketing activities. Given the integral nature of our equity method investees to our operations, we believe the presentation of earnings from such investees as a component of gross operating margin and operating income is meaningful and appropriate.

Historically, our consolidated revenues were earned in the United States and derived from a wide customer base. The majority of our plant-based operations are located in Texas, Louisiana, Mississippi, New Mexico and Wyoming. Our natural gas, NGL and crude oil pipelines are located in a number of regions of the United States including (i) the Gulf of Mexico offshore Texas and Louisiana; (ii) the south and southeastern United States (primarily in Texas, Louisiana, Mississippi and Alabama); and (iii) certain regions of the central and western United States, including the Rocky Mountains. Our marketing activities are headquartered in Houston, Texas and serve customers in a number of regions of the United States including the Gulf Coast, West Coast and Mid-Continent areas. Beginning with the fourth quarter of 2006, a small portion of our revenues were earned in Canada. See Note 12 for information regarding our acquisition of a Canadian affiliate of EPCO in October 2006.

Consolidated property, plant and equipment and investments in and advances to unconsolidated affiliates are assigned to each segment on the basis of each asset's or investment's principal operations. The principal reconciling difference between consolidated property, plant and equipment and the total value of segment assets is construction-in-progress. Segment assets represent the net book carrying value of facilities and other assets that contribute to gross operating margin of that particular segment. Since assets under construction generally do not contribute to segment gross operating margin, such assets are excluded from segment asset totals until they are placed in service. Consolidated intangible assets and goodwill are assigned to each segment based on the classification of the assets to which they relate.

The following table shows our measurement of total segment gross operating margin for the periods indicated:

		For the Year Ended December 31,		
		2006	2005	2004
Revenues (1)		$ 13,990,969	$ 12,256,959	$ 8,321,202
Less:	Operating costs and expenses (1)	(13,089,091)	(11,546,225)	(7,904,336)
Add:	Equity in income of unconsolidated affiliates (1)	21,565	14,548	52,787
	Depreciation, amortization and accretion in operating costs and expenses (2)	440,256	413,441	193,734
	Operating lease expenses paid by EPCO (2)	2,109	2,112	7,705
	Gain on sale of assets in operating costs and expenses (2)	(3,359)	(4,488)	(15,901)
Total segment gross operating margin		$ 1,362,449	$ 1,136,347	$ 655,191

(1) These amounts are taken from our Statements of Consolidated Operations.
(2) These non-cash expenses are taken from the operating activities section of our Statements of Consolidated Cash Flows.

A reconciliation of our total segment gross operating margin to operating income and income before provision for income taxes, minority interest and the cumulative effect of changes in accounting principles follows:

	For the Year Ended December 31,		
	2006	2005	2004
Total segment gross operating margin	$ 1,362,449	$ 1,136,347	$ 655,191
Adjustments to reconcile total segment gross operating margin to operating income:			
Depreciation, amortization and accretion in operating costs and expenses	(440,256)	(413,441)	(193,734)
Operating lease expense paid by EPCO	(2,109)	(2,112)	(7,705)
Gain on sale of assets in operating costs and expenses	3,359	4,488	15,901
General and administrative costs	(63,391)	(62,266)	(46,659)
Consolidated operating income	860,052	663,016	422,994
Other expense, net	(229,967)	(225,178)	(153,625)
Income before provision for income taxes, minority interest and cumulative effect of changes in accounting principles	$ 630,085	$ 437,838	$ 269,369

Information by segment, together with reconciliations to our consolidated totals, is presented in the following table:

	Reportable Segments						
	Offshore Pipelines & Services	Onshore Natural Gas Pipelines & Services	NGL Pipelines & Services	Petrochemical Services	Non-Segmt. Other	Adjustments and Eliminations	Consolidated Totals
Revenues from third parties:							
Year ended December 31, 2006	$ 144,065	$ 1,401,486	$ 10,079,534	$ 1,956,268	$ —	$ —	$ 13,581,353
Year ended December 31, 2005	110,100	1,198,320	9,006,730	1,587,037	—	—	11,902,187
Year ended December 31, 2004	32,168	541,529	5,553,895	1,389,460	—	—	7,517,052
Revenues from related parties:							
Year ended December 31, 2006	1,798	297,409	110,409	—	—	—	409,616
Year ended December 31, 2005	696	337,282	16,689	105	—	—	354,772
Year ended December 31, 2004	535	253,194	534,279	16,142	—	—	804,150
Intersegment and intrasegment revenues:							
Year ended December 31, 2006	1,679	113,132	4,131,776	383,754	—	(4,630,341)	—
Year ended December 31, 2005	1,353	41,576	3,334,763	346,458	—	(3,724,150)	—
Year ended December 31, 2004	358	21,436	2,077,871	249,758	—	(2,349,423)	—
Total revenues:							
Year ended December 31, 2006	147,542	1,812,027	14,321,719	2,340,022	—	(4,630,341)	13,990,969
Year ended December 31, 2005	112,149	1,577,178	12,358,182	1,933,600	—	(3,724,150)	12,256,959
Year ended December 31, 2004	33,061	816,159	8,166,045	1,655,360	—	(2,349,423)	8,321,202
Equity in income of unconsolidated affiliates:							
Year ended December 31, 2006	11,909	2,872	5,715	1,069	—	—	21,565
Year ended December 31, 2005	6,125	2,384	5,553	486	—	—	14,548
Year ended December 31, 2004	8,859	772	9,898	1,233	32,025	—	52,787
Gross operating margin by individual business segment and in total:							
Year ended December 31, 2006	103,407	333,399	752,548	173,095	—	—	1,362,449
Year ended December 31, 2005	77,505	353,076	579,706	126,060	—	—	1,136,347
Year ended December 31, 2004	36,478	90,977	374,196	121,515	32,025	—	655,191
Segment assets:							
At December 31, 2006	734,659	3,611,974	3,249,486	502,345	—	1,734,083	9,832,547
At December 31, 2005	632,222	3,622,318	3,075,048	504,841	—	854,595	8,689,024
Investments in and advances to unconsolidated affiliates (see Note 11):							
At December 31, 2006	310,136	124,591	111,229	18,603	—	—	564,559
At December 31, 2005	316,844	4,644	130,376	20,057	—	—	471,921
Intangible assets (see Note 13):							
At December 31, 2006	152,376	386,149	417,950	47,480	—	—	1,003,955
At December 31, 2005	174,532	413,843	275,778	49,473	—	—	913,626
Goodwill (see Note 13):							
At December 31, 2006	82,135	282,121	152,595	73,690	—	—	590,541
At December 31, 2005	82,386	282,997	54,960	73,690	—	—	494,033

In general, our historical operating results and/or financial position have been affected by business combinations and other acquisitions. Our most significant business combination to date was the GulfTerra Merger in September 2004 (see Note 12). The value of total consideration we paid or issued to complete the GulfTerra Merger was approximately $4.0 billion. The operating results of entities and assets we acquire are included in our financial results prospectively from their purchase dates.

NOTE 17. RELATED PARTY TRANSACTIONS

The following table summarizes our related party transactions for the periods indicated:

	For the Year Ended December 31,		
	2006	2005	2004
Revenues from consolidated operations			
EPCO and affiliates	$ 98,671	$ 311	$ 2,697
Shell	—	—	542,912
Unconsolidated affiliates	304,559	354,461	258,541
Total	$ 403,230	$ 354,772	$ 804,150
Operating costs and expenses			
EPCO and affiliates	$ 311,537	$ 293,134	$ 203,100
Shell	—	—	725,420
Unconsolidated affiliates	31,606	23,563	37,587
Total	$ 343,143	$ 316,697	$ 966,107
General and administrative expenses			
EPCO and affiliates	$ 41,265	$ 40,954	$ 29,307

Relationship with EPCO and affiliates

We have an extensive and ongoing relationship with EPCO and its affiliates, which include the following significant entities:

- EPCO and its private company subsidiaries;
- Enterprise Products GP, our sole general partner;
- Enterprise GP Holdings, which owns and controls our general partner;
- Duncan Energy Partners, which is a public company subsidiary of ours;
- TEPPCO and TEPPCO GP, which are controlled by affiliates of EPCO; and
- the Employee Partnerships.

Unless noted otherwise, our agreements with EPCO are not the result of arm's length transactions. As a result, we cannot provide assurance that the terms and provisions of such agreements are at least as favorable to us as we could have obtained from unaffiliated third parties.

EPCO is a private company controlled by Dan L. Duncan, who is also a director and Chairman of Enterprise Products GP, our general partner. At December 31, 2006, EPCO and its affiliates beneficially owned 146,768,946 (or 33.9%) of our outstanding common units, which includes 13,454,498 of our common units owned by Enterprise GP Holdings. In addition, at December 31, 2006, EPCO and its affiliates beneficially owned 86.7% of the limited partner interests of Enterprise GP Holdings and 100% of its general partner, EPE Holdings. Enterprise GP Holdings owns all of the membership interests of Enterprise Products GP. The principal business activity of Enterprise Products GP is to act as our managing partner. The executive officers and certain of the directors of Enterprise Products GP and EPE Holdings are employees of EPCO.

In connection with its general partner interest in us, Enterprise Products GP received cash distributions of $126.0 million, $76.8 million and $40.4 million from us during the years ended December 31, 2006, 2005 and 2004, respectively. These amounts include incentive distributions of $86.7 million, $63.9 million and $32.4 million for the years ended December 31, 2006, 2005 and 2004, respectively.

We and Enterprise Products GP are both separate legal entities apart from each other and apart from EPCO, Enterprise GP Holdings and their respective other affiliates, with assets and liabilities that are separate from those of EPCO, Enterprise GP Holdings and their respective other affiliates. EPCO and its private company subsidiaries depend on the cash distributions they receive from us, Enterprise GP Holdings and other investments to fund their other operations and to meet their debt obligations. EPCO and its affiliates received $306.5 million, $243.9 million and $189.8 million in cash distributions from us during the years ended December 31, 2006, 2005 and 2004, respectively.

The ownership interests in us that are owned or controlled by Enterprise GP Holdings are pledged as security under its credit facility. In addition, the ownership interests in us that are owned or controlled by EPCO and its affiliates, other than those interests owned by Enterprise GP Holdings, Dan Duncan LLC and certain trusts affiliated with Dan L. Duncan, are pledged as security under the credit facility of a private company affiliate of

EPCO. This credit facility contains customary and other events of default relating to EPCO and certain affiliates, including Enterprise GP Holdings, us and TEPPCO.

We have entered into an agreement with an affiliate of EPCO to provide trucking services to us for the transportation of NGLs and other products. For the years ended December 31, 2006, 2005 and 2004, we paid this trucking affiliate $20.7 million, $17.6 million and $14.2 million, respectively, for such services.

We lease office space in various buildings from affiliates of EPCO. The rental rates in these lease agreements approximate market rates. For the years ended December 31, 2006, 2005 and 2004, we paid EPCO $3.0 million, $2.7 million and $1.7 million, respectively, for office space leases.

Historically, we entered into transactions with a Canadian affiliate of EPCO for the purchase and sale of NGL products in the normal course of business. These transactions were at market-related prices. We acquired this affiliate in October 2006 and began consolidating its financial statements with those of our own from the date of acquisition (see Note 15). For the years ended December 31, 2005 and 2004, our revenues from this former affiliate were $0.3 million and $2.7 million, respectively, and our purchases were $61.0 million and $71.8 million, respectively. For the nine months ended September 30, 2006, our revenues from this former affiliate were $55.8 million and our purchases were $43.4 million.

Relationship with Duncan Energy Partners

In September 2006, we formed a consolidated subsidiary, Duncan Energy Partners, to acquire, own and operate a diversified portfolio of midstream energy assets. On February 5, 2007, this subsidiary completed its initial public offering of 14,950,000 common units (including an overallotment amount of 1,950,000 common units) at $21.00 per unit, which generated net proceeds to Duncan Energy Partners of $291.3 million. As consideration for assets contributed and reimbursement for capital expenditures related to these assets, Duncan Energy Partners distributed $260.6 million of these net proceeds to us along with $198.9 million in borrowings under its credit facility and a final amount of 5,351,571 common units of Duncan Energy Partners. Duncan Energy Partners used $38.5 million of net proceeds from the overallotment to redeem 1,950,000 of the 7,301,571 common units it had originally issued to Enterprise Products Partners, resulting in the final amount of 5,351,571 common units beneficially owned by Enterprise Products Partners. We used the cash received from Duncan Energy Partners to temporarily reduce amounts outstanding under our Operating Partnership's Multi-Year Revolving Credit Facility.

