

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

OR

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

For the Quarter Ended September 30, 1999

Commission File No. 1-10403

TEPPCO PARTNERS, L.P.
(Exact name of Registrant as specified in its charter)

Delaware
(State of Incorporation
or Organization)

76-0291058
(I.R.S. Employer
Identification Number)

2929 Allen Parkway
P.O. Box 2521
Houston, Texas 77252-2521
(Address of principal executive offices, including zip code)

(713) 759-3636
(Registrant's telephone number, including area code)

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

ITEM 1. FINANCIAL STATEMENTS

TEPPCO PARTNERS, L.P.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	September 30, 1999	December 31, 1998
	----- (Unaudited)	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 31,529	\$ 47,423
Short-term investments	3,910	3,269
Accounts receivable, trade	182,424	113,541
Inventories	18,535	17,803
Other	4,429	3,909
	-----	-----
Total current assets	240,827	185,945
	-----	-----
Property, plant and equipment, at cost (Net of accumulated depreciation and amortization of \$212,924 and \$193,858)	711,868	671,611
Investments	5,244	6,490
Intangible assets	35,405	36,842
Other assets	16,932	16,031
	-----	-----
Total assets	\$ 1,010,276	\$ 916,919
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 179,351	\$ 117,933
Accounts payable, general partner	4,275	2,815
Accrued interest	6,408	13,039
Other accrued taxes	8,541	6,739
Other	16,587	9,649
	-----	-----
Total current liabilities	215,162	150,175
	-----	-----
Senior Notes	389,745	389,722
Other long-term debt	66,000	38,000
Other liabilities and deferred credits	3,574	3,407
Minority interest	3,396	3,393
Redeemable Class B Units held by related party ...	105,507	105,036
Partners' capital:		
General partner's interest	390	(380)
Limited partners' interests	226,502	227,566
	-----	-----
Total partners' capital	226,892	227,186
	-----	-----
Total liabilities and partners' capital	\$ 1,010,276	\$ 916,919
	=====	=====

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)
(IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)

	THREE MONTHS ENDED SEPTEMBER 30, 1999 -----	THREE MONTHS ENDED SEPTEMBER 30, 1998 -----	NINE MONTHS ENDED SEPTEMBER 30, 1999 -----	NINE MONTHS ENDED SEPTEMBER 30, 1998 -----
Operating revenues:				
Sales of crude oil and petroleum products	\$ 497,758	\$ --	\$ 1,118,288	\$ --
Transportation - Refined products	33,448	35,316	92,397	90,533
Transportation - LPGs	9,484	10,625	46,173	42,202
Transportation - Crude oil and NGLs	2,963	--	8,499	--
Mont Belvieu operations	3,329	2,848	9,584	7,936
Other - net	7,386	5,440	20,868	15,323
	-----	-----	-----	-----
Total operating revenues	554,368	54,229	1,295,809	155,994
	-----	-----	-----	-----
Costs and expenses:				
Purchases of crude oil and petroleum products	490,604	--	1,098,634	--
Operating, general and administrative	24,358	18,366	69,661	51,182
Operating fuel and power	8,238	7,550	23,225	20,315
Depreciation and amortization	8,163	6,651	24,456	19,356
Taxes - other than income taxes	2,599	1,940	7,942	6,976
	-----	-----	-----	-----
Total costs and expenses	533,962	34,507	1,223,918	97,829
	-----	-----	-----	-----
Operating income	20,406	19,722	71,891	58,165
Interest expense	(8,085)	(7,550)	(23,407)	(22,227)
Interest capitalized	705	121	1,194	638
Other income - net	481	571	1,612	2,251
	-----	-----	-----	-----
Income before minority interest and extraordinary loss on debt extinguishment	13,507	12,864	51,290	38,827
Minority interest	(137)	(130)	(519)	(392)
	-----	-----	-----	-----
Income before extraordinary loss on debt extinguishment	13,370	12,734	50,771	38,435
	-----	-----	-----	-----
Extraordinary loss on debt extinguishment, net of minority interest	--	--	--	(72,767)
	-----	-----	-----	-----
Net income (loss)	\$ 13,370	\$ 12,734	\$ 50,771	\$ (34,332)
	=====	=====	=====	=====
Basic and diluted income (loss) per Limited Partner and Class B Unit:				
Income before extraordinary loss	\$ 0.32	\$ 0.39	\$ 1.34	\$ 1.19
Extraordinary loss on debt extinguishment	--	--	--	(2.26)
	-----	-----	-----	-----
Net income (loss)	\$ 0.32	\$ 0.39	\$ 1.34	\$ (1.07)
	=====	=====	=====	=====
Weighted average Limited Partner and Class B Units outstanding	32,917	29,000	32,917	29,000

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN THOUSANDS)

	NINE MONTHS ENDED SEPTEMBER 30, 1999	NINE MONTHS ENDED SEPTEMBER 30, 1998
	-----	-----
Cash flows from operating activities:		
Net income (loss)	\$ 50,771	\$ (34,332)
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation and amortization	24,456	19,356
Extraordinary loss on early extinguishment of debt, net of minority interest	--	72,767
Gain on sale of property, plant and equipment	--	(356)
Equity in loss of affiliate	339	182
Decrease (increase) in accounts receivable, trade	(68,883)	3,788
Increase in inventories	(732)	(795)
Decrease (increase) in other current assets	(520)	1,818
Increase (decrease) in accounts payable and accrued expenses	64,987	(5,427)
Other	(1,286)	(1,615)
	-----	-----
Net cash provided by operating activities	69,132	55,386
	-----	-----
Cash flows from investing activities:		
Proceeds from cash investments	3,840	2,105
Purchases of cash investments	(3,235)	--
Purchase of fractionator assets and related intangible assets	--	(40,000)
Proceeds from the sale of property, plant and equipment	--	525
Purchase of crude oil system	(2,250)	--
Capital expenditures	(60,427)	(15,200)
	-----	-----
Net cash used in investing activities	(62,072)	(52,570)
	-----	-----
Cash flows from financing activities:		
Principal payment, First Mortgage Notes	--	(326,512)
Prepayment premium, First Mortgage Notes	--	(70,093)
Issuance of Senior Notes	--	389,694
Debt issuance costs, Senior Notes	--	(3,651)
Proceeds from term loan	25,000	38,000
Proceeds from revolving credit agreement	8,000	--
Repayments on revolving credit agreement	(5,000)	--
Distributions	(50,954)	(42,097)
	-----	-----
Net cash used in financing activities	(22,954)	(14,659)
	-----	-----
Net decrease in cash and cash equivalents	(15,894)	(11,843)
Cash and cash equivalents at beginning of period	47,423	43,961
	-----	-----
Cash and cash equivalents at end of period	\$ 31,529	\$ 32,118
	=====	=====
Supplemental disclosure of cash flows:		
Interest paid during the period (net of capitalized interest)	\$ 28,501	\$ 26,210
	=====	=====

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1. ORGANIZATION AND BASIS OF PRESENTATION

TEPPCO Partners, L.P. (the "Partnership"), a Delaware limited partnership, was formed in March 1990. The Partnership operates through TE Products Pipeline Company, Limited Partnership (the "Products OLP") and TCTM, L.P. (the "Crude Oil OLP"). Collectively the Products OLP and the Crude Oil OLP are referred to as "the Operating Partnerships." The Partnership owns a 99% interest as the sole limited partner interest in both the Products OLP and the Crude Oil OLP. Texas Eastern Products Pipeline Company (the "Company" or "General Partner"), an indirect wholly-owned subsidiary of Duke Energy Corporation ("Duke Energy"), owns a 1% general partner interest in the Partnership and 1% general partner interest in each Operating Partnership. The Company, as general partner, performs all management and operating functions required for the Partnership pursuant to the Agreements of Limited Partnership of the Partnership, the Products OLP and the Crude Oil OLP (the "Partnership Agreements"). The general partner is reimbursed by the Partnership for all reasonable direct and indirect expenses incurred in managing the Partnership.

The accompanying unaudited consolidated financial statements reflect all adjustments, which are, in the opinion of management, of a normal and recurring nature and necessary for a fair statement of the financial position of the Partnership as of September 30, 1999, and the results of operations and cash flows for the periods presented. The results of operations for the nine months ended September 30, 1999, are not necessarily indicative of results of operations for the full year 1999. The interim financial statements should be read in conjunction with the Partnership's consolidated financial statements and notes thereto presented in the TEPPCO Partners, L.P. Annual Report on Form 10-K for the year ended December 31, 1998. Certain amounts from the prior year have been reclassified to conform to current presentation.

The Partnership operates in two industry segments: refined products and liquefied petroleum gases ("LPGs") transportation, and crude oil and natural gas liquids ("NGLs") transportation and marketing. The Partnership's reportable segments offer different products and services and are managed separately because each requires different business strategies. The crude oil and NGLs transportation segment was acquired as a unit, and the management at the time of the acquisition was retained. The interstate transportation operations of both segments, including rates charged to customers, are subject to regulations prescribed by the Federal Energy Regulatory Commission ("FERC"). Refined products, LPGs, crude oil and NGLs are referred to herein, collectively, as "petroleum products" or "products."

Basic net income per Unit is computed by dividing net income, after deduction of the general partner's interest, by the weighted average number of Limited Partner and Class B Units outstanding (a total of 32,916,547 Units and 29,000,000 Units as of September 30, 1999 and 1998, respectively). The general partner's percentage interest in net income is based on its percentage of cash distributions from Available Cash for each period (see Note 7. Cash Distributions). The general partner was allocated \$6.5 million (12.89%) of the net income for the nine months ended September 30, 1999, and \$3.2 million (9.38%) of the net loss for the nine months ended September 30, 1998.

Diluted net income per Unit is similar to the computation of basic net income per Unit above, except that the denominator was increased to include the dilutive effect of outstanding Unit options by application of the treasury stock method. For the quarters ended September 30, 1999 and 1998, the denominator was increased by 26,142 Units and 41,884 Units, respectively. For the nine months ended September 30, 1999 and 1998, the denominator was increased by 19,595 Units and 46,468 Units, respectively.

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(UNAUDITED)

NOTE 2. NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes standards for and disclosures of derivative instruments and hedging activities. In July 1999, the FASB issued SFAS No. 137 to delay the effective date of SFAS No. 133 until fiscal years beginning after June 15, 2000. The Partnership expects to adopt this standard effective January 1, 2001. The Partnership has not determined the impact of this statement on its financial condition and results of operations.

NOTE 3. RELATED PARTY TRANSACTIONS

As of March 31, 1998, TEPPCO Colorado, LLC ("TEPPCO Colorado"), a wholly-owned subsidiary of the Products OLP, purchased two fractionation facilities located in Weld County, Colorado, from Duke Energy Field Services, Inc. ("DEFS"), a wholly-owned subsidiary of Duke Energy. TEPPCO Colorado and DEFS entered into a twenty year Fractionation Agreement, whereby TEPPCO Colorado will receive a variable fee for all fractionated volumes delivered to DEFS. The purchase price of these transactions was \$40 million. Intangible assets include \$38 million of value assigned to the Fractionation Agreement, which will be amortized on a straight-line method over the term of the Fractionation Agreement. The remaining purchase price of \$2.0 million was allocated to the fractionator facilities purchased. TEPPCO Colorado and DEFS also entered into an Operations and Management Agreement, whereby DEFS will operate and maintain the fractionation facilities. TEPPCO Colorado pays DEFS a set volumetric rate for all fractionated volumes delivered to DEFS.

Effective November 1, 1998, the Crude Oil OLP, through its wholly-owned subsidiary TEPPCO Crude Oil, LLC ("TCO"), acquired substantially all of the assets of Duke Energy Transport and Trading Company ("DETTCO") from Duke Energy for approximately \$106 million. In consideration for such assets, Duke Energy received 3,916,547 Class B Limited Partnership Units ("Class B Units"). The Class B Units are substantially identical to the 29,000,000 Limited Partner Units, except they are not listed on the New York Stock Exchange. The Class B Units may be convertible into Limited Partner Units upon approval by the Limited Partner Unitholders. The Company does not currently anticipate seeking approval for the conversion of the Class B Units prior to March 2000. After March 2000, the holder of the Class B Units will have the right to sell them to the Partnership at 95.5% of the market price of the Limited Partner Units at the time of sale. As a result of such option, the Class B Units were not included in partners' capital at September 30, 1999. Collectively, the Limited Partner Units and Class B Units are referred to as "Units." The transaction was accounted for under the purchase method of accounting. Accordingly, the results of the acquisition are included in the consolidated statements of income for periods from November 1, 1998.

NOTE 4. INVESTMENTS

SHORT-TERM INVESTMENTS

The Partnership routinely invests cash in liquid short-term investments as part of its cash management program. Investments with maturities at date of purchase of 90 days or less are considered cash equivalents. At September 30, 1999, short-term investments included \$3.9 million of investment-grade corporate notes, which mature within one year. Such investments at September 30, 1999 included a \$0.9 million investment in Duke Power Company corporate notes. All short-term investments are classified as held-to-maturity securities and are stated at amortized cost. The aggregate fair value of such securities approximates amortized cost at September 30, 1999.

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(UNAUDITED)

LONG-TERM INVESTMENTS

At September 30, 1999, the Partnership had \$5.2 million invested in investment-grade corporate notes, which have varying maturities through 2004. These securities are classified as held-to-maturity securities and are stated at amortized cost. The aggregate fair value of such securities approximates amortized cost at September 30, 1999.

NOTE 5. INVENTORIES

Inventories are carried at the lower of cost (based on weighted average cost method) or market. The major components of inventories were as follows (in thousands):

	SEPTEMBER 30, 1999	DECEMBER 31, 1998
	-----	-----
Gasolines	\$ 924	\$ 4,224
Propane	576	1,503
Butanes	2,392	1,654
Fuel oil	524	564
Crude oil	7,787	2,886
Other products	2,541	3,306
Materials and supplies	3,791	3,666
	-----	-----
Total	\$ 18,535	\$ 17,803
	=====	=====

The costs of inventories were lower than market at September 30, 1999, and December 31, 1998.

NOTE 6. LONG TERM DEBT

SENIOR NOTES

On January 27, 1998, the Products OLP completed the issuance of \$180 million principal amount of 6.45% Senior Notes due 2008, and \$210 million principal amount of 7.51% Senior Notes due 2028 (collectively the "Senior Notes"). The 6.45% Senior Notes due 2008 are not subject to redemption prior to January 15, 2008. The 7.51% Senior Notes due 2028 may be redeemed at any time after January 15, 2008, at the option of the Products OLP, in whole or in part, at a premium. Net proceeds from the issuance of the Senior Notes totaled approximately \$386 million and was used to repay in full the \$61.0 million principal amount of the 9.60% Series A First Mortgage Notes, due 2000, and the \$265.5 million principal amount 10.20% Series B First Mortgage Notes, due 2010. The premium for the early redemption of the First Mortgage Notes totaled \$70.1 million. The Partnership recorded an extraordinary charge of \$73.5 million during the first quarter of 1998 (including \$0.7 million allocated to minority interest), which represents the redemption premium of \$70.1 million and unamortized debt issue costs related to the First Mortgage Notes of \$3.4 million.

The Senior Notes do not have sinking fund requirements. Interest on the Senior Notes is payable semiannually in arrears on January 15 and July 15 of each year. The Senior Notes are unsecured obligations of the Products OLP and will rank on a parity with all other unsecured and unsubordinated indebtedness of the Products OLP. The indenture governing the Senior Notes contains covenants, including, but not limited to, covenants limiting (i) the creation of liens securing indebtedness and (ii) sale and leaseback transactions. However, the indenture does not limit the Partnership's ability to incur additional indebtedness.

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(UNAUDITED)

OTHER LONG TERM DEBT

In connection with the purchase of the fractionation assets from DEFS as of March 31, 1998, TEPPCO Colorado received a \$38 million bank loan from SunTrust Bank. Proceeds from the loan were received on April 21, 1998. TEPPCO Colorado paid interest to DEFS at a per annum rate of 5.75% on the amount of the total purchase price outstanding for the period from March 31, 1998 until April 21, 1998. The SunTrust loan bears interest at a rate of 6.53%, which is payable quarterly beginning in July 1998. The principal balance of the loan is payable in full on April 21, 2001. The Products OLP is guarantor on the loan.

On May 17, 1999, the Products OLP entered into a \$75 million term loan agreement to finance construction of three new pipelines between the Partnership's terminal in Mont Belvieu, Texas and Port Arthur, Texas. The loan agreement has a term of five years. SunTrust Bank is the administrator of the loan. Approximately \$39.7 million of construction cost was included in capital expenditures during the first nine months of 1999, with a total of approximately \$44.6 million expected to be incurred in 1999, and the remainder in 2000. At September 30, 1999, \$25 million was outstanding under the term loan agreement. Principal will be paid quarterly as follows, with the remaining principal balance payable on May 17, 2004.

QUARTERLY PERIODS ENDING -----	PAYMENT AMOUNT -----
June 2001 through March 2002	\$2.50 million
June 2002 through March 2003	\$3.75 million
June 2003 through March 2004	\$5.00 million

The interest rate for the \$75 million term loan is based on the borrower's option of either SunTrust Bank's prime rate, the federal funds rate or LIBOR rate in effect at the time of the borrowings and is adjusted monthly, bimonthly, quarterly or semi-annually. Interest is payable quarterly from the time of borrowing. The current interest rate for amounts outstanding under the term loan is 6.33%. Commitment fees for the term loan totaled approximately \$47,000 for the period from May 17, 1999 through September 30, 1999.

WORKING CAPITAL FACILITIES

On May 17, 1999, the Products OLP entered into a \$25 million revolving credit agreement and TCO entered into a \$30 million revolving credit agreement. SunTrust Bank is the administrative agent on both revolving credit agreements. The \$25 million revolving credit agreement has a five year term and the \$30 million revolving credit agreement has a three year term. The interest rate on both agreements is based on the borrower's option of either SunTrust Bank's prime rate, the federal funds rate or LIBOR rate in effect at the time of the borrowings and is payable quarterly. Interest rates are adjusted monthly, bimonthly, quarterly or semi-annually. The Products OLP has not made any borrowings under this revolving credit facility. TCO had \$3 million principal amount outstanding under its revolving credit agreement as of September 30, 1999. Commitment fees for the revolving credit agreements totaled approximately \$50,000 for the period from May 17, 1999 through September 30, 1999.

In connection with the purchase of the DETTCO assets by TCO, Duke Capital also agreed to guarantee the payment by TCO and its subsidiaries under certain commercial contracts between TCO and its subsidiaries and third parties. Duke Capital will provide up to \$100 million of guarantee credit to TCO and its subsidiaries for a period of three years from November 30, 1998. Pursuant to this agreement, the Partnership has agreed to pay Duke Capital a commitment fee of \$100,000 per year.

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(UNAUDITED)

NOTE 7. CASH DISTRIBUTIONS

The Partnership makes quarterly cash distributions of all of its Available Cash, generally defined as consolidated cash receipts less consolidated cash disbursements and cash reserves established by the general partner in its sole discretion.

On August 6, 1999, the Partnership paid the second quarter cash distribution of \$0.475 per Limited Partner Unit and Class B Unit to Unitholders of record on July 30, 1999. Additionally, on October 18, 1999, the Partnership declared a cash distribution of \$0.475 per Limited Partner Unit and Class B Unit for the quarter ended September 30, 1999. The distribution was paid on November 5, 1999, to Unitholders of record on October 29, 1999.

The Company receives incremental incentive distributions of 15%, 25% and 50% of the amount by which quarterly distributions of Available Cash exceed \$0.275, \$0.325 and \$0.45 per Limited Partner Unit and Class B Unit, respectively. During the nine months ended September 30, 1999 and 1998, incentive distributions paid to the Company totaled \$5.4 million and \$3.6 million, respectively.