In summary, we contributed 66% of our equity interests in the following subsidiaries to Duncan Energy Partners:

- *Mont Belvieu Caverns, LLC* ("Mont Belvieu Caverns"), a recently formed subsidiary, which owns salt dome storage caverns located in Mont Belvieu, Texas that receive, store and deliver NGLs and certain petrochemical products for industrial customers located along the upper Texas Gulf Coast, which has the largest concentration of petrochemical plants and refineries in the United States;

- *Acadian Gas, LLC* ("Acadian Gas"), which owns an onshore natural gas pipeline system that gathers, transports, stores and markets natural gas in Louisiana. The Acadian Gas system links natural gas supplies from onshore and offshore Gulf of Mexico developments (including offshore pipelines, continental shelf and deepwater production) with local gas distribution companies, electric generation plants and industrial customers, including those in the Baton Rouge-New Orleans-Mississippi River corridor. A subsidiary of Acadian Gas owns our 49.5% equity interest in Evangeline (see Note 11);

- *Sabine Propylene Pipeline L.P.* ("Sabine Propylene"), which transports polymer-grade propylene between Port Arthur, Texas and a pipeline interconnect located in Cameron Parish, Louisiana;

- *Enterprise Lou-Tex Propylene Pipeline L.P.* ("Lou-Tex Propylene"), which transports chemical-grade propylene from Sorrento, Louisiana to Mont Belvieu, Texas; and

- *South Texas NGL Pipelines, LLC* ("South Texas NGL"), a recently formed subsidiary, which began transporting NGLs from Corpus Christi, Texas to Mont Belvieu, Texas in January 2007. South Texas NGL owns the DEP South Texas NGL Pipeline System.

In addition to the 34% direct ownership interest we retained in certain subsidiaries of Duncan Energy Partners, we also own the 2% general partner interest in Duncan Energy Partners and 26.4% of Duncan Energy Partners' outstanding common units. Our Operating Partnership directs the business operations of Duncan Energy Partners through its ownership and control of the general partner of Duncan Energy Partners.

The formation of Duncan Energy Partners had no effect on our financial statements at December 31, 2006. For financial reporting purposes, the consolidated financial statements of Duncan Energy Partners will be consolidated into those of our own. Consequently, the results of operations of Duncan Energy Partners will be a component of our business segments. Also, due to common control of the entities by Dan L. Duncan, the initial consolidated balance sheet of Duncan Energy Partners will reflect our historical carrying basis in each of the subsidiaries contributed to Duncan Energy Partners.

The public owners of Duncan Energy Partners' common units will be presented as a noncontrolling interest in our consolidated financial statements beginning in February 2007. The public owners of Duncan Energy Partners have no direct equity interests in us as a result of this transaction. The borrowings of Duncan Energy Partners will be presented as part of our consolidated debt; however, we do not have any obligation for the payment of interest or repayment of borrowings incurred by Duncan Energy Partners.

We have significant involvement with all of the subsidiaries of Duncan Energy Partners, including the following types of transactions:

- We utilize storage services provided by Mont Belvieu Caverns to support our Mont Belvieu fractionation and other businesses;

- We buy natural gas from and sell natural gas to Acadian Gas in connection with its normal business activities; and

- We are the sole shipper on the DEP South Texas NGL Pipeline System.

Omnibus Agreement. In connection with the initial public offering of common units by Duncan Energy Partners, our Operating Partnership also entered into an Omnibus Agreement with Duncan Energy Partners and certain of its subsidiaries that will govern our relationship with Duncan Energy Partners on the following matters:

- Indemnification for certain environmental liabilities, tax liabilities and right-of-way defects;

- Reimbursement of certain expenditures for South Texas NGL and Mont Belvieu Caverns;

- A right of first refusal to the Operating Partnership on the equity interests in the current and future subsidiaries of Duncan Energy Partners and a right of first refusal on the material assets of these entities, other than sales of inventory and other assets in the ordinary course of business; and

- A preemptive right with respect to equity securities issued by certain of Duncan Energy Partners' subsidiaries, other than as consideration in an acquisition or in connection with a loan or debt financing.

Indemnification for Environmental and Related Liabilities*.* Our Operating Partnership also agreed to indemnify Duncan Energy Partners after the closing of its initial public offering against certain environmental and related liabilities arising out of or associated with the operation of the assets before February 5, 2007. These liabilities include both known and unknown environmental and related liabilities. This indemnification obligation will terminate on February 5, 2010. There is an aggregate cap of $15.0 million on the amount of indemnity coverage. In addition, Duncan Energy Partners is not entitled to indemnification until the aggregate amounts of its claims exceed $250.0 thousand. Liabilities resulting from a change of law after February 5, 2007 are excluded from the environmental indemnity provided by the Operating Partnership.

In addition, our Operating Partnership will indemnify Duncan Energy Partners for liabilities related to:

- Certain defects in the easement rights or fee ownership interests in and to the lands on which any assets contributed to Duncan Energy Partners on February 5, 2007 are located;

- Failure to obtain certain consents and permits necessary for Duncan Energy Partners to conduct its business that arise within three years after February 5, 2007; and

- Certain income tax liabilities related to the operation of the assets contributed to Duncan Energy Partners attributable to periods prior to February 5, 2007.

We may contribute other equity interests in our subsidiaries to Duncan Energy Partners in the near term and use the proceeds we receive from Duncan Energy Partners to fund our capital spending program. We have no obligation or commitment to make such contributions to Duncan Energy Partners.

Reimbursement for Certain Expenditures. Our Operating Partnership has agreed to make additional contributions to Duncan Energy Partners as reimbursement for its 66% share of excess construction costs, if any, above (i) the $28.6 million of estimated capital expenditures to complete planned expansions of the DEP South Texas NGL Pipeline System and (ii) $14.1 million of estimated construction costs for additional planned brine production capacity and above ground storage reservoir projects at Mont Belvieu, Texas. We estimate the costs to complete the planned expansion of the DEP South Texas NGL Pipeline System after the closing of the Duncan Energy Partners' initial public offering would be approximately $28.6 million, of which Duncan Energy Partners' 66% share would be approximately $18.9 million. Duncan Energy Partners retained cash from the proceeds of its initial public offering in an amount equal to 66% of these estimated planned expansion costs. The Operating Partnership will make a capital contribution to South Texas NGL for its 34% share of such planned expansion costs.

Relationship with TEPPCO

TEPPCO became a related party to us in February 2005 in connection with the acquisition of TEPPCO GP by a private company subsidiary of EPCO.

We received $42.9 million and a nominal amount from TEPPCO during the years ended December 31, 2006 and 2005, respectively, from the sale of hydrocarbon products. We paid TEPPCO $24.0 million and $17.2 million for NGL pipeline transportation and storage services during the years ended December 31, 2006 and 2005, respectively. We did not sell hydrocarbon products to TEPPCO or utilize its NGL pipeline transportation and storage services during the year ended December 31, 2004.

Purchase of Pioneer Plant from TEPPCO. In March 2006, we paid TEPPCO $38.2 million for its Pioneer natural gas processing plant located in Opal, Wyoming and certain natural gas processing rights related to natural gas production from the Jonah and Pinedale fields located in the Greater Green River Basin in Wyoming. After an in-depth consideration of all relevant factors, this transaction was approved by the Audit and Conflicts Committee of our general partner and the Audit and Conflicts Committee of the general partner of TEPPCO. In addition, each party received a fairness opinion rendered by an independent advisor. TEPPCO will have no continued involvement in the contracts or in the operations of the Pioneer facility.

Jonah Joint Venture with TEPPCO. In August 2006, we announced a joint venture in which we and TEPPCO will be partners in TEPPCO's Jonah Gas Gathering Company ("Jonah"). Jonah owns the Jonah Gas Gathering System ("Jonah Gathering System"), located in the Greater Green River Basin of southwestern Wyoming. The Jonah Gathering System gathers and transports natural gas produced from the Jonah and Pinedale fields to regional natural gas processing plants and major interstate pipelines that deliver natural gas to end-user markets.

Prior to entering into the Jonah joint venture, we managed the construction of the Phase V expansion and funded the initial construction costs under a letter of intent we signed in February 2006. In connection with the joint venture arrangement, we and TEPPCO will continue the Phase V expansion, which is expected to increase the capacity of the Jonah Gathering System from 1.5 Bcf/d to 2.4 Bcf/d. The Phase V expansion is also expected to significantly reduce system operating pressures, which we anticipate will lead to increased production rates and ultimate reserve recoveries. The first portion of the expansion, which is expected to increase the system gathering capacity to 2 Bcf/d, is projected to be completed in the first quarter of 2007 at an estimated cost of approximately $302.0 million. The second portion of the expansion is expected to cost approximately $142.0 million and be completed by the end of 2007.

We manage the Phase V construction project. TEPPCO is entitled to all distributions from the joint venture until specified milestones are achieved, at which point, we will be entitled to receive 50% of the incremental cash flow from portions of the system placed in service as part of the expansion. After subsequent milestones are achieved, we and TEPPCO will share distributions based on a formula that takes into account the respective capital contributions of the parties, including expenditures by TEPPCO prior to the expansion.

Since August 1, 2006, we and TEPPCO equally share in the construction costs of the Phase V expansion. During 2006, TEPPCO reimbursed us $109.4 million, which represents 50% of total Phase V costs incurred through December 31, 2006. We had a receivable of $8.7 million from TEPPCO at December 31, 2006 for Phase V expansion costs.

Upon completion of the expansion project and based on the formula in the joint venture partnership agreement, we expect to own an interest in Jonah of approximately 20%, with TEPPCO owning the remaining 80%. At December 31, 2006, we owned an approximate 14.4% interest in Jonah. We will operate the Jonah Gathering System.

The Jonah joint venture is governed by a management committee comprised of two representatives approved by us and two appointed by TEPPCO, each with equal voting power. After an in-depth consideration of all relevant factors, this transaction was approved by the Audit and Conflicts Committee of our general partner and the Audit and Conflicts Committee of the general partner of TEPPCO. The ACG Committee of Enterprise Products GP received a fairness opinion in connection with this transaction. In our Form 10-Q for the nine months ended September 30, 2006, we mistakenly reported that the Audit Committee of TEPPCO GP had also received a fairness opinion in connection with this transaction; however, they did not. The transaction was reviewed and recommended for approval by the Audit Committee of TEPPCO GP, with assistance from an independent financial advisor.

We account for our investment in the Jonah joint venture using the equity method. As a result of entering into the Jonah joint venture, we reclassified $52.1 million expended on this project through July 31, 2006 (representing our 50% share at inception of the joint venture) from "Other assets to investments in and advances to unconsolidated affiliates" on our Consolidated Balance Sheets (see Note 11). The remaining $52.1 million we spent through this date is included in the $109.4 million we billed TEPPCO (see above).

We have agreed to indemnify TEPPCO from any and all losses, claims, demands, suits, liabilities, costs and expenses arising out of or related to breaches of our representations, warranties or covenants related to the Jonah joint venture. A claim for indemnification cannot be filed until the losses suffered by TEPPCO exceed $1.0 million. The maximum potential amount of future payments under the indemnity agreement is limited to $100.0 million. All indemnity payments are net of insurance recoveries that TEPPCO may receive from third-party insurance carriers. We carry insurance coverage that may offset any payments required under the indemnification.

Purchase of Houston-area Pipelines from TEPPCO. In October 2006, we purchased certain idle pipeline assets in the Houston, Texas area from TEPPCO for $11.7 million in cash (see Note 10). The acquired pipelines will be modified for natural gas service. The purchase of this asset was in accordance with the Board-approved management authorization policy.

Purchase and Lease of Pipelines for DEP South Texas NGL Pipeline System from TEPPCO. In January 2007, we purchased a 10-mile segment of pipeline from TEPPCO located in the Houston, Texas area for $8.0 million that is part of the DEP South Texas NGL Pipeline. In addition, we entered into a lease with TEPPCO for an 11-mile interconnecting pipeline located in the Houston area. The primary term of this lease expires in September 2007, and will continue on a month-to-month basis subject to termination by either party upon 60 days notice. This pipeline is being leased by a subsidiary of Duncan Energy Partners in connection with operations on its DEP

South Texas NGL Pipeline until construction of a parallel pipeline is completed. These transactions were in accordance with the Board-approved management authorization policy.