NOTE 8. SEGMENT DATA

The Partnership operates in two industry segments: refined products and LPGs transportation, which operates through the Products OLP; and crude oil and NGLs transportation and marketing, which operates through the Crude Oil OLP.

Operations of the Products OLP consist of interstate transportation, storage and terminaling of petroleum products; short-haul shuttle transportation of LPGs at the Mont Belvieu, Texas complex; sale of product inventory; fractionation of natural gas liquids and other ancillary services. The Products OLP is one of the largest pipeline common carriers of refined petroleum products and LPGs in the United States. The Partnership owns and operates an approximate 4,300-mile pipeline system extending from southeast Texas through the central and midwestern United States to the northeastern United States.

The Crude Oil OLP gathers, stores, transports and markets crude oil, principally in Oklahoma and Texas; operates two trunkline NGL pipelines in South Texas; and distributes lube oil to industrial and commercial accounts. The Crude Oil OLP's gathering, transportation and storage assets include approximately 2,200 miles of pipeline and 1.3 million barrels of storage. The crude oil and NGLs transportation and marketing segment was added with the acquisition from DETTCO effective November 1, 1998.

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(UNAUDITED)

The below table includes interim financial information by business segment for the quarter and nine months ended September 30, 1999. Comparative data has not been included as the Partnership operated as one business segment prior to November 1, 1998.

(in thousands):	Products OLP -----	Crude Oil OLP -----	Consolidated -----
Three Months Ended September 30, 1999:			
Unaffiliated revenues	\$ 53,647	\$ 500,721	\$ 554,368
Operating expenses, including power	29,670	496,129	525,799
Depreciation and amortization expense	6,774	1,389	8,163
	-----	-----	-----
Operating income	17,203	3,203	20,406
Interest expense, net	(7,287)	(93)	(7,380)
Other income, net	243	101	344
	-----	-----	-----
Net income	<u>\$ 10,159</u>	<u>\$ 3,211</u>	<u>\$ 13,370</u>
	=====	=====	=====
Nine Months Ended September 30, 1999:			
Unaffiliated revenues	\$ 169,022	\$ 1,126,787	\$ 1,295,809
Operating expenses, including power	84,713	1,114,749	1,199,462
Depreciation and amortization expense	20,307	4,149	24,456
	-----	-----	-----
Operating income	64,002	7,889	71,891
Interest expense, net	(22,098)	(115)	(22,213)
Other income, net	817	276	1,093
	-----	-----	-----
Net income	<u>\$ 42,721</u>	<u>\$ 8,050</u>	<u>\$ 50,771</u>
	=====	=====	=====
As of September 30, 1999:			
Identifiable assets	\$ 711,527	\$ 298,749	\$ 1,010,276
Accounts receivable, trade	15,606	166,818	182,424
Accounts payable and accrued liabilities ...	\$ 5,794	\$ 173,557	\$ 179,351

NOTE 9. COMMITMENTS AND CONTINGENCIES

The Partnership is involved in various claims and legal proceedings incidental to its business. In the opinion of management, these claims and legal proceedings will not have a material adverse effect on the Partnership's consolidated financial position or results of operations.

The operations of the Partnership are subject to federal, state and local laws and regulations relating to protection of the environment. Although the Partnership believes the operations of the pipeline system are in material compliance with applicable environmental regulations, risks of significant costs and liabilities are inherent in pipeline operations, and there can be no assurance that significant costs and liabilities will not be incurred. Moreover, it is possible that other developments, such as increasingly strict environmental laws and regulations and enforcement policies thereunder, and claims for damages to property or persons resulting from the operations of the pipeline system, could result in substantial costs and liabilities to the Partnership. The Partnership does not anticipate that changes in environmental laws and regulations will have a material adverse effect on its financial position, operations or cash flows in the near term.

The Partnership and the Indiana Department of Environmental Management ("IDEM") have entered into an Agreed Order that will ultimately result in a remediation program for any on-site and off-site groundwater contamination attributable to the Partnership's operations at the Seymour, Indiana, terminal. A Feasibility Study,

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(UNAUDITED)

which includes the Partnership's proposed remediation program, has been approved by IDEM. IDEM will issue a Record of Decision formally approving the remediation program. After the Record of Decision has been issued, the Partnership will enter into an Agreed Order for the continued operation and maintenance of the program. The Partnership will evaluate the conditions of the Record of Decision and make adjustments to the program as required. The amount accrued for the program was approximately \$0.4 million at September 30, 1999. In the opinion of the Company, the completion of the remediation program being proposed by the Partnership, if such program is approved by IDEM, will not have a material adverse impact on the Partnership's financial condition, results of operations or liquidity.

In 1997, the Company initiated a program to prepare the Partnership's process controls and business computer systems for the "Year 2000" issue. Process controls are the automated equipment including hardware and software systems which run operational activities. Business computer systems are the computer hardware and software used by the Partnership. The Partnership is utilizing both internal and external resources to identify, test, remediate or replace all critical known or discovered non-compliant computerized systems and applications. The Company continues to evaluate appropriate courses of corrective action, including replacement of certain systems whose associated costs would be recorded as assets and amortized. The Partnership has incurred approximately \$4.5 million of costs related to the Year 2000 issue. The Company estimates the remaining amounts required to address the Year 2000 issue will be as much as approximately \$1.7 million. A portion of such costs would have been incurred as part of normal system and application upgrades. In certain cases, the timing of expenditures has been accelerated due to the Year 2000 issue. Although the Company believes this estimate to be reasonable, due to the complexities of the Year 2000 issue, there can be no assurance that the actual costs related to the Year 2000 issue will not be significantly greater.

The Partnership has adopted a three-phase Year 2000 program consisting of: Phase I - Preliminary Assessment; Phase II - Detailed Assessment and Remediation Planning; and Phase III - Remediation Activities and Testing. The Products OLP has completed Phase I and Phase II; and Phase III is approximately 95% complete. The Crude Oil OLP has completed Phase I; Phase II is approximately 93% complete; and Phase III is approximately 85% complete. Remediation Activities and Testing of all major process controls and computer systems have been completed. Remediation Activities and Testing of other software applications and hardware will be complete by mid-December 1999.

With respect to its third-party relationships, the Partnership has contacted its primary vendors, suppliers and service providers to assess their software and hardware products previously sold to the Partnership and other aspects of their state of Year 2000 readiness. Information continues to be updated regularly, thus the Partnership anticipates receiving additional information in the near future that will assist in determining the extent to which the Partnership may be vulnerable to those third parties' failure to identify and remediate their Year 2000 issues. However, there can be no assurance that the systems or products of other companies, on which the Partnership's systems rely, will be timely converted, or converted in a manner that is compatible with the Partnership's systems, or that any such failures by other companies would not have a material adverse effect on the Partnership.

Despite the Partnership's determined efforts to address and remediate its Year 2000 issue, there can be no assurance that all process controls and business computer systems will continue without interruption through January 1, 2000, and beyond. The complexity of identifying and testing all embedded microprocessors that are installed in hardware throughout the products pipeline system and crude oil system used for process or flow control, transportation, security, communication and other systems may result in unforeseen operational system shutdowns. Although the amount of potential liability and lost revenue cannot be estimated, failures that result in substantial disruptions of business activities could have a material adverse effect on the Partnership. In order to mitigate

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(UNAUDITED)

potential disruptions, the Partnership will prepare contingency plans for its critical systems, processes and external relationships by December 1, 1999.

Tariff rates of interstate oil pipeline companies are currently regulated by the FERC, primarily through an index methodology, whereby a pipeline company is allowed to change its rates based on the change from year-to-year in the Producer Price Index for finished goods less 1% ("PPI Index"). In the alternative, interstate oil pipeline companies may elect to support rate filings by using a cost-of-service methodology, competitive market showings ("Market Based Rates") or agreements between shippers and the oil pipeline company that the rate is acceptable ("Settlement Rates").

In May 1999, the Products OLP filed an application with the FERC to charge Market Based Rates for substantially all refined products transportation tariffs. The FERC approved a request of the Products OLP waiving the requirement to adjust refined products transportation tariffs pursuant to the PPI Index while its Market Based Rates application is under review. Under the PPI Index, refined products transportation rates in effect on June 30, 1999 would have been reduced by approximately 1.83% effective July 1, 1999. If any portion of the Market Based Rates application is denied by the FERC, the Products OLP has agreed to refund, with interest, such amounts collected under the tariff rates in excess of the PPI Index. As a result of the refund obligation potential, the Partnership has deferred all revenue recognition of rates charged in excess of the PPI Index. At September 30, 1999, the amount for accrued rate refunds totaled approximately \$0.4 million.

In July 1999, certain shippers filed protests with the FERC on the Products OLP's application for Market Based Rates in four destination markets. The Partnership believes it will prevail in competitive market determination in those destination markets under protest.

Substantially all of the petroleum products transported and stored by the Partnership are owned by the Partnership's customers. At September 30, 1999, the Partnership had approximately 17.9 million barrels of products in its custody owned by customers. The Partnership is obligated for the transportation, storage and delivery of such products on behalf of its customers. The Partnership maintains insurance it believes to be adequate to cover product losses through circumstances beyond its control.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

Through its ownership of the Products OLP and the Crude Oil OLP, the Partnership operates in two industry segments - refined products and LPGs transportation; and crude oil and NGLs transportation and marketing. The Partnership's reportable segments offer different products and services and are managed separately because each requires different business strategies.

The Products OLP segment is involved in the transportation, storage and terminaling of petroleum products and the fractionation of NGLs. Revenues are derived from the transportation of refined products and LPGs, the storage and short-haul shuttle transportation of LPGs at the Mont Belvieu, Texas, complex, sale of product inventory and other ancillary services. Labor and electric power costs comprise the two largest operating expense items of the Products OLP. Operations are somewhat seasonal with higher revenues generally realized during the first and fourth quarters of each year. Refined products volumes are generally higher during the second and third quarters because of greater demand for gasolines during the spring and summer driving seasons. LPGs volumes are generally higher from November through March due to higher demand in the Northeast for propane, a major fuel for residential heating.

The Crude Oil OLP segment is involved in the transportation and marketing of crude oil and NGLs. Revenues are earned from the gathering, storage, transportation and marketing of crude oil, NGLs and lube oils principally in Oklahoma and Texas. Marketing operations consist primarily of purchasing crude oil along its gathering and pipeline systems to facilitate the aggregation and transportation and ultimate sale of crude oil to local refineries or transportation to major oil hubs. Operations of this segment are included from November 1, 1998, upon the acquisition from Duke Energy.

The following information is provided to facilitate increased understanding of the 1999 and 1998 interim consolidated financial statements and accompanying notes presented in Item 1. Material period-to-period variances in the consolidated statements of income are discussed under "Results of Operations." The "Financial Condition and Liquidity" section analyzes cash flows and financial position. Discussion included in "Other Matters" addresses key trends, future plans and contingencies. Throughout these discussions, management addresses items that are reasonably likely to materially affect future liquidity or earnings.

RESULTS OF OPERATIONS

Summarized below is financial data by business segment (in thousands):

	QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1999	1998	1999	1998
Operating revenues:				
Refined Products and LPGs Transportation	\$ 53,647	\$ 54,229	\$ 169,022	\$ 155,994
Crude Oil and NGLs Transportation and Marketing ...	500,721	--	1,126,787	--
Total	554,368	54,229	1,295,809	155,994
Operating income:				
Refined Products and LPGs Transportation	17,203	19,722	64,002	58,165
Crude Oil and NGLs Transportation and Marketing	3,203	--	7,889	--
Total	20,406	19,722	71,891	58,165
Income before extraordinary item:				
Refined Products and LPGs Transportation	10,159	12,734	42,721	38,435
Crude Oil and NGLs Transportation and Marketing ...	3,211	--	8,050	--
Total	\$ 13,370	\$ 12,734	\$ 50,771	\$ 38,435

RESULTS OF OPERATIONS - (CONTINUED)

Net income for the quarter ended September 30, 1999 was \$13.4 million, compared with net income of \$12.7 million for the 1998 third quarter. The increase in net income resulted primarily from \$3.2 million of net income contributed by the crude oil and NGLs transportation and marketing segment, which was acquired effective November 1, 1998, partially offset by a \$2.6 million decrease of net income by the refined products and LPGs transportation segment. The decrease in net income of the refined products and LPGs transportation segment was primarily due to a \$1.9 million increase in costs and expenses and a \$0.6 million decrease in operating revenues.

For the nine months ended September 30, 1999, the Partnership reported net income of \$50.8 million, compared with a net loss of \$34.3 million for the first nine months of 1998. The net loss in 1998 included an extraordinary charge of \$72.8 million for early extinguishment of debt, net of \$0.7 million allocated to minority interest. Excluding the extraordinary loss, net income would have been \$38.4 million for the first nine months of 1998. The \$12.3 million increase in income before the loss on debt extinguishment resulted from \$8.1 million of net income contributed by the crude oil and NGLs transportation and marketing segment, which was acquired effective November 1, 1998, and a \$4.3 million increase of net income by the refined products and LPGs transportation segment. The increase in net income of the refined products and LPGs transportation segment resulted primarily from a \$13.0 million increase in operating revenues and a \$0.6 million increase in interest capitalized, partially offset by a \$7.2 million increase in costs and expenses, a \$1.1 million increase in interest expense and a \$1.0 million decrease in other income - net. See discussion below of factors affecting net income for the comparative periods by business segment.

REFINED PRODUCTS AND LPGS TRANSPORTATION SEGMENT

See volume and average tariff information below:

	QUARTER ENDED SEPTEMBER 30,		PERCENTAGE INCREASE (DECREASE)	NINE MONTHS ENDED SEPTEMBER 30,		PERCENTAGE INCREASE (DECREASE)
	1999	1998		1999	1998	
VOLUMES DELIVERED						
(in thousands of barrels)						
Refined products	35,883	37,103	(3)%	99,856	96,797	3%
LPGs	6,404	6,845	(6)%	25,943	22,656	15%
Mont Belvieu operations	8,000	6,890	16%	20,767	18,352	13%
Total	50,287	50,838	(1)%	146,566	137,805	6%
AVERAGE TARIFF PER BARREL						
Refined products	\$ 0.93	\$ 0.95	(2)%	\$ 0.93	\$ 0.94	(1)%
LPGs	1.48	1.55	(5)%	1.78	1.86	(4)%
Mont Belvieu operations	0.15	0.14	7%	0.16	0.15	7%
Average system tariff	\$ 0.88	\$ 0.92	(4)%	\$ 0.97	\$ 0.98	(1)%

Refined products transportation revenues decreased \$1.9 million for the quarter ended September 30, 1999, compared with the prior-year quarter, due to a 3% decrease in total refined products volumes delivered and a 2% decrease in the refined products average tariff per barrel. Motor fuel volumes delivered decreased 2.4 million barrels as a result of unfavorable price differentials in the Midwest and reduced refinery production received into the Ark-La-Tex system. Additionally, methyl tertiary butyl ether ("MTBE") volumes delivered decreased 0.4 million barrels as a result of the Partnership canceling its tariffs to Midwest destinations, effective July 1, 1999. This action was taken with the consent of MTBE shippers as a result of lower demand for MTBE transportation caused by changing blending economics, and resulted in increased pipeline capacity and tankage available for other products. Decreases in motor fuel and MTBE were partially offset by a 1.1 million barrel increase in jet fuel volumes delivered and a 1.0 million barrel increase in distillate volumes delivered attributable to strong economic demand in the Midwest market areas. Jet fuel volumes delivered also benefited as a result of new military supply agreements that became effective in the fourth quarter of 1998. The decrease in the average tariff per barrel was primarily attributable to the 1.83% general tariff reduction pursuant to the Producer Price Index for finished goods less 1% ("PPI Index"), effective July 1, 1999. The Partnership has deferred recognition of approximately \$0.4

RESULTS OF OPERATIONS - (CONTINUED)

million of revenue with respect to potential refund obligations for rates charged in excess of the PPI index while its application for Market Based Rates is under review by FERC. See further discussion regarding Market Based Rates included in "Other Matters - Market and Regulatory Environment."

LPGs transportation revenues decreased \$1.1 million for the quarter ended September 30, 1999, compared with the third quarter of 1998, as a result of a 6% decrease in total LPGs volumes delivered and a 5% decrease in the LPGs average tariff per barrel. The decrease was primarily attributable to a 0.2 million barrel decrease in long-haul propane volumes delivered in the Northeast market area attributable to unfavorable price differentials versus competing Canadian product. Additionally, short-haul propane volumes delivered decreased 0.5 million barrels as a result of lower deliveries along the upper Texas Gulf Coast. These decreases were partially offset by a 0.2 million barrel increase in propane volumes delivered in the Midwest market area primarily attributable to higher demand from a petrochemical facility served by the Partnership. The decrease in the LPGs average tariff per barrel resulted from the decrease in long-haul volumes delivered in the Northeast market area in 1999 and tariff rate reductions under the PPI Index, effective July 1, 1999.

For the nine months ended September 30, 1999, refined products transportation revenues increased \$1.9 million, compared with the corresponding period in 1998, as a result of a 3% increase in total refined products volumes delivered, partially offset by a 1% decrease in the average tariff per barrel. Strong economic demand coupled with lower refinery production resulted in a 2.6 million barrel increase in distillate volumes delivered and a 2.6 million barrel increase in jet fuel volumes delivered. These increases were partially offset by a 0.8 million barrel decrease in MTBE volumes delivered as a result of lower blending demand in the Chicago market area, a 0.7 million barrel decrease in natural gasoline volumes delivered attributable to lower feed stock and blending demand, and a 0.4 million barrel decrease in motor fuel volumes delivered due to unfavorable Midwest price differentials. The decrease in the average tariff per barrel resulted primarily from the general tariff reduction under the PPI Index, effective July 1, 1999.

LPGs transportation revenues increased \$4.0 million, during the nine months ended September 30, 1999, compared with the same period in 1998, due to a 15% increase in total LPGs volumes delivered, partially offset by a 4% decrease in the LPGs average tariff per barrel. Propane deliveries in the Northeast market area increased 1.2 million barrels from higher weather-related demand in the first quarter of 1999, partially offset by unfavorable price differentials during the second and third quarters of 1999. Propane deliveries in the Midwest market area and the upper Texas Gulf Coast increased 1.2 million barrels and 0.9 million barrels, respectively, from the prior year due primarily to increased petrochemical feed stock demand. Butane volumes delivered were relatively unchanged from the prior year due to lower refinery feed stock demand in the Northeast, partially offset by increased demand from Midwest area refineries. The 4% decrease in the average tariff per barrel resulted from the larger percentage of short-haul barrels during 1999, coupled with the reduction in tariffs rates pursuant to the PPI Index, effective July 1, 1999.

Revenues generated from Mont Belvieu operations increased during both the quarter and nine months ended September 30, 1999, compared with the corresponding periods in 1998, due primarily to increased storage revenue and increased demand for shuttle deliveries of propane and butane.

Other operating revenues increased \$1.9 million during the third quarter of 1999, as compared with the third quarter of 1998, due primarily to a \$1.7 million increase in gains on the sale of product inventory attributable to favorable market prices and increased revenue earned on contracts for butane storage during the summer months.

During the nine months ended September 30, 1999, other operating revenues increased \$5.5 million, as compared to the same period in 1998, due primarily to a \$2.8 million increase in gains on the sale of product inventory, a \$1.8 million increase in operating revenues from the fractionator facilities acquired on March 31, 1998, lower exchange losses incurred to position product in the Midwest market area, and higher propane imports received at the marine terminal at Providence, Rhode Island.