Relationship with Employee Partnerships

EPE Unit I. In connection with the initial public offering of Enterprise GP Holdings, EPCO formed EPE Unit I to serve as an incentive arrangement for certain employees of EPCO through a "profits interest" in EPE Unit I. EPCO serves as the general partner of EPE Unit I. In connection with the closing of Enterprise GP Holdings' initial public offering, EPCO Holdings, Inc., a wholly-owned subsidiary of EPCO, borrowed $51.0 million under its credit facility and contributed the proceeds to its wholly-owned subsidiary, Duncan Family Interests, Inc. ("Duncan Family Interests").

Subsequently, Duncan Family Interests contributed the $51.0 million to EPE Unit I as a capital contribution and was issued the Class A limited partner interest in EPE Unit I. EPE Unit I used the contributed funds to purchase 1,821,428 units directly from Enterprise GP Holdings at the initial public offering price of $28.00 per unit. Certain EPCO employees, including all of Enterprise Products GP's then current executive officers other than the Chairman, were issued Class B limited partner interests without any capital contribution and admitted as Class B limited partners of EPE Unit I.

Unless otherwise agreed to by EPCO, Duncan Family Interests and a majority interest of the Class B limited partners of EPE Unit I, EPE Unit I will terminate at the earlier of five years following the closing of Enterprise GP Holdings' initial public offering or a change in control of Enterprise GP Holdings or its general partner. EPE Unit I has the following material terms regarding its quarterly cash distribution to partners:

- Distributions of Cash Flow – Each quarter, 100% of the cash distributions received by EPE Unit I from Enterprise GP Holdings will be distributed to the Class A limited partner until Duncan Family Interests has received an amount equal to the Class A preferred return (as defined below), and any remaining distributions received by EPE Unit I will be distributed to the Class B limited partners. The Class A preferred return equals 1.5625% per quarter, or 6.25% per annum, of the Class A limited partner's capital base. The Class A limited partner's capital base equals $51 million plus any unpaid Class A preferred return from prior periods, less any distributions made by EPE Unit I of proceeds from the sale of Enterprise GP Holdings units owned by EPE Unit I (as described below).

- Liquidating Distributions – Upon liquidation of EPE Unit I, units having a fair market value equal to the Class A limited partner capital base will be distributed to Duncan Family Interests, plus any accrued Class A preferred return for the quarter in which liquidation occurs. Any remaining units will be distributed to the Class B limited partners.

- Sale Proceeds – If EPE Unit I sells any of the 1,821,428 Enterprise GP Holdings units that it owns, the sale proceeds will be distributed to the Class A limited partner and the Class B limited partners in the same manner as liquidating distributions described above.

The Class B limited partner interests in EPE Unit I that are owned by EPCO employees are subject to forfeiture if the participating employee's employment with EPCO and its affiliates is terminated prior to the fifth anniversary of the closing of Enterprise GP Holdings' initial public offering, with customary exceptions for death, disability and certain retirements. The risk of forfeiture associated with the Class B limited partner interests in EPE Unit I will also lapse upon certain change of control events.

Since Enterprise GP Holdings has an indirect interest in us through its ownership of our general partner, EPE Unit I, including its Class B limited partners, may derive some benefit from our results of operations. Accordingly, a portion of the fair value of these equity awards is allocated to us under the EPCO administrative services agreement as a non-cash expense. We, Enterprise Products GP, Duncan Energy Partners, DEP Holdings and Enterprise GP Holdings will not reimburse EPCO, EPE Unit I or any of their affiliates or partners, through the administrative services agreement or otherwise, for any expenses related to EPE Unit I, including the contribution of $51 million to EPE Unit I by Duncan Family Interests or the purchase of Enterprise GP Holdings' units by EPE Unit I.

For the period that EPE Unit I was in existence during 2005, EPCO accounted for this equity-based awards using the provisions of APB 25. Under APB 25, the intrinsic value of the Class B limited partner interests was accounted for in a manner similar to stock appreciation rights (i.e., variable accounting). Upon our adoption of SFAS 123(R), we began recognizing compensation expense based upon the estimated grant date fair value of the

Class B partnership equity awards. EPCO's non-cash compensation expense related to this arrangement is allocated to us and other affiliates of EPCO based on our usage of each employee's services. For the years ended December 31, 2006 and 2005, we recorded $2.1 million and $2.0 million, respectively, of non-cash compensation expense for these awards associated with employees who work on our behalf.

EPE Unit II. In December 2006, EPE Unit II was formed to serve as an incentive arrangement for an executive officer of our general partner. This officer, who is not a participant in EPE Unit I, was granted a profits interest in EPE Unit II. EPCO serves as the general partner of EPE Unit II.

Duncan Family Interests contributed $1.5 million to EPE Unit II as a capital contribution and was issued the Class A limited partner interest in EPE Unit II. EPE Unit II used these funds to purchase 40,725 units of Enterprise GP Holdings on the open market at an average price of $36.91 per unit in December 2006. The officer was issued a Class B limited partner interest in EPE Unit II without any capital contribution. The significant terms of EPE Unit II (e.g. termination provisions, quarterly distributions of cash flow, liquidating distributions, forfeitures and treatment of sale proceeds) are similar to those for EPE Unit I except that the Class A capital base for Duncan Family Interests is $1.5 million.

As with EPE Unit I, EPCO's non-cash compensation expense related to this arrangement is allocated to us and other affiliates of EPCO based on our usage of the officer's services. In accordance with SFAS 123(R), we recognize compensation expense associated with EPE Unit II based on the estimated grant date fair value of the Class B partnership equity award. Since EPE Unit II was formed in December 2006, we recorded a nominal amount of expense associated with this award during the year ended December 31, 2006.

See Note 5 for additional information regarding our accounting for equity awards.

EPCO Administrative Services Agreement. We have no employees. All of our management, administrative and operating functions are performed by employees of EPCO pursuant to an administrative services agreement (the "ASA"). We and our general partner, Enterprise GP Holdings and its general partner, Duncan Energy Partners and its general partner, and TEPPCO and its general partner, among other affiliates, are parties to the ASA. The significant terms of the ASA are as follows:

- EPCO will provide selling, general and administrative services, and management and operating services, as may be necessary to manage and operate our business, properties and assets (in accordance with prudent industry practices). EPCO will employ or otherwise retain the services of such personnel as may be necessary to provide such services.

- We are required to reimburse EPCO for its services in an amount equal to the sum of all costs and expenses incurred by EPCO which are directly or indirectly related to our business or activities (including expenses reasonably allocated to us by EPCO). In addition, we have agreed to pay all sales, use, excise, value added or similar taxes, if any, that may be applicable from time to time in respect of the services provided to us by EPCO.

- EPCO will allow us to participate as named insureds in its overall insurance program, with the associated premiums and other costs being allocated to us.

Under the ASA, EPCO subleases to us (for $1 per year) certain equipment which it holds pursuant to operating leases and has assigned to us its purchase option under such leases (the "retained leases"). EPCO remains liable for the actual cash lease payments associated with these agreements. We record the full value of these payments made by EPCO on our behalf as a non-cash related party operating lease expense, with the offset to partners' equity accounted for as a general contribution to our partnership. At December 31, 2005, the retained leases were for a cogeneration unit and approximately 100 railcars. Should we decide to exercise the purchase options associated with the retained leases, $2.3 million would be payable in 2008 and $3.1 million in 2016.

Our operating costs and expenses for 2006, 2005 and 2004 include reimbursement payments to EPCO for the costs it incurs to operate our facilities, including compensation of employees. We reimburse EPCO for actual direct and indirect expenses it incurs related to the operation of our assets.

Likewise, our general and administrative costs for 2006, 2005 and 2004 include amounts we reimburse to EPCO for administrative services, including compensation of employees. In general, our reimbursement to EPCO for administrative services is either (i) on an actual basis for direct expenses it may incur on our behalf (e.g., the purchase of office supplies) or (ii) based on an allocation of such charges between the various parties to the ASA based on the estimated use of such services by each party (e.g., the allocation of general legal or accounting salaries based on estimates of time spent on each entity's business and affairs).

The ASA also addresses potential conflicts that may arise among us and our general partner, Duncan Energy Partners and its general partner, DEP Holdings, LLC ("DEP Holdings") Enterprise GP Holdings and its general partner, and the EPCO Group, which includes EPCO and its affiliates (but does not include the aforementioned entities and their controlled affiliates). The ASA provides, among other things, that:

- If a business opportunity to acquire "*equity securities" (as defined)* is presented to the EPCO Group, us and our general partner, Duncan Energy Partners, its general partner, and its operating partnership, or Enterprise GP Holdings and its general partner, then Enterprise GP Holdings will have the first right to pursue such opportunity. The term "equity securities" is defined to include:

  - General partner interests (or securities which have characteristics similar to general partner interests) and incentive distribution rights or similar rights in publicly traded partnerships or interests in "persons" that own or control such general partner or similar interests (collectively, "GP interests") and securities convertible, exercisable, exchangeable or otherwise representing ownership or control of such GP interests; and

  - Incentive distribution rights and limited partner interests (or securities which have characteristics similar to incentive distribution rights or limited partner interests) in publicly traded partnerships or interests in "persons" that own or control such limited partner or similar interests (collectively, "non-GP interests"); provided that such non-GP interests are associated with GP interests and are owned by the owners of GP interests or their respective affiliates.

  Enterprise GP Holdings will be presumed to desire to acquire the equity securities until such time as its general partner advises the EPCO Group, Enterprise Products GP and DEP Holdings that it has abandoned the pursuit of such business opportunity. In the event that the purchase price of the equity securities is reasonably likely to equal or exceed $100 million, the decision to decline the acquisition will be made by the chief executive officer of EPE Holdings after consultation with and subject to the approval of the ACG Committee of EPE Holdings. If the purchase price is reasonably likely to be less than such threshold amount, the chief executive officer of EPE Holdings may make the determination to decline the acquisition without consulting the ACG Committee of EPE Holdings.

  In the event that Enterprise GP Holdings abandons the acquisition and so notifies the EPCO Group, Enterprise Products GP and DEP Holdings, we will have the second right to pursue such acquisition either for us or, if desired by us in our sole discretion, for the benefit of Duncan Energy Partners. In the event that we affirmatively direct the opportunity to Duncan Energy Partners, Duncan Energy Partners may pursue such acquisition. We will be presumed to desire to acquire the equity securities until such time as Enterprise Products GP advises the EPCO Group and DEP Holdings that we have abandoned the pursuit of such acquisition. In determining whether or not to pursue the acquisition, we will follow the same procedures applicable to Enterprise GP Holdings, as described above but utilizing Enterprise Products GP's chief executive officer and ACG Committee. In the event we abandon the acquisition opportunity for the equity securities and so notify the EPCO Group and DEP Holdings, the EPCO Group may pursue the acquisition or offer the opportunity to EPCO Holdings or TEPPCO, TEPPCO GP and their controlled affiliates, in either case, without any further obligation to any other party or offer such opportunity to other affiliates.

- If any business opportunity not covered by the preceding bullet point (i.e. not involving "equity securities") is presented to the EPCO Group, Enterprise GP Holdings, EPE Holdings, Duncan Energy Partners, DEP Holdings, our general partner or us, we will have the first right to pursue such opportunity either for us or, if desired by us in our sole discretion, for the benefit of Duncan Energy Partners. We will be presumed to desire to pursue the business opportunity until such time as Enterprise Products GP advises the EPCO Group, EPE Holdings and DEP Holdings that we have abandoned the pursuit of such business opportunity.

  In the event the purchase price or cost associated with the business opportunity is reasonably likely to equal or exceed $100 million, any decision to decline the business opportunity will be made by the chief executive officer of Enterprise Products GP after consultation with and subject to the approval of the ACG Committee of Enterprise Products GP. If the purchase price or cost is reasonably likely to be less than such threshold amount, the chief executive officer of Enterprise Products GP may make the determination to decline the business opportunity without consulting Enterprise Products GP's ACG Committee. In the event that we affirmatively direct the business opportunity to Duncan Energy Partners, Duncan Energy Partners may pursue such business opportunity. In the event that we abandon the business opportunity for us and for Duncan Energy Partners and so notify the EPCO Group, EPE Holdings and DEP Holdings, Enterprise GP Holdings will have the second right to pursue such business opportunity, and will be presumed to desire to do so, until such time as EPE Holdings shall have determined to abandon the pursuit of such opportunity in accordance with the procedures described above, and shall have advised the EPCO Group that Enterprise GP Holdings has abandoned the pursuit of such acquisition.

In the event that Enterprise GP Holdings abandons the acquisition and so notifies the EPCO Group, the EPCO Group may either pursue the business opportunity or offer the business opportunity to EPCO Holdings or TEPPCO, TEPPCO GP and their controlled affiliates without any further obligation to any other party or offer such opportunity to other affiliates.