RESULTS OF OPERATIONS - (CONTINUED)

Costs and expenses increased \$1.9 million for the quarter ended September 30, 1999, compared with the third quarter of 1998, primarily due to a \$1.1 million increase in operating, general and administrative expenses, a \$0.3 million increase in operating fuel and power expense, and a \$0.5 million increase in taxes - other than income. The increase in operating, general and administrative expenses was primarily attributable to a \$0.7 million increase in expenses associated with Year 2000 activities, a \$0.5 million increase in rental fees from higher volume through the connection from Colonial Pipeline at Beaumont, and increased general and administrative supplies and services. These increases were partially offset by a \$0.5 million decrease in product measurement losses. The increase in operating fuel and power expense was primarily attributable to a heavier mix of products transported during the third quarter of 1999. The increase in taxes - other than income was primarily due to credits recorded during the third quarter of 1998 for the over accrual of previous years' property taxes.

Costs and expenses increased \$7.2 million for the nine-months ended September 30, 1999, compared with the same period in 1998, due to a \$4.0 million increase in operating, general and administrative expenses, a \$1.8 million volume-related increase in operating fuel and power expense, a \$1.0 million increase in depreciation and amortization expense and a \$0.4 million increase in taxes - other than income. The increase in operating, general and administrative expenses was primarily attributable to a \$1.8 million increase in expenses associated with Year 2000 activities; a \$1.5 million increase in rental fees from higher volume through the connection from Colonial Pipeline at Beaumont; a \$0.3 million insurance reimbursement received in June 1998 for past litigation costs related to the Seymour, Indiana, terminal; nine months of fractionation fees in 1999 related to the facilities acquired on March 31, 1998; and higher general and administrative supplies and services. Depreciation and amortization expense increased as a result of the completion of capital projects, coupled with nine months of expense in 1999 for amortization of the value assigned to the Fractionation Agreement. The increase in taxes - other than income increased due to factor noted above during the third quarter of 1998.

Interest expense increased \$1.1 million during the nine-months ended September 30, 1999, compared with the prior year period. Approximately \$0.6 million of the increase was attributable to nine months of interest expense in 1999 on the \$38 million term-loan used to finance the purchase of the fractionation assets on March 31, 1998. The remaining increase resulted from \$25 million of borrowings during the second quarter of 1999 against the term loan to finance construction of the pipelines between Mont Belvieu and Port Arthur, Texas. Capitalized interest increased during both the quarter ended and nine months ended September 30, 1999, compared with the corresponding periods in 1998, as a result of higher balances associated with construction-in-progress of the new pipelines between Mont Belvieu and Port Arthur.

Other income decreased during both the quarter and nine-months ended September 30, 1999, compared with the corresponding periods in 1998, due primarily to lower interest income earned on cash investments in 1999, and a \$0.4 million gain on the disposition of non-carrier assets in June 1998.

RESULTS OF OPERATIONS - (CONTINUED)

CRUDE OIL AND NGLS TRANSPORTATION AND MARKETING SEGMENT

Margin and volume information is presented below:

	QUARTER ENDED SEPTEMBER 30, 1999 -----	NINE MONTHS ENDED SEPTEMBER 30, 1999 -----
Margins (dollars in thousands):		
Crude oil transportation	\$ 4,456	\$ 13,406
Crude oil marketing	3,461	8,450
NGL transportation	1,592	4,554
LSI	607	1,742
	-----	-----
Total margin	\$ 10,116	\$ 28,152
	=====	=====
Barrels per day:		
Crude oil transportation	90,779	92,145
Crude oil marketing	253,261	250,082
NGL transportation	14,347	12,827
LSI volume (total gallons):	2,290,440	6,423,375
Margin per barrel:		
Crude oil transportation	\$ 0.534	\$ 0.533
Crude oil marketing	\$ 0.149	\$ 0.124
NGL transportation	\$ 1.206	\$ 1.301
LSI margin (per gallon):	\$ 0.265	\$ 0.271

The crude oil and NGLs transportation and marketing segment was added to the Partnership's operations with the acquisition of the DETTCO assets effective November 1, 1998. The acquisition was accounted for as a purchase for accounting purposes. Net income contributed by the crude oil transportation and marketing segment for the quarter and nine-month periods ended September 30, 1999 totaled \$3.2 million and \$8.1 million, respectively.

Margin is a more meaningful measure of financial performance than operating revenues and operating expenses due to the significant fluctuations in revenues and expense that may occur with changes in the level of marketing activity. Margin is calculated as revenues generated from crude oil and lube oil sales and crude oil and NGLs transportation less the cost of crude oil and lube oil purchases. During the three months ended September 30, 1999, crude oil transportation and NGL transportation contributed 44% and 16% of the margin, respectively, while crude oil marketing operations accounted for 34% of the margin. Operations of LSI contributed \$0.6 million, or 6%, of the margin for the three month period ended September 30, 1999. During the nine months ended September 30, 1999, crude oil transportation and NGL transportation contributed 48% and 16% of the margin, respectively, while crude oil marketing operations accounted for 30% of the margin. Operations of LSI contributed \$1.7 million, or 6%, of the margin for the nine month period ended September 30, 1999.

For the quarter ended September 30, 1999, operating, general and administrative expenses, including operating fuel and power, of the crude oil and NGLs transportation and marketing segment totaled \$5.3 million, or 53% of the margin. Depreciation and amortization expenses and taxes - other than income totaled \$1.6 million, or 16% of the margin for the third quarter. For the nine months ended September 30, 1999, operating, general and administrative expenses, including operating fuel and power, of the crude oil and NGLs transportation and marketing segment totaled \$15.6 million, or 55% of the margin. Depreciation and amortization expenses and taxes - other than income totaled \$4.7 million, or 17% of the margin during the nine months ended September 30, 1999.

FINANCIAL CONDITION AND LIQUIDITY

Net cash from operations for the nine-month period ended September 30, 1999, totaled \$69.1 million, comprised of \$75.2 million of income before charges for depreciation and amortization, partially offset by \$6.1 million of cash used for working capital changes. This compares with cash flows from operations of \$55.4 million for the corresponding period in 1998, comprised of \$57.8 million of income before extraordinary loss on early extinguishment of debt and charges for depreciation and amortization, partially offset by \$2.4 million of cash used for working capital changes. Net cash from operations for the nine months ended September 30, 1999 and 1998, included interest payments of \$29.7 million and \$26.8 million, respectively.

Cash flows used in investing activities during the first nine months of 1999 included \$60.4 million of capital expenditures, \$2.3 million for the purchase of a 125-mile crude oil system in Southeast Texas, and \$3.2 million of additional cash investments. These decreases of cash were offset by \$3.8 million from investment maturities. Cash flows used in investing activities during the first nine months of 1998 included \$40.0 million for the purchase price of the fractionation assets and related intangible assets and \$15.2 million of capital expenditures, partially offset by \$2.1 million from investment maturities and \$0.5 million received from the sale of non-carrier assets.

In February 1999, the Partnership announced plans to construct three new pipelines between the Partnership's terminal in Mont Belvieu, Texas and Port Arthur, Texas. The project includes three 12-inch diameter common-carrier pipelines and associated facilities. Each pipeline will be approximately 70 miles in length. Upon completion, the new pipelines will transport ethylene, propylene and natural gasoline. The anticipated completion date is the fourth quarter of 2000. The Partnership has entered into an agreement for turnkey construction of the pipelines and related facilities and has separately entered into agreements for guaranteed throughput commitments. The cost of this project is expected to total approximately \$74.5 million. Approximately \$39.7 million of construction cost was included in capital expenditures during the nine month period ended September 30, 1999, with a total of approximately \$44.6 million expected to be incurred in 1999, and the remainder in 2000.

Exclusive of the pipeline construction between Mont Belvieu and Port Arthur, the Partnership estimates that capital expenditures for 1999 will total approximately \$38 million. Approximately \$25 million is expected to be used for the Products OLP and \$13 million is expected to be used for the Crude Oil OLP. Approximately \$23 million of planned expenditures of the Products OLP are expected to be used for life-cycle replacements and to upgrade current facilities, with the remaining \$2 million expected to be used for revenue-generating projects. Approximately \$9 million of planned expenditures of the Crude Oil OLP are expected to be used in revenue-generating and cost-reduction projects, with the remainder to be used to maintain existing operations. The Partnership revises capital spending estimates periodically in response to changes in cash flows and operations.

On January 27, 1998, the Products OLP completed the issuance of \$180 million principal amount of 6.45% Senior Notes due 2008, and \$210 million principal amount of 7.51% Senior Notes due 2028 (collectively the "Senior Notes"). The 6.45% Senior Notes due 2008 are not subject to redemption prior to January 15, 2008. The 7.51% Senior Notes due 2028 may be redeemed at any time after January 15, 2008, at the option of the Products OLP, in whole or in part, at a premium. Net proceeds from the issuance of the Senior Notes totaled approximately \$386 million and was used to repay in full the \$61.0 million principal amount of the 9.60% Series A First Mortgage Notes, due 2000, and the \$265.5 million principal amount of the 10.20% Series B First Mortgage Notes, due 2010. The premium for the early redemption of the First Mortgage Notes totaled \$70.1 million. The repayment of the First Mortgage Notes and the issuance of the Senior Notes reduced the level of cash required for debt service until 2008. The Partnership recorded an extraordinary charge of \$73.5 million during the first quarter of 1998 (including \$0.7 million allocated to minority interest), which represents the redemption premium of \$70.1 million and unamortized debt issue costs related to the First Mortgage Notes of \$3.4 million.

The Senior Notes do not have sinking fund requirements. Interest on the Senior Notes is payable semiannually in arrears on January 15 and July 15 of each year, commencing July 15, 1998. The Senior Notes are unsecured obligations of the Products OLP and rank on a parity with all other unsecured and unsubordinated

FINANCIAL CONDITION AND LIQUIDITY - (CONTINUED)

indebtedness of the Products OLP. The indenture governing the Senior Notes contains covenants, including, but not limited to, covenants limiting (i) the creation of liens securing indebtedness and (ii) sale and leaseback transactions. However, the indenture does not limit the Partnership's ability to incur additional indebtedness.

In connection with the purchase of the fractionation assets from DEFS as of March 31, 1998, TEPPCO Colorado received a \$38 million bank loan from SunTrust Bank. Proceeds from the loan were received on April 21, 1998. The loan bears interest at a rate of 6.53%, which is payable quarterly. The principal balance of the loan is payable in full on April 21, 2001. The Products OLP is guarantor on the loan.

On May 17, 1999, the Products OLP entered into a \$75 million term loan agreement to finance construction of three new pipelines between the Partnership's terminal in Mont Belvieu, Texas and Port Arthur, Texas. The loan agreement has a term of five years. SunTrust Bank is the administrator of the loan. At September 30, 1999, \$25 million has been borrowed under the term loan agreement. Principal will be paid quarterly beginning in 2001. The interest rate for the \$75 million term loan is based on the borrower's option of either SunTrust Bank's prime rate, the federal funds rate or LIBOR rate in effect at the time of the borrowings and is adjusted monthly, bimonthly, quarterly or semi-annually. Interest is payable quarterly from the time of borrowing. The current interest rate for amounts outstanding under the term loan is 6.33%. Commitment fees for the term loan agreement totaled approximately \$47,000 for the period from May 17, 1999 through September 30, 1999.

On May 17, 1999, the Products OLP entered into a \$25 million revolving credit agreement and TCO entered into a \$30 million revolving credit agreement. SunTrust Bank is the administrative agent on both revolving credit agreements. The \$25 million revolving credit agreement has a five year term and the \$30 million revolving credit agreement has a three year term. The interest rate on both agreements is based on the borrower's option of either SunTrust Bank's prime rate, the federal funds rate or LIBOR rate in effect at the time of the borrowings and is payable quarterly. Interest rates are adjusted monthly, bimonthly, quarterly or semi-annually. The Products OLP has not borrowed any amounts under the revolving credit facility. TCO had \$3 million principal amount outstanding under its revolving credit agreement as of September 30, 1999. Commitment fees for the revolving credit agreements totaled approximately \$50,000 for the period from May 17, 1999 through September 30, 1999.

In connection with the purchase of the DETTCO assets by TCO, Duke Capital also agreed to guarantee the payment by TCO and its subsidiaries under certain commercial contracts between TCO and its subsidiaries and third parties. Duke Capital will provide up to \$100 million of guarantee credit to TCO and its subsidiaries for a period of three years from November 30, 1998. Pursuant to this agreement, the Partnership has agreed to pay Duke Capital a commitment fee of \$100,000 per year.

The Partnership paid cash distributions of \$51.0 million during the nine months ended September 30, 1999. Additionally, on October 18, 1999, the Partnership declared a cash distribution of \$0.475 per Limited Partner and Class B Unit. The third quarter cash distribution was paid on November 5, 1999 to Unitholders of record on October 29, 1999.

OTHER MATTERS

Environmental

The operations of the Partnership are subject to federal, state and local laws and regulations relating to protection of the environment. Although the Partnership believes the operations of the Pipeline System are in material compliance with applicable environmental regulations, risks of significant costs and liabilities are inherent in pipeline operations, and there can be no assurance that significant costs and liabilities will not be incurred. Moreover, it is possible that other developments, such as increasingly strict environmental laws and regulations and enforcement policies thereunder, and claims for damages to property or persons resulting from the operations of the Pipeline System, could result in substantial costs and liabilities to the Partnership. The Partnership does not

OTHER MATTERS - (CONTINUED)

anticipate that changes in environmental laws and regulations will have a material adverse effect on its financial position, operations or cash flows in the near term.

The Partnership and the Indiana Department of Environmental Management ("IDEM") have entered into an Agreed Order that will ultimately result in a remediation program for any on-site and off-site groundwater contamination attributable to the Partnership's operations at the Seymour, Indiana, terminal. A Feasibility Study, which includes the Partnership's proposed remediation program, has been approved by IDEM. IDEM will issue a Record of Decision formally approving the remediation program. After the Record of Decision has been issued, the Partnership will enter into an Agreed Order for the continued operation and maintenance of the program. The Partnership will evaluate the conditions of the Record of Decision and make adjustments to the program as required. The amount accrued for the program was approximately \$0.4 million at September 30, 1999. In the opinion of the Company, the completion of the remediation program being proposed by the Partnership, if such program is approved by IDEM, will not have a material adverse impact on the Partnership's financial condition, results of operations or liquidity.

Year 2000 Issues

In 1997, the Company initiated a program to prepare the Partnership's process controls and business computer systems for the "Year 2000" issue. Process controls are the automated equipment including hardware and software systems which run operational activities. Business computer systems are the computer hardware and software used by the Partnership. The Partnership is utilizing both internal and external resources to identify, test, remediate or replace all critical known or discovered non-compliant computerized systems and applications. The Company continues to evaluate appropriate courses of corrective action, including replacement of certain systems whose associated costs would be recorded as assets and amortized. The Partnership has incurred approximately \$4.5 million of costs related to the Year 2000 issue. The Company estimates the remaining amounts required to address the Year 2000 issue will be as much as approximately \$1.7 million. A portion of such costs would have been incurred as part of normal system and application upgrades. In certain cases, the timing of expenditures has been accelerated due to the Year 2000 issue. Although the Company believes this estimate to be reasonable, due to the complexities of the Year 2000 issue, there can be no assurance that the actual costs related to the Year 2000 issue will not be significantly greater.

The Partnership has adopted a three-phase Year 2000 program consisting of: Phase I - Preliminary Assessment; Phase II - Detailed Assessment and Remediation Planning; and Phase III - Remediation Activities and Testing. The Products OLP has completed Phase I and Phase II; and Phase III is approximately 95% complete. The Crude Oil OLP has completed Phase I; Phase II is approximately 93% complete; and Phase III is approximately 85% complete. Remediation Activities and Testing of all major process controls and computer systems have been completed. Remediation Activities and Testing of other software applications and hardware will be complete by mid-December 1999.

With respect to its third-party relationships, the Partnership has contacted its primary vendors, suppliers and service providers to assess their software and hardware products previously sold to the Partnership and other aspects of their state of Year 2000 readiness. Information continues to be updated regularly, thus the Partnership anticipates receiving additional information in the near future that will assist in determining the extent to which the Partnership may be vulnerable to those third parties' failure to identify and remediate their Year 2000 issues. However, there can be no assurance that the systems or products of other companies, on which the Partnership's systems rely, will be timely converted, or converted in a manner that is compatible with the Partnership's systems, or that any such failures by other companies would not have a material adverse effect on the Partnership.

Despite the Partnership's determined efforts to address and remediate its Year 2000 issue, there can be no assurance that all process controls and business computer systems will continue without interruption through January 1, 2000, and beyond. The complexity of identifying and testing all embedded microprocessors that are

OTHER MATTERS - (CONTINUED)

installed in hardware throughout the products pipeline system and crude oil system used for process or flow control, transportation, security, communication and other systems may result in unforeseen operational system shutdowns. Although the amount of potential liability and lost revenue cannot be estimated, failures that result in substantial disruptions of business activities could have a material adverse effect on the Partnership. In order to mitigate potential disruptions, the Partnership will prepare contingency plans for its critical systems, processes and external relationships by December 1, 1999.

Market and Regulatory Environment

In July 1999, the Partnership announced plans to build a new 360-mile pipeline from Beaumont, Texas, to Little Rock, Arkansas. The new pipeline will parallel the Partnership's two existing pipelines and will increase delivery capability of refined petroleum products by 100,000 barrels per day. The expansion will also include construction of additional storage tanks, connections to other pipelines to increase volumes entering the pipeline system and increased delivery capability in the Partnership's Midwest market areas. The expansion is scheduled to be completed in 18 to 24 months. The Partnership currently anticipates finalizing its evaluation of various construction alternatives of the capacity expansion during the fourth quarter of 1999.

Tariff rates of interstate oil pipeline companies are currently regulated by the FERC, primarily through an index methodology, whereby a pipeline company is allowed to change its rates based on the change from year-to-year in the Producer Price Index for finished goods less 1% ("PPI Index"). In the alternative, interstate oil pipeline companies may elect to support rate filings by using a cost-of-service methodology, competitive market showings ("Market Based Rates") or agreements between shippers and the oil pipeline company that the rate is acceptable ("Settlement Rates").

In May 1999, the Products OLP filed an application with the FERC to charge Market Based Rates for substantially all refined products transportation tariffs. The FERC approved a request of the Products OLP waiving the requirement to adjust refined products transportation tariffs pursuant to the PPI Index while its Market Based Rates application is under review. Under the PPI Index, refined products transportation rates in effect on June 30, 1999 would have been reduced by approximately 1.83% effective July 1, 1999. If any portion of the Market Based Rates application is denied by the FERC, the Products OLP has agreed to refund, with interest, such amounts collected under the tariff rates in excess of the PPI Index. As a result of the refund obligation potential, the Partnership has deferred all revenue recognition of rates charged in excess of the PPI Index. At September 30, 1999, the amount for accrued rate refunds totaled approximately \$0.4 million.

In July 1999, certain shippers filed protests with the FERC on the Products OLP's application for Market Based Rates in four destination markets. The Partnership believes it will prevail in competitive market determination in those destination markets under protest.

Effective July 1, 1999, the Products OLP established Settlement Rates with all shippers that utilize certain LPGs transportation tariff rates, whereby such rates in effect on June 30, 1999, would not be adjusted for a period of either two or three years. Other LPGs transportation tariff rates under which such agreements could not be reached with all shippers were reduced pursuant to the PPI Index (approximately 1.83%), effective July 1, 1999. Effective July 1, 1999, the Products OLP canceled its tariff for deliveries of MTBE into the Chicago market area reflecting reduced demand for transportation of MTBE into such area. The MTBE tariffs were canceled with the consent of MTBE shippers and resulted in increased pipeline capacity and tankage available for other products.