None of the EPCO Group, Enterprise GP Holdings, EPE Holdings, DEP Holdings, Duncan Energy Partners or its operating partnership, our general partner or us have any obligation to present business opportunities to TEPPCO, TEPPCO GP or their controlled affiliates. Likewise, TEPPCO, TEPPCO GP and their controlled affiliates have no obligation to present business opportunities to the EPCO Group, Enterprise GP Holdings, EPE Holdings, DEP Holdings, Duncan Energy Partners or its operating partnership, our general partner or us.

Relationships with Unconsolidated Affiliates

Many of our unconsolidated affiliates perform supporting or complementary roles to our other business operations. See Note 16 for a discussion of this alignment of commercial interests. Since we and our affiliates hold ownership interests in these entities and directly or indirectly benefit from our related party transactions with such entities, they are presented here.

The following information summarizes significant related party transactions with our current unconsolidated affiliates:

- We sell natural gas to Evangeline, which, in turn, uses the natural gas to satisfy supply commitments it has with a major Louisiana utility. Revenues from Evangeline were $277.7 million, $318.8 million and $233.9 million for the years ended December 31, 2006, 2005 and 2004. In addition, we furnished $1.1 million in letters of credit on behalf of Evangeline at December 31, 2006.

- We pay Promix for the transportation, storage and fractionation of NGLs. In addition, we sell natural gas to Promix for its plant fuel requirements. Expenses with Promix were $34.9 million, $26.0 million and $23.2 million for the years ended December 31, 2006, 2005 and 2004. Additionally, revenues from Promix were $21.8 million, $25.8 million and $18.6 million for the years ended December 31, 2006, 2005 and 2004.

- We perform management services for certain of our unconsolidated affiliates. These fees were $8.9 million, $8.3 million and $2.1 million for the years ended December 31, 2006, 2005 and 2004.

Review and Approval of Transactions with Related Parties

Our partnership agreement and ACG Committee charter set forth policies and procedures for the review and approval of certain transactions with persons affiliated with or related to us. As further described below, our partnership agreement and ACG Committee charter set forth procedures by which related party transactions and conflicts of interest may be approved or resolved by the general partner or the ACG Committee. Under our partnership agreement, unless otherwise expressly provided therein or in the partnership agreements of the Operating Partnership, whenever a potential conflict of interest exists or arises between our general partner or any of its affiliates, on the one hand, and us, any of our subsidiaries or any partner, on the other hand, any resolution or course of action by the general partner or its affiliates in respect of such conflict of interest is permitted and deemed approved by all of our partners, and will not constitute a breach of our partnership agreement, the partnership agreement of the Operating Partnership or any agreement contemplated by such agreements, or of any duty stated or implied by law or equity, if the resolution or course of action is or, by operation of the partnership agreement is deemed to be, fair and reasonable to us; *provided* that, any conflict of interest and any resolution of such conflict of interest will be conclusively deemed fair and reasonable to us if such conflict of interest or resolution is (i) approved by a majority of the members of our ACG Committee ("Special Approval"), as long as the material facts within the actual knowledge of the officers and directors of the General Partner and EPCO regarding the proposed transaction were disclosed to the committee at the time it gave its approval, or (ii) on terms objectively demonstrable to be no less favorable to us than those generally being provided to or available from unrelated third parties.

The ACG Committee (in connection with Special Approval) is authorized in connection with its determination of what is "fair and reasonable" to the Partnership and in connection with its resolution of any conflict of interest to consider:

- The relative interests of any party to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interest;

- Any customary or accepted industry practices and any customary or historical dealings with a particular person;

- Any applicable generally accepted accounting practices or principles; and

- Such additional factors as the committee determines in its sole discretion to be relevant, reasonable or appropriate under the circumstances.

Our Board of Directors or our general partner may, in their discretion, request that our ACG Committee review and approve related party transactions. The review and approval process of the ACG Committee, including factual matters that may be considered in determining whether a transaction is fair and reasonable, is generally governed by Section 7.9 of our partnership agreement. As discussed above, the ACG Committee's Special Approval is conclusively deemed fair and reasonable to us under the partnership agreement. The processes followed by our management in approving or obtaining approval of related party transactions are in accordance with our written management authorization policy, which has been approved by the Board.

Under our Board-approved management authorization policy, the officers of our general partner have authorization limits for purchases and sales of assets, capital expenditures, commercial and financial transactions and legal agreements that ultimately limit the ability of executives of our general partner to enter into transactions involving capital expenditures in excess of $100 million without Board approval. This policy covers all transactions, including transactions with related parties. For example, under this policy, the chairman of our general partner may approve capital expenditures or the sale or other disposition of our assets up to a $100 million limit. Furthermore, any two of the chief executive officer and senior executives who are directors of our general partner may approve capital expenditures or the sale or other disposition of our assets up to a $100 million limit and and individually may approve capital expenditures or the sale or other disposition of our assets up to $50 million. These senior executives have also been granted full approval authority for commercial, financial and service contracts.

In submitting a matter to the ACG Committee, the Board or the general partner may charge the committee with reviewing the transaction and providing the Board a recommendation, or it may delegate to the committee the power to approve the matter. When so engaged, the ACG Committee Charter currently provides that, unless the ACG Committee otherwise determines, the ACG Committee shall perform the following functions:

- Review a summary of the proposed transaction(s) that outlines (i) its terms and conditions (explicit and implicit), (ii) a brief history of the transaction, and (iii) the impact that the transaction will have on our unitholders and personnel, including earnings per unit and distributable cash flow.

- Review due diligence findings by management and make additional due diligence requests, if necessary.

- Engage third-party independent advisors, where necessary, to provide committee members with comparable market values, legal advice and similar services directly related to the proposed transaction.

- Conduct interviews regarding the proposed transaction with the most knowledgeable company officials to ensure that the committee members have all relevant facts before rendering their judgment.

In the normal course of business, our management routinely reviews all other related party transactions, including proposed asset purchases and business combinations and purchases and sales of product. As a matter of course, management reviews the terms and conditions of the proposed transactions, performs appropriate levels of due diligence and assesses the impact of the transaction on our partnership.

The ACG Committee does not separately review transactions covered by our ASA with EPCO, which agreement has previously been approved by the ACG Committee and/or the Board. The ASA governs numerous day-to-day transactions between us and our subsidiaries and EPCO and its affiliates, including the provision by EPCO of administrative and other services to us and our subsidiaries and our reimbursement of costs for those services. For a description of the ASA, please read "*EPCO Administrative Services Agreement*" within this Note 17.

Since the beginning of the last fiscal year of our partnership, the ACG Committee reviewed and approved the purchase of the Pioneer plant from TEPPCO and Jonah Joint Venture with TEPPCO referenced within this Note 17. All other transactions with related parties referenced under within this Note 17 were either governed by the ASA or effected under our written management authorization policy.

Relationship with Shell

Historically, Shell was considered a related party because it owned more than 10% of our limited partner interests and, prior to 2003, held a 30% membership interest in Enterprise Products GP. As a result of Shell selling a portion of its limited partner interests in us to third parties, Shell owned less than 10% of our common units at the beginning of 2005. Shell sold its 30% interest in Enterprise Products GP to an affiliate of EPCO in September 2003. As a result of Shell's reduced equity interest in us and its lack of control of Enterprise Products GP, Shell ceased to be considered a related party in January 2005. At December 31, 2006, Shell owned 26,976,249, or 6.2%, of our common units, all of which have been registered for resale in the open market by us. At February 1, 2007, Shell owned 19,635,749 or 4.5% of our common units.

For the year ended December 31, 2004, our revenues from Shell primarily reflected the sale of NGL and certain petrochemical products and the fees we charged for natural gas processing, pipeline transportation and NGL fractionation services. Our operating costs and expenses with Shell primarily reflected the payment of energy-related expenses related to the Shell Processing Agreement and the purchase of NGL products. We also lease from Shell its 45.4% interest in one of our propylene fractionation facilities located in Mont Belvieu, Texas.

A significant contract affecting our natural gas processing business is the Shell Processing Agreement, which grants us the right to process Shell's (or an assignee's) current and future production within state and federal waters of the Gulf of Mexico. The Shell Processing Agreement includes a life-of-lease dedication, which may extend the agreement well beyond its initial 20-year term ending in 2019.

NOTE 18. PROVISION FOR INCOME TAXES

Our provision for income taxes relates primarily to federal and state income taxes of Seminole and Dixie, our two largest corporations subject to such income taxes. In addition, with the enactment of the Texas Margin Tax in 2006, we have become a taxable entity in the state of Texas. Our federal and state income tax provision is summarized below:

	For the Year Ended December 31,		
	2006	2005	2004
Current:			
Federal	$ 7,694	$ 1,105	$ —
State	1,148	301	157
Total current	8,842	1,406	157
Deferred:			
Federal	6,109	5,968	1,620
State	6,372	988	1,984
Total deferred	12,481	6,956	3,604
Total provision for income taxes	$ 21,323	$ 8,362	$ 3,761

A reconciliation of the provision for income taxes with amounts determined by applying the statutory U.S. federal income tax rate to income before income taxes is as follows:

	For the Year Ended December 31,		
	2006	2005	2004
Taxes computed by applying the federal statutory rate	$ 13,347	$ 7,656	$ 2,308
State income taxes (net of federal benefit)	7,723	838	1,392
Taxes charged to cumulative effect of changes in accounting principle	(3)	65	—
Other permanent differences	256	(197)	61
Provision for income taxes	$ 21,323	$ 8,362	$ 3,761
Effective income tax rate	56%	38%	57%

Significant components of deferred tax liabilities and deferred tax assets as of December 31, 2006 and 2005 are as follows:

	At December 31,	
	2006	2005
Deferred Tax Assets:		
Property, plant and equipment – Dixie	$ —	$ 855
Net operating loss carryforwards	19,175	17,121
Credit carryover	26	—
Charitable contribution carryover	12	—
Employee benefit plans	1,990	2,403
Deferred revenue	328	448
Equity investment in partnerships	223	—
Asset retirement obligation	43	—
Accruals	709	116
Total Deferred Tax Assets	22,506	20,943
Valuation allowance	(2,994)	(2,870)
Net Deferred Tax Assets	19,512	18,073
Deferred Tax Liabilities:		
Property, plant and equipment	30,604	13,907
Other	78	6
Total Deferred Tax Liabilities	30,682	13,913
Total Net Deferred Tax Assets (Liabilities)	$ (11,170)	$ 4,160
Current portion of total net deferred tax assets	$ 698	$ 554
Long-term portion of total net deferred tax assets (liabilities)	$ (11,868)	$ 3,606

We had net operating loss carryforwards of $19.2 million and $17.1 million at December 31, 2006 and 2005, respectively. These losses expire in various years between 2007 and 2026 and are subject to limitations on their utilization. We record a valuation allowance to reduce our deferred tax assets to the amount of future tax benefit that is more likely than not to be realized. The valuation allowance was $3.0 million and $2.9 million at December 31, 2006 and 2005, respectively, and primarily relates to our net operating loss carryforwards.

On May 18, 2006, the State of Texas enacted House Bill 3 which replaced the existing state franchise tax with a "margin tax". In general, legal entities that conduct business in Texas are subject to the Texas Margin Tax, including previously non-taxable entities such as limited partnerships and limited liability partnerships. The tax is assessed on Texas-sourced taxable margin which is defined as the lesser of (i) 70% of total revenue or (ii) total revenue less (a) cost of goods sold or (b) compensation and benefits.

Although the bill states that the margin tax is not an income tax, it has the characteristics of an income tax since it is determined by applying a tax rate to a base that considers both revenues and expenses. Therefore, we have accounted for the Texas Margin Tax as income tax expense in the period of the law's enactment. We recorded a net deferred tax liability of $6.6 million due to the enactment of the Texas Margin Tax. The offsetting net charge of $6.6 million is shown on our Statement of Consolidated Operations for the year ended December 31, 2006 as a component of provision for income taxes.

Texas Margin Tax is effective for returns originally due on or after January 1, 2008. For calendar year end companies, the margin tax would be applied to 2007 activity.

NOTE 19. EARNINGS PER UNIT

Basic earnings per unit is computed by dividing net income or loss allocated to limited partner interests by the weighted-average number of distribution-bearing units outstanding during a period. Diluted earnings per unit is computed by dividing net income or loss allocated to limited partner interests by the sum of (i) the weighted-average number of distribution-bearing units outstanding during a period (as used in determining basic earnings per unit); (ii) the weighted-average number of performance-based phantom units outstanding during a period; and (iii) the number of incremental common units resulting from the assumed exercise of dilutive unit options outstanding during a period (the "incremental option units").