Other

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes standards for and disclosures of derivative instruments and hedging activities. In July 1999, the FASB issued SFAS No. 137 to delay the effective date of SFAS No. 133 until fiscal years beginning after

OTHER MATTERS - (CONTINUED)

June 15, 2000. The Partnership expects to adopt this standard effective January 1, 2001. The Partnership has not determined the impact of this statement on its financial condition and results of operations.

The matters discussed herein include "forward-looking statements" within the meaning of various provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934. All statements, other than statements of historical facts, included in this document that address activities, events or developments that the Partnership expects or anticipates will or may occur in the future, including such things as estimated future capital expenditures (including the amount and nature thereof), business strategy and measures to implement strategy, competitive strengths, goals, expansion and growth of the Partnership's business and operations, plans, references to future success, references to intentions as to future matters and other such matters are forward-looking statements. These statements are based on certain assumptions and analyses made by the Partnership in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate under the circumstances. However, whether actual results and developments will conform with the Partnership's expectations and predictions is subject to a number of risks and uncertainties, including general economic, market or business conditions, the opportunities (or lack thereof) that may be presented to and pursued by the Partnership, competitive actions by other pipeline companies, changes in laws or regulations, and other factors, many of which are beyond the control of the Partnership. Consequently, all of the forward-looking statements made in this document are qualified by these cautionary statements and there can be no assurance that actual results or developments anticipated by the Partnership will be realized or, even if substantially realized, that they will have the expected consequences to or effect on the Partnership or its business or operations. For additional discussion of such risks and uncertainties, see TEPPCO Partners, L.P.'s 1998 Annual Report on Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Partnership may be exposed to market risk through changes in commodity prices and interest rates as discussed below. The Partnership has no foreign exchange risks.

The Partnership mitigates exposure to commodity price fluctuations by maintaining a balanced position between crude oil purchases and sales. As a hedging strategy to manage crude oil price fluctuations, the Partnership enters into futures contracts on the New York Mercantile Exchange, and makes limited use of other derivative instruments. It is the Partnership's general policy not to acquire crude oil, futures contracts or other derivative products for the purpose of speculating on price changes, however, the Partnership may take limited speculative positions to capitalize on crude oil price fluctuations. Any contracts held for trading purposes or speculative positions are accounted for using the mark-to-market method. Under this methodology, contracts are adjusted to market value, and the gains and losses are recognized in current period income. Comprehensive risk management policies have been established by the Risk Management Committee to monitor and control these market risks. The Risk Management Committee is comprised of senior executives of the Partnership. Market risks associated with commodity derivatives were not material at September 30, 1999.

At September 30, 1999, the Products OLP had outstanding \$180 million principal amount of 6.45% Senior Notes due 2008, and \$210 million principal amount of 7.51% Senior Notes due 2028 (collectively the "Senior Notes"). Additionally, the Products OLP had a \$38 million bank loan outstanding from SunTrust Bank. The SunTrust loan bears interest at a fixed rate of 6.53% and is payable in full in April 2001. At September 30, 1999, the estimated fair value of the Senior Notes and the SunTrust loan was approximately \$361.2 million and \$37.8 million, respectively.

At September 30, 1999, the Products OLP had \$25 million outstanding under a variable interest rate term loan and the Crude Oil OLP had \$3 million outstanding under its revolving credit agreement. The interest rates for these credit facilities are based on the borrower's option of either SunTrust Bank's prime rate, the federal funds rate or LIBOR rate in effect at the time of the borrowings and is adjusted monthly, bimonthly, quarterly or

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK - (CONTINUED)

semi-annually. Utilizing the balances of variable interest rate debt outstanding at September 30, 1999, and assuming market interest rates increase 1%, the potential annual increase in interest expense is approximately \$0.3 million.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits:

Exhibit Number -----	Description -----
3.1	Certificate of Limited Partnership of the Partnership (Filed as Exhibit 3.2 to the Registration Statement of TEPPCO Partners, L.P. (Commission File No. 33-32203) and incorporated herein by reference).
3.2	Certificate of Formation of TEPPCO Colorado, LLC (Filed as Exhibit 3.2 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1998 and incorporated herein by reference).
3.3	Second Amended and Restated Agreement of Limited Partnership of TEPPCO Partners, L.P., dated November 30, 1998 (Filed as Exhibit 3.3 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
3.4	Amended and Restated Agreement of Limited Partnership of TE Products Pipeline Company, Limited Partnership, effective July 21, 1998 (Filed as Exhibit 3.2 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated July 21, 1998 and incorporated herein by reference).
3.5	Agreement of Limited Partnership of TCTM, L.P., dated November 30, 1998 (Filed as Exhibit 3.3 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
4.1	Form of Certificate representing Limited Partner Units (Filed as Exhibit 4.1 to the Registration Statement of TEPPCO Partners, L.P. (Commission File No. 33-32203) and incorporated herein by reference).
4.2	Form of Indenture between TE Products Pipeline Company, Limited Partnership and The Bank of New York, as Trustee, dated as of January 27, 1998 (Filed as Exhibit 4.3 to TE Products Pipeline Company, Limited Partnership's Registration Statement on Form S-3 (Commission File No. 333-38473) and incorporated herein by reference).
4.3	Form of Certificate representing Class B Units (Filed as Exhibit 3.3 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
10.1	Assignment and Assumption Agreement, dated March 24, 1988, between Texas Eastern Transmission Corporation and the Company (Filed as Exhibit 10.8 to the Registration Statement of TEPPCO Partners, L.P. (Commission File No. 33-32203) and incorporated herein by reference).
10.2	Texas Eastern Products Pipeline Company 1997 Employee Incentive Compensation Plan executed on July 14, 1997 (Filed as Exhibit 10 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1997 and incorporated herein by reference).
10.3	Agreement Regarding Environmental Indemnities and Certain Assets (Filed as Exhibit 10.5 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1990 and incorporated herein by reference).

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K - (CONTINUED)

- 10.4 Texas Eastern Products Pipeline Company Management Incentive Compensation Plan executed on January 30, 1992 (Filed as Exhibit 10 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1992 and incorporated herein by reference).
- 10.5 Texas Eastern Products Pipeline Company Long-Term Incentive Compensation Plan executed on October 31, 1990 (Filed as Exhibit 10.9 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1990 and incorporated herein by reference).
- 10.6 Form of Amendment to Texas Eastern Products Pipeline Company Long-Term Incentive Compensation Plan (Filed as Exhibit 10.7 to the Partnership's Form 10-K (Commission File No. 1-10403) for the year ended December 31, 1995 and incorporated herein by reference).
- 10.7 Employees' Savings Plan of Panhandle Eastern Corporation and Participating Affiliates (Effective January 1, 1991) (Filed as Exhibit 10.10 to the Partnership's Form 10-K (Commission File No. 1-10403) for the year ended December 31, 1990 and incorporated herein by reference).
- 10.8 Retirement Income Plan of Panhandle Eastern Corporation and Participating Affiliates (Effective January 1, 1991) (Filed as Exhibit 10.11 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1990 and incorporated herein by reference).
- 10.9 Panhandle Eastern Corporation Key Executive Retirement Benefit Equalization Plan, adopted December 20, 1993; effective January 1, 1994 (Filed as Exhibit 10.12 to Form 10-K of Panhandle Eastern Corporation (Commission File No. 1-8157) for the year ended December 31, 1993 and incorporated herein by reference).
- 10.10 Employment Agreement with William L. Thacker, Jr. (Filed as Exhibit 10 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1992 and incorporated herein by reference).
- 10.11 Texas Eastern Products Pipeline Company 1994 Long Term Incentive Plan executed on March 8, 1994 (Filed as Exhibit 10.1 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1994 and incorporated herein by reference).
- 10.12 Texas Eastern Products Pipeline Company 1994 Long Term Incentive Plan, Amendment 1, effective January 16, 1995 (Filed as Exhibit 10.12 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 1999 and incorporated herein by reference).
- 10.13 Panhandle Eastern Corporation Key Executive Deferred Compensation Plan established effective January 1, 1994 (Filed as Exhibit 10.2 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1994 and incorporated herein by reference).
- 10.14 Asset Purchase Agreement between Duke Energy Field Services, Inc. and TEPPCO Colorado, LLC, dated March 31, 1998 (Filed as Exhibit 10.14 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1998 and incorporated herein by reference).
- 10.15 Credit Agreement between TEPPCO Colorado, LLC, SunTrust Bank, Atlanta, and Certain Lenders, dated April 21, 1998 (Filed as Exhibit 10.15 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1998 and incorporated herein by reference).
- 10.16 First Amendment to Credit Agreement between TEPPCO Colorado, LLC, SunTrust Bank, Atlanta, and Certain Lenders, effective June 29, 1998 (Filed as Exhibit 10.15 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 1998 and incorporated herein by reference).