The distribution-bearing Class B special units were included in the calculation of basic earnings per unit prior to their conversion to common units in July 2004.

Treasury units were not considered to be outstanding units; therefore, they were excluded from the computation of both basic and diluted earnings per unit.

In a period of net operating losses, restricted units, phantom units and incremental option units are excluded from the calculation of diluted earnings per unit due to their antidilutive effect. The dilutive incremental option units are calculated using the treasury stock method, which assumes that proceeds from the exercise of all in-the-money options at the end of each period are used to repurchase common units at an average market value during the period. The amount of common units remaining after the proceeds are exhausted represents the potentially dilutive effect of the securities.

The amount of net income or loss allocated to limited partner interests is net of our general partner's share of such earnings. The following table presents the allocation of net income to Enterprise Products GP for the periods indicated:

	For The Year Ended December 31,		
	2006	2005	2004
Net income	$ 601,155	$ 419,508	$ 268,261
Less incentive earnings allocations to Enterprise Products GP	(86,710)	(63,884)	(32,391)
Net income available after incentive earnings allocation	514,445	355,624	235,870
Multiplied by Enterprise Products GP ownership interest	2.0%	2.0%	2.0%
Standard earnings allocation to Enterprise Products GP	$ 10,289	$ 7,112	$ 4,717
Incentive earnings allocation to Enterprise Products GP	$ 86,710	$ 63,884	$ 32,391
Standard earnings allocation to Enterprise Products GP	10,289	7,112	4,717
Enterprise Products GP interest in net income	$ 96,999	$ 70,996	$ 37,108

The following table presents our calculation of basic and diluted earnings per unit for the periods indicated:

	For The Year Ended December 31,		
	2006	2005	2004
Income before changes in accounting principles and Enterprise Products GP interest	$ 599,683	$ 423,716	$ 257,480
Cumulative effect of changes in accounting principles	1,472	(4,208)	10,781
Net income	601,155	419,508	268,261
Less Enterprise Products GP interest in net income	(96,999)	(70,996)	(37,108)
Net income available to limited partners	$ 504,156	$ 348,512	$ 231,153
BASIC EARNINGS PER UNIT			
Numerator			
Income before changes in accounting principles and Enterprise Products GP interest	$ 599,683	$ 423,716	$ 257,480
Cumulative effect of changes in accounting principles	1,472	(4,208)	10,781
Enterprise Products GP interest in net income	(96,999)	(70,996)	(37,108)
Limited partners' interest in net income	$ 504,156	$ 348,512	$ 231,153
Denominator			
Common units	413,472	381,857	262,838
Restricted units	970	606	141
Class B special units	—	—	2,532
Total	414,442	382,463	265,511
Basic earnings per unit			
Income per unit before changes in accounting principles and Enterprise Products GP interest	$ 1.45	$ 1.11	$ 0.97
Cumulative effect of changes in accounting principles	—	(0.01)	0.04
Less Enterprise Products GP interest in net income	(0.23)	(0.19)	(0.14)
Limited partners' interest in net income	$ 1.22	$ 0.91	$ 0.87
DILUTED EARNINGS PER UNIT			
Numerator			
Income before changes in accounting principles and Enterprise Products GP interest	$ 599,683	$ 423,716	$ 257,480
Cumulative effect of changes in accounting principles	1,472	(4,208)	10,781
Less Enterprise Products GP interest in net income	(96,999)	(70,996)	(37,108)
Limited partners' interest in net income	$ 504,156	$ 348,512	$ 231,153
Denominator			
Common units	413,472	381,857	262,838
Class B special units	—	—	2,532
Time-vested restricted units	970	606	141
Performance-based restricted units	20	45	14
Series F2 convertible units	—	—	22
Incremental option units	297	455	498
Total	414,759	382,963	266,045
Diluted earnings per unit			
Income per unit before changes in accounting principles and Enterprise Products GP interest	$ 1.45	$ 1.11	$ 0.97
Cumulative effect of changes in accounting principles	—	(0.01)	0.04
Enterprise Products GP interest in net income	(0.23)	(0.19)	(0.14)
Limited partners' interest in net income	$ 1.22	$ 0.91	$ 0.87

NOTE 20. COMMITMENTS AND CONTINGENCIES

Litigation

On occasion, we are named as a defendant in litigation relating to our normal business activities, including regulatory and environmental matters. Although we are insured against various business risks to the extent we believe it is prudent, there is no assurance that the nature and amount of such insurance will be adequate, in every case, to indemnify us against liabilities arising from future legal proceedings as a result of our ordinary business activities. We are unaware of any significant litigation, pending or threatened, that could have a significant adverse effect on our financial position, cash flows or results of operations.

Several lawsuits have been filed by municipalities and other water suppliers against a number of manufacturers of reformulated gasoline containing methyl tertiary butyl ether ("MTBE"). In general, such suits have not named manufacturers of MTBE as defendants, and there have been no such lawsuits filed against our subsidiary that owns an octane-additive production facility. It is possible, however, that former MTBE manufacturers such as our subsidiary could ultimately be added as defendants in such lawsuits or in new lawsuits.

We acquired additional ownership interests in our Mont Belvieu, Texas octane-additive production facility from affiliates of Devon Energy Corporation ("Devon"), which sold us its 33.3% interest in 2003, and Sunoco, Inc. ("Sun"), which sold us its 33.3% interest in 2004. As a result of these acquisitions, we own 100% of the octane-additive production facility. Devon and Sun have indemnified us for any liabilities (including potential liabilities as described in the preceding paragraph) that are in respect of periods prior to the date we purchased such interests and linked to the period of time they held such interests. There are no dollar limits or deductibles associated with the indemnities we received from Devon and Sun.

On September 18, 2006, Peter Brinckerhoff, a purported unitholder of TEPPCO, filed a complaint in the Court of Chancery of New Castle County in the State of Delaware, in his individual capacity, as a putative class action on behalf of other unitholders of TEPPCO, and derivatively on behalf of TEPPCO, concerning, among other things, certain transactions involving TEPPCO and us or our affiliates. The complaint names as defendants (i) TEPPCO, its current and certain former directors, and certain of its affiliates; (ii) us and certain of our affiliates, including the parent company of our general partner; (iii) EPCO, Inc.; and (iv) Dan L. Duncan.

The complaint alleges, among other things, that the defendants have caused TEPPCO to enter into certain transactions with us or our affiliates that are unfair to TEPPCO or otherwise unfairly favored us or our affiliates over TEPPCO. These transactions are alleged to include the joint venture to further expand the Jonah Gathering System entered into by TEPPCO and one of our affiliates in August 2006 and the sale by TEPPCO to one of our affiliates of the Pioneer gas processing plant in March 2006. The complaint seeks (i) rescission of these transactions or an award of rescissory damages with respect thereto; (ii) damages for profits and special benefits allegedly obtained by defendants as a result of the alleged wrongdoings in the complaint; and (iii) awarding plaintiff costs of the action, including fees and expenses of his attorneys and experts. We believe this lawsuit is without merit and intend to vigorously defend against it. See Note 17 for additional information regarding our relationship with TEPPCO.

On February 13, 2007, our Operating Partnership received notice from the U.S. Department of Justice ("DOJ") that it was the subject of a criminal investigation related to an ammonia release in Kingman County, Kansas on October 27, 2004 from a pressurized anhydrous ammonia pipeline owned by a third party, Magellan Ammonia Pipeline, L.P. ("Magellan"). Our Operating Partnership is the operator of this pipeline. On February 14, 2007, our Operating Partnership received a letter from the Environment and Natural Resources Division ("ENRD") of the DOJ regarding this incident and a previous release of ammonia on September 27, 2004 from the same pipeline. The ENRD has indicated that it may pursue civil damages against our Operating Partnership and Magellan as a result of these incidents. Based on this correspondence from the ENRD, the statutory maximum amount of civil fines that could be assessed against our Operating Partnership and Magellan is up to $17.4 million in the aggregate. Our Operating Partnership is cooperating with the DOJ and is hopeful that an expeditious resolution acceptable to all parties will be reached in the near future. Our Operating Partnership is seeking defense and indemnity under the pipeline operating agreement between it and Magellan. At this time, we do not believe that a final resolution of either the criminal investigation by the DOJ or the civil claims by the ENRD will have a material impact on our consolidated results of operations.

On October 25, 2006, a rupture in the Magellan Ammonia Pipeline resulted in the release of ammonia near Clay Center, Kansas. We and Magellan are in the process of estimating the repair and remediation costs associated with this release. Environmental remediation efforts continue in and around the site of the release under the supervision and management of affiliates of Magellan. Our operating agreement with Magellan provides the Operating Partnership with an indemnity clause for claims arising from such releases. At this time, we do not believe that this incident will have a material impact on our consolidated results of operations.

Contractual Obligations

The following table summarizes our various contractual obligations at December 31, 2006. A description of each type of contractual obligation follows.

	Payment or Settlement due by Period						
Contractual Obligations	Total	2007	2008	2009	2010	2011	Thereafter
Scheduled maturities of long-term debt	$ 5,329,068	$ —	$ —	$ 500,000	$ 569,068	$ 1,360,000	$ 2,900,000
Operating lease obligations	$ 274,700	$ 19,190	$ 19,877	$ 16,374	$ 15,688	$ 16,263	$ 187,308
Purchase obligations:							
Product purchase commitments:							
Estimated payment obligations:							
Natural gas	$ 920,736	$ 153,316	$ 153,736	$ 153,316	$ 153,316	$ 153,316	$ 153,736
NGLs	$ 2,902,805	$ 959,127	$ 223,570	$ 213,315	$ 213,315	$ 213,315	$ 1,080,163
Petrochemicals	$ 2,656,633	$ 1,110,957	$ 448,334	$ 245,028	$ 220,037	$ 119,397	$ 512,880
Other	$ 79,418	$ 35,183	$ 27,653	$ 13,681	$ 765	$ 659	$ 1,477
Underlying major volume commitments:							
Natural gas (in BBtus)	109,600	18,250	18,300	18,250	18,250	18,250	18,300
NGLs (in MBbls)	68,331	21,957	5,322	5,086	5,086	5,086	25,794
Petrochemicals (in MBbls)	45,535	19,250	7,460	4,289	3,670	2,024	8,842
Service payment commitments	$ 15,725	$ 10,413	$ 3,759	$ 900	$ 93	$ 93	$ 467
Capital expenditure commitments	$ 239,000	$ 239,000	$ —	$ —	$ —	$ —	$ —

Scheduled Maturities of Long-Term Debt. We have long-term and short-term payment obligations under debt agreements such as the indentures governing our Operating Partnership's senior notes and the credit agreement governing our Operating Partnership's Multi-Year Revolving Credit Facility. Amounts shown in the preceding table represent our scheduled future maturities of debt principal for the periods indicated. See Note 14 for additional information regarding our consolidated debt obligations.

Operating Lease Obligations. We lease certain property, plant and equipment under noncancelable and cancelable operating leases. Amounts shown in the preceding table represent minimum cash lease payment obligations under our operating leases with terms in excess of one year.

Our significant lease agreements involve (i) the lease of underground caverns for the storage of natural gas and NGLs, (ii) leased office space with an affiliate of EPCO, and (iii) land held pursuant to right-of-way agreements. In general, our material lease agreements have original terms that range from 14 to 20 years and include renewal options that could extend the agreements for up to an additional 20 years. Our rental payments under these agreements are generally at fixed rates, as specified in the individual contract, and may be subject to escalation provisions for inflation or other market-determined factors. With regards to our leases of underground storage caverns, we may be assessed contingent rental payments when our storage volumes exceed our reserved capacity.

Lease expense is charged to operating costs and expenses on a straight-line basis over the period of expected economic benefit. Contingent rental payments are expensed as incurred. We are generally required to perform routine maintenance on the underlying leased assets. In addition, certain leases give us the option to make leasehold improvements. Maintenance and repairs of leased assets resulting from our operations are charged to expense as incurred. We did not make any significant leasehold improvements during the years ended December 31, 2006, 2005 or 2004; however, we did incur $9.3 million of repair costs associated with our lease of an underground natural gas storage facility in 2006.

The operating lease commitments shown in the preceding table exclude the non-cash, related party expense associated with equipment leases contributed to us by EPCO at our formation (the "retained leases"). EPCO remains liable for the actual cash lease payments associated with these agreements, which it accounts for as operating leases. At December 31, 2006, the retained leases were for a cogeneration unit and approximately 100 railcars. EPCO's minimum future rental payments under these leases are $2.1 million for each of the years 2007 through 2008, $0.7 million for each of the years 2009 through 2015 and $0.3 million for 2016. We record the full value of these payments made by EPCO on our behalf as a non-cash related party operating lease expense, with the offset to partners' equity accounted for as a general contribution to our partnership.

The retained lease agreements contain lessee purchase options, which are at prices that approximate fair value of the underlying leased assets. EPCO has assigned these purchase options to us. During the year ended December 31, 2004, we exercised our option to purchase an isomerization unit and related equipment for $17.8 million. Should we decide to exercise the remaining purchase options, up to an additional $2.3 million would be payable in 2008 and $3.1 million in 2016.

Lease and rental expense included in operating costs and expenses was $39.3 million, $34.9 million and $19.5 million during the years ended December 31, 2006, 2005 and 2004, respectively.

Purchase Obligations. We define a purchase obligation as an agreement to purchase goods or services that is enforceable and legally binding (unconditional) on us that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transactions. We have classified our unconditional purchase obligations into the following categories:

- We have long- and short-term product purchase obligations for NGLs, certain petrochemicals and natural gas with third-party suppliers. The prices that we are obligated to pay under these contracts approximate market prices at the time we take delivery of the volumes. The preceding table shows our volume commitments and estimated payment obligations under these contracts for the periods indicated. Our estimated future payment obligations are based on the contractual price under each contract for purchases made at December 31, 2006 applied to all future volume commitments. Actual future payment obligations may vary depending on market prices at the time of delivery. At December 31, 2006, we do not have any product purchase commitments with fixed or minimum pricing provisions with remaining terms in excess of one year.

- We have long- and short-term commitments to pay third-party providers for services such as equipment maintenance agreements. Our contractual payment obligations vary by contract. The preceding table shows our future payment obligations under these service contracts.

- We have short-term payment obligations relating to our capital projects and those of our unconsolidated affiliates. These commitments represent unconditional payment obligations to vendors for services rendered or products purchased. The preceding table presents our share of such commitments for the periods indicated.

Commitments Under Equity Compensation Plans of EPCO

In accordance with our agreements with EPCO, we reimburse EPCO for our share of its compensation expense associated with certain employees who perform management, administrative and operating functions for us (see Note 17). This includes costs associated with unit option awards granted to these employees to purchase our common units. At December 31, 2006, there were 2,416,000 unit options outstanding for which we were responsible for reimbursing EPCO for the costs of such awards.

The weighted-average strike price of unit option awards outstanding at December 31, 2006 was $23.32 per common unit. At December 31, 2006, 591,000 of these unit options were exercisable. An additional 785,000 450,000 and 590,000 of these unit options will be exercisable in 2008, 2009 and 2010, respectively. As these options are exercised, we will reimburse EPCO in the form of a special cash distribution for the difference between the strike price paid by the employee and the actual purchase price paid for the units awarded to the employee. See Note 5 for additional information regarding our accounting for equity awards.

Performance Guaranty

In December 2004, a subsidiary of ours entered into the Independence Hub Agreement (the "Agreement") with six oil and natural gas producers. The Agreement, as amended, obligates our subsidiary to construct the Independence Hub offshore platform and to process 1 Bcf/d of natural gas and condensate for the producers.

We have guaranteed to the producers the construction-related performance of our subsidiary up to an amount of $340.8 million. This figure represents the maximum amount we would pay to the producers in the remote circumstance where they must finish construction of the platform because our subsidiary failed to do so. This guarantee will remain in place until the earlier of (i) the date all guaranteed obligations terminate or expire, or have been paid or otherwise performed or discharged in full, (ii) upon mutual written consent of us, the producers and our joint venture partner in the platform project, or (iii) mechanical completion of the platform. We expect that mechanical completion of the Independence Hub platform will occur in March 2007; therefore, we anticipate that our performance guaranty will exist until at least this forecasted date.

In accordance with FIN 45, "*Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*," we recorded the fair value of the performance guaranty using an expected present value approach. Given the remote probability that we would be required to perform under the guaranty, we have estimated the fair value of the performance guaranty at approximately $1.2 million, which is a component of "Other current liabilities" on our Consolidated Balance Sheet at December 31, 2006.

Other Claims

As part of our normal business activities with joint venture partners and certain customers and suppliers, we occasionally make claims against such parties or have claims made against us as a result of disputes related to contractual agreements or similar arrangements. As of December 31, 2006, our contingent claims against such parties were approximately $2 million and claims against us were approximately $34 million. These matters are in various stages of assessment and the ultimate outcome of such disputes cannot be reasonably estimated. However, in our opinion, the likelihood of a material adverse outcome related to disputes against us is remote. Accordingly, accruals for loss contingencies related to these matters, if any, that might result from the resolution of such disputes have not been reflected in our consolidated financial statements.

Other Commitments

We transport and store natural gas, NGLs and certain petrochemicals for third parties under various processing, storage, transportation and similar agreements. Under the terms of these agreements, we are generally required to redeliver volumes to the owner on demand. We are insured against any physical loss of such volumes due to catastrophic events. At December 31, 2006, NGL and petrochemical volumes aggregating 8.5 million barrels were due to be redelivered to their owners along with 12,063 BBtus of natural gas.

NOTE 21. SIGNIFICANT RISKS AND UNCERTAINTIES

Nature of Operations in Midstream Energy Industry

Our operations are within the midstream energy industry, which includes gathering, transporting, processing, fractionating and storing natural gas, NGLs, certain petrochemicals and crude oil. As such, our results of operations, cash flows and financial condition may be affected by changes in the commodity prices of these hydrocarbon products, including changes in the relative price levels among these products. In general, the prices of natural gas, NGLs, crude oil and other hydrocarbon products are subject to fluctuations in response to changes in supply, market uncertainty and a variety of additional factors that are beyond our control.

Our profitability could be impacted by a decline in the volume of hydrocarbon products transported, gathered or processed at our facilities. A material decrease in natural gas or crude oil production or crude oil refining for reasons such as depressed commodity prices or a decrease in exploration and development activities, could result in a decline in the volume of natural gas, NGLs and crude oil handled by our facilities.

A reduction in demand for NGL products by the petrochemical, refining or heating industries, whether because of (i) general economic conditions, (ii) reduced demand by consumers for the end products made using NGLs, (iii) increased competition from petroleum-based products due to pricing differences, (iv) adverse weather conditions, (v) government regulations affecting energy commodity prices, production levels of hydrocarbons or the content of motor gasoline, or (vi) other reasons, could adversely affect our results of operations, cash flows and financial position.

Credit Risk Due to Industry Concentrations

A substantial portion of our revenues are derived from companies in the domestic natural gas, NGL and petrochemical industries. This concentration could affect our overall exposure to credit risk since these customers may be affected by similar economic or other conditions. We generally do not require collateral for our accounts receivable; however, we do attempt to negotiate offset, prepayment or automatic debit agreements with customers that are deemed to be credit risks in order to minimize our potential exposure to any defaults.

Our revenues are derived from a wide customer base. During 2006 and 2005, our largest customer was The Dow Chemical Company and its affiliates, which accounted for 6.1% and 6.8%, respectively, of our consolidated revenues. During 2004, our largest customer was Shell Oil Company and its affiliates ("Shell"), which accounted for 6.5% of our consolidated revenues.

Counterparty Risk with Respect to Financial Instruments

Where we are exposed to credit risk in our financial instrument transactions, we analyze the counterparty's financial condition prior to entering into an agreement, establish credit and/or margin limits and monitor the appropriateness of these limits on an ongoing basis. We generally do not require collateral for our financial instrument transactions.

Weather-Related Risks

We participate as named insureds in EPCO's current insurance program, which provides us with property damage, business interruption and other coverages, which are customary for the nature and scope of our operations. EPCO attempts to place all insurance coverage with carriers having ratings of "A" or higher. However, two carriers associated with the EPCO insurance program were downgraded to BBB+ by Standard & Poor's during 2006. At present, there is no indication that these carriers would be unable to fulfill any insuring obligation. Furthermore, we currently do not have any claims which might be affected by these carriers. EPCO continues to monitor these situations.

We believe EPCO maintains adequate insurance coverage on our behalf; however, insurance will not cover every type of interruption that might occur. As a result of severe hurricanes such as Katrina and Rita that occurred in 2005, market conditions for obtaining property damage insurance coverage have been difficult. Under EPCO's renewed insurance programs, coverage is more restrictive, including increased physical damage and business interruption deductibles. For example, our deductible for onshore physical damage increased from $2.5 million to $5.0 million per event and our deductible period for onshore business interruption claims increased from 30 days to 60 days. Additional restrictions will be applied in connection with damage caused by named windstorms.

In addition to changes in coverage, the cost of property damage insurance increased substantially from prior periods. At present, our annualized cost of insurance premiums for all lines of coverage is approximately $49.2 million, which represents a $28.1 million, or 133%, increase from our 2005 annualized insurance cost.

If we were to incur a significant liability for which we were not fully insured, it could have a material impact on our consolidated financial position and results of operations. In addition, the proceeds of any such insurance may not be paid in a timely manner and may be insufficient to reimburse us for repair costs or lost income. Any event that interrupts the revenues generated by our consolidated operations, or which causes us to make significant expenditures not covered by insurance, could reduce our ability to pay distributions to partners and, accordingly, adversely affect the market price of our common units.

The following is a discussion of the general status of our insurance claims related to recent significant storm events. To the extent we include any estimate or range of estimates regarding the dollar value of damages, please be aware that a change in our estimates may occur as additional information becomes available.

Hurricane Ivan Insurance Claims. Our final purchase price allocation related to the merger of GulfTerra with a wholly-owned subsidiary of Enterprise Products Partners in September 2004 (the "GulfTerra Merger") included a $26.2 million receivable for insurance claims related to expenditures to repair property damage to certain pre-merger GulfTerra assets caused by Hurricane Ivan. During 2006, we received cash reimbursements from insurance carriers totaling $24.1 million related to these property damage claims, and we expect to recover the remaining $2.1 million in 2007. If the final recovery of funds is different than the amount previously expended, we will recognize an income impact at that time.

In addition, we have submitted business interruption insurance claims for our estimated losses caused by Hurricane Ivan. During 2006, we received $17.4 million of nonrefundable cash proceeds from such claims. We are continuing our efforts to collect residual balances and expect to complete the process during 2007. To the extent we receive nonrefundable cash proceeds from business interruption insurance claims, they are recorded as a gain in our Statements of Consolidated Operations in the period of receipt.

Hurricanes Katrina and Rita Insurance Claims. Hurricanes Katrina and Rita, both significant storms, affected certain of our Gulf Coast assets in August and September of 2005, respectively. The majority of repairs to our facilities are completed; however, certain minor repairs are ongoing to two offshore pipelines and an onshore gas processing facility. To the extent that insurance proceeds from property damage claims are not probable of collection or do not cover our estimated expenditures (in excess of $5.0 million of insurance deductibles we expensed during 2005), such amounts are charged to earnings when realized. With respect to these storms, we have $78.2 million of estimated property damage claims outstanding at December 31, 2006, that we believe are probable of collection during the period 2007 through 2009. For the year ended December 31, 2006, we received $10.5 million of physical damage proceeds related to such storms.

In addition, we received $46.5 million of nonrefundable cash proceeds from business interruption claims during the year ended December 31, 2006. We are aggressively pursuing collection of our remaining property damage and business interruption claims related to Hurricanes Katrina and Rita.

The following table summarizes proceeds we received during 2006 from business interruption and property damage insurance claims with respect to certain named storms:

Business interruption proceeds:	
Hurricane Ivan	$ 17,382
Hurricane Katrina	24,500
Hurricane Rita	22,000
Total proceeds	$ 63,882
Property damage proceeds:	
Hurricane Ivan	$ 24,104
Hurricane Katrina	7,500
Hurricane Rita	3,000
Total proceeds	$ 34,604
Total proceeds received during 2006	$ 98,486

During 2005, we received $4.8 million of nonrefundable cash proceeds from business interruption claims.

NOTE 22. SUPPLEMENTAL CASH FLOW INFORMATION

The following table provides information regarding (i) the net effect of changes in our operating assets and liabilities; (ii) cash payments for interest, and (iii) cash payments for federal and state income taxes for the periods indicated.

	For the Year Ended December 31,		
	2006	2005	2004
Decrease (increase) in:			
Accounts and notes receivable	$ 155,628	$ (363,857)	$ (453,904)
Inventories	(66,288)	(148,846)	(44,202)
Prepaid and other current assets	14,261	(51,163)	2,726
Other assets	(22,581)	58,762	(6,073)
Increase (decrease) in:			
Accounts payable	(12,278)	45,802	110,497
Accrued gas payable	(8,344)	349,979	286,089
Accrued expenses	(62,963)	(161,989)	8,800
Accrued interest	19,671	858	(199)
Other current liabilities	74,206	2,274	6,534
Other liabilities	(7,894)	1,785	(3,993)
Net effect of changes in operating accounts	$ 83,418	$ (266,395)	$ (93,725)
Cash payments for interest, net of $55,660, $22,046 and $2,766 capitalized in 2006, 2005 and 2004, respectively	$ 213,365	$ 239,088	$ 135,797
Cash payments for federal and state income taxes	$ 10,497	$5,160	$ 182

The following table provides supplemental cash flow information regarding business combinations we completed during the periods indicated. See Note 12 for additional information regarding our business combination transactions.

	For the Year Ended December 31,		
	2006	2005	2004
Assets acquired	$ 477,015	$ 353,176	$ 5,946,294
Less liabilities assumed	(19,403)	(23,940)	(2,269,893)
Net assets acquired	457,612	329,236	3,676,401
Less equity issued	(181,112)	—	(2,910,772)
Less cash acquired	—	(2,634)	(40,968)
Cash used for business combinations, net of cash received	$ 276,500	$ 326,602	$ 724,661

We incurred liabilities for construction in progress that had not been paid at December 31, 2006, 2005 and 2004 of $195.1 million, $130.2 million and $62.4 million, respectively. Such amounts are not included under the caption "Capital expenditures" on the Statements of Consolidated Cash Flows.

Third parties may be obligated to reimburse us for all or a portion of expenditures on certain of our capital projects. The majority of such arrangements are associated with projects related to pipeline construction and production well tie-ins. We received $60.5 million, $47.0 million and $8.9 million as contributions in aid of our construction costs during the years ended December 31, 2006, 2005 and 2004, respectively.

Net income for the year ended December 31, 2004 includes a gain on sale of assets of $15.1 million resulting from the satisfaction of certain requirements of an asset sale agreement whereby we sold a 50% ownership interest in Cameron Highway to a third party. Of the $15.1 million gain we recognized, $5.0 million was realized in December 2004 and the remainder was collected in 2006.

In June 2005, we received $47.5 million in cash from Cameron Highway as a return of investment. These funds were distributed to us in connection with the refinancing of Cameron Highway's project debt (see Note 14).

NOTE 23. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following table presents selected quarterly financial data for the years ended December 31, 2006 and 2005:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
For the Year Ended December 31, 2006:				
Revenues	$ 3,250,074	$ 3,517,853	$ 3,872,525	$ 3,350,517
Operating income	193,500	186,045	274,184	206,323
Income before changes in accounting principles	132,302	126,295	208,302	132,784
Net income	133,777	126,295	208,302	132,781
Income per unit before changes in accounting principles:				
Basic	$ 0.28	$ 0.26	$ 0.43	$ 0.25
Diluted	$ 0.28	$ 0.26	$ 0.43	$ 0.25
Net income per unit:				
Basic	$ 0.28	$ 0.26	$ 0.43	$ 0.25
Diluted	$ 0.28	$ 0.26	$ 0.43	$ 0.25
For the Year Ended December 31, 2005:				
Revenues	$ 2,555,522	$ 2,671,768	$ 3,249,291	$ 3,780,378
Operating income	165,464	125,506	194,397	177,649
Income before changes in accounting principles	109,256	70,659	131,169	112,632
Net income	109,256	70,659	131,169	108,424
Income per unit before changes in accounting principles:				
Basic	$ 0.25	$ 0.14	$ 0.29	$ 0.24
Diluted	$ 0.25	$ 0.14	$ 0.29	$ 0.24
Net income per unit:				
Basic	$ 0.25	$ 0.14	$ 0.29	$ 0.23
Diluted	$ 0.25	$ 0.14	$ 0.29	$ 0.23

NOTE 24. CONDENSED FINANCIAL INFORMATION OF OPERATING PARTNERSHIP

The Operating Partnership conducts substantially all of our business. Currently, we have no independent operations and no material assets outside those of our Operating Partnership.

We guarantee the debt obligations of our Operating Partnership, with the exception of the Dixie revolving credit facility and the senior subordinated notes assumed from GulfTerra. If the Operating Partnership were to default on any debt we guarantee, we would be responsible for full repayment of that obligation. See Note 14 for additional information regarding our consolidated debt obligations.

The reconciling items between our consolidated financial statements and those of our Operating Partnership are insignificant.

The following table presents condensed consolidated balance sheet data for the Operating Partnership at the dates indicated:

	At December 31,	
	2006	2005
ASSETS		
Current assets	$ 1,915,937	$ 1,960,015
Property, plant and equipment, net	9,832,547	8,689,024
Investments in and advances to unconsolidated affiliates	564,559	471,921
Intangible assets, net	1,003,955	913,626
Goodwill	590,541	494,033
Deferred tax asset	1,632	3,606
Other assets	74,103	39,014
Total	$ 13,983,274	$ 12,571,239
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities	$ 1,986,444	$ 1,894,227
Long-term debt	5,295,590	4,833,781
Other long-term liabilities	99,845	84,486
Minority interest	136,249	106,159
Partners' equity	6,465,146	5,652,586
Total	$ 13,983,274	$ 12,571,239
Total principal amount of Operating Partnership debt obligations guaranteed by us	$ 5,314,000	$ 4,844,000

The following table presents condensed consolidated statements of operations data for the Operating Partnership for the periods indicated:

	For the Year Ended December 31,		
	2006	2005	2004
Revenues	$ 13,990,969	$ 12,256,959	$ 8,321,202
Costs and expenses	13,148,530	11,605,923	7,946,816
Equity in income of unconsolidated affiliates	21,565	14,548	52,787
Operating income	864,004	665,584	427,173
Other expense, net	(231,876)	(226,075)	(153,251)
Income before provision for income taxes, minority interest and changes in accounting principles	632,128	439,509	273,922
Provision for income taxes	(21,198)	(8,362)	(3,761)
Income before minority interest and changes in accounting principles	610,930	431,147	270,161
Minority interest	(9,190)	(5,989)	(8,072)
Income before changes in accounting principles	601,740	425,158	262,089
Cumulative effect of changes in accounting principles	1,472	(4,208)	10,781
Net income	$ 603,212	$ 420,950	$ 272,870

NOTE 25. SUBSEQUENT EVENTS

Initial Public Offering of Duncan Energy Partners

In September 2006, we formed a new subsidiary, Duncan Energy Partners, to acquire, own and operate a diversified portfolio of midstream energy assets. On February 5, 2007, this subsidiary completed its initial public offering of 14,950,000 common units (including an overallotment amount of 1,950,000 common units) at $21.00 per unit, which generated net proceeds of $291.3 million. Subsequently, Duncan Energy Partners distributed $260.6 million of these net proceeds to us (along with $198.9 million in borrowings under its credit facility) as consideration for certain equity interests we contributed to Duncan Energy Partners at the closing of its initial public offering. We used the cash received from Duncan Energy Partners to temporarily reduce debt outstanding under our Operating Partnership's Multi-Year Revolving Credit Facility.

We may contribute other equity interests in our subsidiaries of Duncan Energy Partners in the near-term and use the proceeds we receive from Duncan Energy Partners to fund our capital spending program.

See Note 17 for additional information regarding our relationship with Duncan Energy Partners and related transactions with TEPPCO.

Investigation Regarding Ammonia Release from Magellan Pipeline

On February 13, 2007, the Operating Partnership of Enterprise Products Partners received notice from the U.S. Department of Justice that it was the subject of a criminal and civil investigation related to an ammonia release in Kingman County, Kansas on October 27, 2004 from a pressurized anhydrous ammonia pipeline owned by Magellan Ammonia Pipeline, L.P. The Operating Partnership is the operator of this pipeline (see Note 20).

MARKET AND CASH DISTRIBUTION HISTORY FOR COMMON UNITS, RELATED UNITHOLDER MATTERS AND PURCHASES OF EQUITY SECURITIES

MARKET INFORMATION AND CASH DISTRIBUTIONS

Our common units are listed on the NYSE under the ticker symbol "EPD". As of February 1, 2007, there were approximately 930 unitholders of record of our common units. The following table presents the high and low sales prices for our common units during the periods indicated (as reported by the NYSE Composite Transaction Tape) and the amount, record date and payment date of the quarterly cash distributions we paid on each of our common units.

	Price Ranges		Cash Distribution History		
	High	Low	Per Unit	Record Date	Payment Date
2005					
1st Quarter	$ 28.350	$ 23.920	$ 0.4100	Apr. 29, 2005	May 10, 2005
2nd Quarter	$ 27.090	$ 24.770	$ 0.4200	Jul. 29, 2005	Aug. 10, 2005
3rd Quarter	$ 27.660	$ 23.500	$ 0.4300	Oct. 31, 2005	Nov. 8, 2005
4th Quarter	$ 26.020	$ 23.380	$ 0.4375	Jan. 31, 2006	Feb. 9, 2006
2006					
1st Quarter	$ 26.000	$ 23.690	$ 0.4450	Apr. 28, 2006	May 10, 2006
2nd Quarter	$ 25.710	$ 23.760	$ 0.4525	Jul. 31, 2006	Aug. 10, 2006
3rd Quarter	$ 27.060	$ 25.000	$ 0.4600	Oct. 31, 2006	Nov. 8, 2006
4th Quarter	$ 29.980	$ 26.050	$ 0.4675	Jan. 31, 2007	Feb. 8, 2007

The quarterly cash distributions shown in the table above correspond to cash flows for the quarters indicated. The actual cash distributions (i.e., the payments made to our partners) occur within 45 days after the end of such quarter. We expect to fund our quarterly cash distributions to partners primarily with cash provided by operating activities. For additional information regarding our cash flows from operating activities, see "*Liquidity and Capital Resources*" beginning on page 37. Although the payment of cash distributions is not guaranteed, we expect to continue to pay comparable cash distributions in the future.

RECENT SALES OF UNREGISTERED SECURITIES

There were no sales of unregistered equity securities during 2006.

COMMON UNITS AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLAN

Please read the information included under Item 12 on page 113 of Enterprise's 2006 Form 10-K.

ISSUER PURCHASES OF EQUITY SECURITIES

We did not repurchase any of our common units during 2006. In December 1998, we announced a common unit repurchase program whereby we, together with certain affiliates, intended to repurchase up to 2,000,000 of our common units for the purpose of granting options to management and key employees (amount adjusted for the 2-for-1 unit split in May 2002). As of February 15, 2007, we and our affiliates could repurchase up to 618,400 additional common units under this repurchase program.

EMPLOYEES

As of December 31, 2006, approximately 1,900 persons spend 100% of their time engaged in the management and operations of our business, and 100% of the cost for their services is reimbursed to EPCO under an administrative services agreement, except for approximately 80 persons employed and paid directly by Dixie. In addition approximately 1,100 persons assigned to EPCO's shared service organizations spend all or a portion of their time engaged in our business. The cost for their services is reimbursed to EPCO under an administrative services agreement and is generally based on the percentage of time such employees perform services on our behalf during the year. All of the foregoing persons, except the approximately 80 who are employed directly by Dixie, are employees of EPCO. In addition to the EPCO employees, there are approximately 150 contract maintenance and other various contract personnel engaged in our business.

NEW YORK STOCK EXCHANGE COMPLIANCE

On April 5, 2006, our chief executive officer certified to the NYSE, as required by Section 303A.12(a) of the NYSE Listed Company Manual, that as of April 5, 2006, he was not aware of any violation by us of the NYSE's Corporate Governance listing standards. We also filed the Sarbanes-Oxley Section 302 certifications of our Chief Executive Officer and our Chief Financial Officer as Exhibits 31.1 and 31.2, respectively, to our Annual Report on Form 10-K for the year ended December 31, 2006 as filed with the Securities and Exchange Commission on February 28, 2007.

CAUTIONARY STATEMENT
REGARDING FORWARD-LOOKING INFORMATION

This discussion contains various forward-looking statements and information that are based on our beliefs and those of our general partner, as well as assumptions made by us and information currently available to us. When used in this document, words such as "anticipate," "project," "expect," "plan," "goal," "forecast," "intend," "could," "believe," "may" and similar expressions and statements regarding our plans and objectives for future operations, are intended to identify forward-looking statements. Although we and our general partner believe that such expectations reflected in such forward-looking statements are reasonable, neither we nor our general partner can give any assurances that such expectations will prove to be correct. Such statements are subject to a variety of risks, uncertainties and assumptions. If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may vary materially from those anticipated, estimated, projected or expected. You should not put undue reliance on any forward-looking statements.

GLOSSARY

The following terms, which are used in the energy industry and in this annual report, have the following meanings:

/d	= per day
BBtus	= billion British thermal units
Bcf	= billion cubic feet
MBbls	= thousand barrels
MBPD	= thousand barrels per day
MBtus	= thousand British thermal units
MMBtus	= million British thermal units
MMcf	= million cubic feet

RECONCILIATION OF GAAP FINANCIAL STATEMENTS TO NON-GAAP FINANCIAL MEASURES

	2006	2005	2004	2003	2002
Reconciliation of Non-GAAP "EBITDA" to GAAP "Net income" and GAAP "Net cash flows provided by operating activities"					
Net Income	$ 601,155	$ 419,508	$ 268,261	$ 104,546	$ 95,500
Additions to net income to derive EBITDA:					
Interest expense	238,023	230,549	155,740	140,806	101,580
Provision for income taxes	21,323	8,362	3,761	5,293	1,634
Depreciation, amortization and accretion (excluding amortization component in interest expense)	447,442	420,625	195,384	115,801	86,106
EBITDA	$ 1,307,943	$ 1,079,044	$ 623,146	$ 366,446	$ 284,820
Adjustments to EBITDA to derive net cash flows provided by operating activities:					
Interest expense	(238,023)	(230,549)	(155,740)	(140,806)	(101,580)
Amortization in interest expense	766	152	3,503	12,634	8,819
Provision for income taxes	(21,323)	(8,362)	(3,761)	(5,293)	(1,634)
Equity in (income) loss of unconsolidated affiliates	(21,565)	(14,548)	(52,787)	13,960	(35,253)
Distributions from unconsolidated affiliates	43,032	56,058	68,027	31,882	57,662
Gain on sale of assets	(3,359)	(4,488)	(15,901)	(16)	(1)
Provision for impairment of long-lived asset	88	-	4,114	1,200	-
Cumulative effect of changes in accounting principles	(1,472)	4,208	(10,781)	-	-
Operating lease expense paid by EPCO (excluding minority interest portion)	2,109	2,112	7,705	9,010	9,033
Other expenses paid by EPCO (excluding minority interest portion)	-	-	-	436	-
Minority interest	9,079	5,760	8,128	3,859	2,947
Deferred income tax expense	14,427	8,594	9,608	10,534	2,080
Changes in fair market value of financial instruments	(51)	122	5	(29)	10,213
Net effect of changes in operating accounts	83,418	(266,395)	(93,725)	120,888	92,655
Net Cash Flows Provided by Operating Activities	$ 1,175,069	$ 631,708	$ 391,541	$ 424,705	$ 329,761

	2006	2005	2004	2003	2002
Reconciliation of Non-GAAP "Distributable cash flow" to GAAP "Net income" and GAAP "Net cash flows provided by operating activities"					
Net Income	$ 601,155	$ 419,508	$ 268,261	$ 104,546	$ 95,500
Adjustments to net income to derive distributable cash flow:					
Operating lease expense paid by EPCO (excluding minority interest portion)	2,109	2,112	7,705	9,010	9,033
Other expenses paid by EPCO (excluding minority interest portion)	-	-	-	436	-
Cumulative effect of changes in accounting principles, excluding minority interest portion	(1,472)	4,208	(8,443)	-	-
Equity in (income) loss of unconsolidated affiliates	(21,565)	(14,548)	(52,787)	13,960	(35,253)
Distributions from unconsolidated affiliates	43,032	56,058	68,027	31,882	57,662
Deferred income tax expense	14,427	8,594	9,608	10,534	2,080
Provision for impairment of long-lived asset	88	-	4,114	1,200	-
Gain on sale of assets	(3,359)	(4,488)	(15,901)	(16)	(1)
Proceeds from sale of assets	3,927	44,746	6,882	212	165
Changes in fair market value of financial instruments	(51)	122	5	(29)	10,213
Depreciation, amortization and accretion	448,208	420,777	198,887	128,435	94,925
Sustaining capital expenditures	(119,409)	(92,158)	(37,315)	(20,313)	(7,201)
Settlement of forward-starting interest rate swaps	-	-	19,405	-	-
Amortization of net gain from forward-starting interest rate swaps	(3,760)	(3,602)	(857)	-	-
Non-cash reduction in reserves established for Enron bankruptcy recorded as a component of changes in operating accounts	-	-	-	(2,073)	-
El Paso transition support payments	14,250	17,250	4,500	-	-
Return of investment from Cameron Highway Oil Pipeline Company related to refinancing of its project debt	-	47,500	-	-	-
GulfTerra distributable cash flow for third quarter of 2004 (see Exhibit D for calculation and reconciliation)	-	-	68,402	-	-
General Partner minority interest in net income	-	-	-	982	1,071
Distributable Cash Flow	$ 977,580	$ 906,079	$ 540,493	$ 278,766	$ 228,194
Adjustments to distributable cash flow to derive net cash flows provided by operating activities:					
Minority interest portion of cumulative effect of changes in accounting principles	-	-	(2,338)	-	-
Sustaining capital expenditures	119,409	92,158	37,315	20,313	7,201
Proceeds from sale of assets	(3,927)	(44,746)	(6,882)	(212)	(165)
GulfTerra distributable cash flow for third quarter of 2004	-	-	(68,402)	-	-
Minority interest in total	9,079	5,760	8,128	2,877	1,876
Settlement of forward-starting interest rate swaps	-	-	(19,405)	-	-
Amortization of net gain from forward-starting interest rate swaps	3,760	3,602	857	-	-
Non-cash reduction in reserves established for Enron bankruptcy	-	-	-	2,073	-
El Paso transition support payments	(14,250)	(17,250)	(4,500)	-	-
Return of investment from Cameron Highway Oil Pipeline Company	-	(47,500)	-	-	-
Net effect of changes in operating accounts	83,418	(266,395)	(93,725)	120,888	92,655
Net Cash Flows Provided by Operating Activities	$ 1,175,069	$ 631,708	$ 391,541	$ 424,705	$ 329,761

DIRECTORS AND OFFICERS
OF ENTERPRISE PRODUCTS GP, LLC

DIRECTORS

Richard H. Bachmann
Executive Vice President,
Chief Legal Officer and Secretary

E. William Barnett [(1), (2)]
Former Managing Partner,
Baker Botts, L.L.P.

Michael A. Creel
Executive Vice President and
Chief Financial Officer

Dr. Ralph S. Cunningham
Executive Vice President and
Chief Operating Officer

Dan L. Duncan
Chairman

W. Randall Fowler
Senior Vice President
and Treasurer

Robert G. Phillips
President and Chief Executive Officer

Charles M. Rampacek [(1)]
Former Chairman and
Chief Executive of Probex Corporation

Rex C. Ross [(1)]
Chairman of Schlumberger
Technology Corporation

OFFICERS OF ENTERPRISE PRODUCTS GP, LLC, IN ADDITION TO DIRECTORS

James H. Lytal
Executive Vice President

A.J. "Jim" Teague
Executive Vice President

Lynn L. Bourdon, III
Senior Vice President

Charles M. Brabson
Senior Vice President

James A. Cisarik
Senior Vice President

James M. Collingsworth
Senior Vice President

Thomas R. Harper
Senior Vice President

Michael J. Knesek
Senior Vice President, Controller and
Principal Accounting Officer

Rudy A. Nix
Senior Vice President

William Ordemann
Senior Vice President

Gil H. Radtke
Senior Vice President

Thomas M. Zulim
Senior Vice President

Graham W. Bacon
Vice President

Jason A. Balasch
Vice President

John E. Bonn
Vice President

Gerald R. Cardillo
Vice President

Angela M. DeLoach
Vice President

Vincent J. Di Cosimo
Vice President

Paul G. Flynn
Vice President and
Chief Information Officer

James D. Gernentz
Vice President

Stephanie C. Hildebrandt
Vice President

Terrance L. Hurlburt
Vice President

Dennis A. Jahde
Vice President

Russell H. Kovin
Vice President

James N. McGrew
Vice President

Gregory W. Watkins
Vice President

A. Monty Wells
Vice President

Mark D. Youtsey
Vice President

(1) Member of Audit Conflicts and Governance Committee
(2) Chairman of Audit Conflicts and Governance Committee

Company
INFORMATION

STOCK EXCHANGE AND COMMON UNIT TRADING PRICES

Enterprise Products Partners L.P. common units trade on the New York Stock Exchange under the ticker symbol EPD. Enterprise had 431,303,193 common units outstanding and 1,105,237 Restricted Units at December 31, 2006. For a complete description of these units, see page 105. For a table of the high and low market prices of the common units by quarter, see page 137.

CASH DISTRIBUTIONS

Enterprise has paid 34 consecutive quarterly cash distributions to unitholders since its initial public offering of common units in 1998. On January 16, 2007, the Company declared a quarterly distribution of $0.4675 per unit. This distribution was paid to unitholders of record as of January 31, 2007. For a summary of the cash distributions paid, see page 110.

INDEPENDENT AUDITORS

Deloitte & Touche LLP
Suite 2300
333 Clay Street
Houston, TX 77002-4196

PUBLICLY TRADED PARTNERSHIP ATTRIBUTES

Enterprise Products Partners L.P. is a publicly traded limited partnership, which operates in the following ways that are different from a publicly traded stock corporation:

- Unitholders own limited partnership units instead of shares of common stock and receive cash distributions rather than dividends.
- A partnership generally is not a taxable entity and does not pay federal income taxes. All of the annual income, gains, losses, deductions or credits flow through the partnership to the unitholders on a per unit basis. The unitholders are required to report their allocated share of these amounts on their income tax returns whether or not any cash distributions are paid by the partnership to its unitholders.
- Cash distributions paid by a partnership to a unitholder are generally not taxable, unless the amount of any cash distributed is in excess of the unitholder's adjusted basis in his partnership interest.

TRANSFER AGENT, REGISTRAR AND CASH DISTRIBUTION PAYING AGENT

Mellon Investor Services LLC
480 Washington Blvd.
Jersey City, NJ 70310
(800) 635-9270
www.melloninvestor.com

K-1 INFORMATION

Enterprise provides each unitholder a Schedule K-1 tax package that includes each unitholder's allocated share of reportable partnership items and other partnership information necessary to be reported on state and federal income tax returns. The K-1 provides a unitholder required tax information for their ownership interest in the partnership, just as a Form 1099-DIV does for a stockholder's ownership interest in a corporation.

ADDITIONAL INVESTOR INFORMATION

Additional information about Enterprise Products Partners L.P., including our SEC annual report on Form 10-K, can be obtained by contacting Investor Relations by telephone at (866) 230-0745, writing to the Company's mailing address provided below or accessing the company's internet home page at www.epplp.com.

Information concerning the company's K-1s can be obtained by calling toll free (800) 599-9985 or through the partnership's website at www.epplp.com.

HEADQUARTERS

Enterprise Products Partners L.P.
Enterprise Plaza
1100 Louisiana Street, 10th Floor
Houston, TX 77002-5227

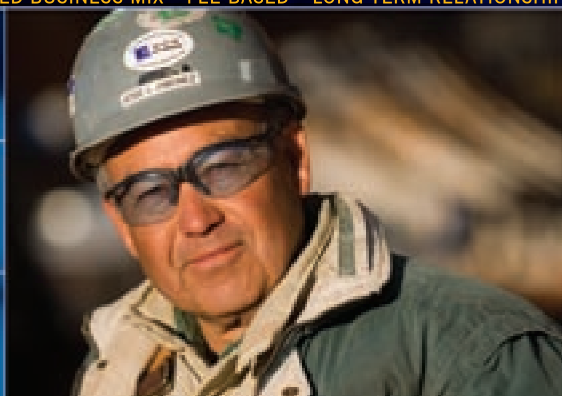
Mailing Address:
P.O. Box 4324
Houston, TX 77210-4324
(713) 381-6500

www.epplp.com

EPD
LISTED
NYSE

Enterprise Products Partners L.P.

INTEGRATED VALUE CHAIN – DIVERSIFIED BUSINESS MIX – FEE-BASED – LONG-TERM RELATIONSHIPS – INTEGRITY – SUPPORTIVE GENERAL PARTNER – LOW COST OF CAPITAL



P.O. Box 4324 Houston, Texas 77210-4324