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K - (CONTINUED)

- 10.17 Contribution Agreement between Duke Energy Transport and Trading Company and TEPPCO Partners, L.P., dated October 15, 1998 (Filed as Exhibit 3.3 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
- 10.18 Guaranty Agreement by Duke Energy Natural Gas Corporation for the benefit of TEPPCO Partners, L.P., dated November 30, 1998, effective November 1, 1998 (Filed as Exhibit 3.3 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
- 10.19 Revolving Credit Agreement between TCTM, L.P. as Borrower and Duke Capital Corporation as Lender, dated November 30, 1998 (Filed as Exhibit 3.3 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
- 10.20 Letter Agreement regarding Payment Guarantees of Certain Obligations of TCTM, L.P. between Duke Capital Corporation and TCTM, L.P., dated November 30, 1998 (Filed as Exhibit 3.3 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
- 10.21 Form of Employment Agreement between the Company and O. Horton Cunningham, Ernest P. Hagan, Thomas R. Harper, David L. Langley, Charles H. Leonard and James C. Ruth, dated December 1, 1998 (Filed as Exhibit 3.3 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
- 10.22 Agreement Between Owner and Contractor between TE Products Pipeline Company, Limited Partnership and Eagleton Engineering Company, dated February 4, 1999 (Filed as Exhibit 10.21 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1999 and incorporated herein by reference).
- 10.23 Services and Transportation Agreement between TE Products Pipeline Company, Limited Partnership and Fina Oil and Chemical Company, BASF Corporation and BASF Fina Petrochemical Limited Partnership, dated February 9, 1999 (Filed as Exhibit 10.22 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1999 and incorporated herein by reference).
- 10.24 Call Option Agreement, dated February 9, 1999 (Filed as Exhibit 10.23 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1999 and incorporated herein by reference).
- 10.25 Texas Eastern Products Pipeline Company Retention Incentive Compensation Plan, effective January 1, 1999 (Filed as Exhibit 10.24 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1999 and incorporated herein by reference).
- 10.26 Credit Agreement between TE Products Pipeline Company, Limited Partnership, SunTrust Bank, Atlanta, and Certain Lenders, dated May 17, 1999 (Filed as Exhibit 10.26 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 1999 and incorporated herein by reference).
- 10.27 Credit Agreement between TEPPCO Crude Oil, LLC, SunTrust Bank, Atlanta, and Certain Lenders, dated May 17, 1999 (Filed as Exhibit 10.27 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 1999 and incorporated herein by reference).
- 10.28 Second Amendment to Credit Agreement between TEPPCO Colorado, LLC, SunTrust Bank, Atlanta, and Certain Lenders, effective May 17, 1999 (Filed as Exhibit 10.28 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 1999 and incorporated herein by reference).
- *10.29 Form of Employment and Non-Compete Agreement between the Company and Samuel N. Brown, J. Michael Cockrell and William S. Dickey, effective January 1, 1999.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K - (CONTINUED)

- *10.30 Texas Eastern Products Pipeline Company Nonemployee Directors Unit Accumulation Plan, effective April 1, 1999.
- *10.31 Texas Eastern Products Pipeline Company Nonemployee Directors Deferred Compensation Plan, effective November 1, 1999.
- *10.32 Texas Eastern Products Pipeline Company Phantom Unit Retention Plan, effective August 25, 1999.
- 21.1 Subsidiaries of the Partnership (Filed as Exhibit 22.1 to the Registration Statement of TEPPCO Partners, L.P. (Commission File No. 33-32203) and incorporated herein by reference).
- *27 Financial Data Schedule as of and for the nine months ended September 30, 1999.

* Filed herewith.

(b) Reports on Form 8-K: None

Items 1, 2, 3, 4 and 5 of Part II were not applicable and have been omitted.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned duly authorized officer and principal financial officer.

TEPPCO Partners, L.P.
(Registrant)

By: Texas Eastern Products Pipeline Company,
General Partner

/s/ CHARLES H. LEONARD

Charles H. Leonard
Senior Vice President, Chief Financial Officer
and Treasurer

Date: November 9, 1999

EXHIBIT INDEX

Exhibit Number -----	Description -----
*10.29	Form of Employment and Non-Compete Agreement between the Company and Samuel N. Brown, J. Michael Cockrell and William S. Dickey, effective January 1, 1999.
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*10.31	Texas Eastern Products Pipeline Company Nonemployee Directors Deferred Compensation Plan, effective November 1, 1999.
*10.32	Texas Eastern Products Pipeline Company Phantom Unit Retention Plan, effective August 25, 1999.
*27	Financial Data Schedule as of and for the nine months ended September 30, 1999.

* Filed herewith.

EMPLOYMENT AND NON-COMPETE AGREEMENT

THIS EMPLOYMENT AND NONCOMPETE AGREEMENT (the "Agreement") is entered into this ____ day of _____, 1999, by and between TEXAS EASTERN PRODUCTS PIPELINE COMPANY, ("TEPPCO") a Delaware corporation with its principal executive offices in Houston, Texas and _____ ("Executive").

WHEREAS, TEPPCO desires to employ Executive to serve as the _____ of TEPPCO Crude Oil, LLC ("TCO"), a subsidiary of TEPPCO Partners, L.P., ("Partnership") of which TEPPCO is the sole general partner, and Executive desires to accept that position and serve in such capacity; and,

WHEREAS, the parties desire that this Agreement set forth the terms and conditions of Executive's employment by TEPPCO and that it represents the entire agreement of the parties with respect to that subject;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants contained herein, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Employment. TEPPCO hereby employs Executive, and Executive hereby accepts such employment, upon the terms and conditions set forth herein.

2. Position and Duties.

- (a) Duties. Executive is employed by TEPPCO to serve as the _____ of TCO. As _____ of TCO, Executive shall perform such duties as the _____ of

TEPPCO ("CEO") may prescribe. Executive shall report directly to the CEO.

- (b) Engaging in Other Employment. While employed by TEPPCO, Executive shall devote full time and attention to TCO and shall not be employed by any other person or entity. Executive may reasonably participate as a member in community, civic or similar organizations and may pursue personal investments that do not interfere with the normal business activities of Partnership or TCO.
- (c) Loyal and Conscientious Performance. Executive shall act at all times in compliance with the policies, rules and decisions adopted from time-to-time by TEPPCO and/or TCO and perform all duties and obligations required of him by this Agreement in a loyal and conscientious manner.

3. Term of Employment. The term of employment pursuant to this Agreement shall commence as of January 1, 1999 and shall continue until terminated as hereinafter provided.

4. Base Compensation. Executive's base annual salary is \$_____. This base compensation will be payable in equal installments as specified by the policies of TEPPCO and subject to applicable state and federal income tax and social security tax withholding requirements. Executive's base annual salary may be increased by the Compensation Committee of the Board of Directors of TEPPCO, who shall review Executive's salary and total compensation periodically.

5. Bonus. Executive shall be eligible to participate in the annual bonus program for employees of TEPPCO primarily engaged in performing services for TCO. Such bonus shall be

determined under the terms of the Crude Oil Bonus Plan ("COBP") which shall be approved by the Compensation Committee of TEPPCO's Board of Directors each year.

6. Phantom Unit Grants. TEPPCO shall grant Executive _____ phantom units which units shall vest in equal shares of _____ units each over a period of four (4) years on such terms and conditions as set forth in the specific grant award agreement between the parties. Rights to any unvested units upon termination of Executive's employment with TEPPCO shall be exclusively determined pursuant to the specific grant award agreement.

7. Employee Benefits. Executive shall participate in all benefit plans that are available to officers of TEPPCO who are primarily engaged in performing services for TCO. The availability and terms of such employee benefits are set by the Compensation Committee of the Board of Directors of TEPPCO and are subject to change from time-to-time. There is no assurance that the employee benefits will not be changed or eliminated. For purposes of determining Executive's vacation benefits, Executive shall be credited with all continuous service with any Duke Energy Corporation subsidiary or affiliate. Executive shall also be eligible to participate in the Duke Energy Executive Cash Balance and Executive Savings Plans if such plans are made available to the officers of TEPPCO.

8. Noncompetition by Executive.

- (a) Executive agrees that during his employment by TEPPCO and for a period of one (1) year after his termination of employment for any reason without TEPPCO's prior written consent he will not, directly or indirectly, either as principal, agent, manager, employee, partner, shareholder, director, officer, consultant or otherwise, (i) become engaged or involved in any business (other than as a less than 5% equity owner of any corporation

traded on any national, international or regional stock exchange or over-the-counter market), that competes with TCO or any person or entity that controls, is controlled by or is under common control with TCO (collectively, the "Company Affiliates") in the mid-stream business of transportation, distribution, gathering, or sale of crude oil and/or natural gas liquids; or (ii) induce or attempt to induce any customer, supplier, or employee of TEPPCO, TCO or any Company Affiliates to reduce, terminate, restrict, or otherwise alter its business relationship with TEPPCO, TCO or any Company Affiliates. If any provision or part of this Section 8 is held to be unenforceable because of the duration of such provision or the area covered thereby, the parties hereto agree to modify such provision, or that the court making such determination shall have the power to modify such provision, to reduce the duration or area of such provision or both, or to delete specific words or phrases herefrom ("blue-penciling"), and in its reduced or blue-penciled form, such provision shall then be enforceable and shall be enforced. If Executive violates any of the restrictive covenants set forth in this Section 8, then the time limitation otherwise applicable shall be extended for a period of time equal to the period of time during which such breach or breaches occurred. The Parties intend the above restrictions on competition to be completely severable and independent, and any invalidity or unenforceability of any one or more of such restrictions shall not render invalid or unenforceable any one or more of the other restrictions. Notwithstanding the above, this

restrictive covenant is not intended to restrict the ability of Executive to compete with any TEPPCO or Partnership subsidiary or affiliate with which he had no connection or involvement during his employment by TEPPCO.

- (b) The provisions of Section 8(a) shall be limited in scope and effective only within the States of Oklahoma, Colorado, Texas and Louisiana. The parties intend these geographic areas to be completely severable and independent, and any invalidity or unenforceability of this Agreement with respect to any one area shall not render this Agreement unenforceable as applied to any one or more of the other areas.
- (c) Executive acknowledges that TEPPCO may have no adequate means to protect its rights under this Section 8 other than by securing an injunction (a court order prohibiting Executive from violating this Agreement). Executive agrees that TEPPCO may enforce this Agreement by obtaining a preliminary injunction and any other appropriate equitable relief in any court of competent jurisdiction. Executive acknowledges that the recovery of damages will not be an adequate means to redress a breach of this Agreement, but nothing in this Section 8 shall prohibit TEPPCO from pursuing any remedies in addition to injunctive relief, including recovery of damages.
- (d) Executive acknowledges and agrees that TEPPCO would not agree to hire Executive without the covenants made by Executive in this Section 8, and that the compensation and benefits provided in this Agreement constitute

adequate and sufficient consideration for the covenants made by Executive in this Section 8 and in the remainder of this Agreement.

- (e) Except as otherwise expressly provided herein, Executive's obligations under this Section 8 shall survive any termination of his employment.

9. Confidentiality. Executive shall not, at any time, use (other than in the ordinary course of fulfilling his duties as an employee of TEPPCO), divulge or otherwise disclose, either directly or indirectly, any confidential or proprietary information (including without limitation any customer or prospect list, supplier list, acquisition or merger targets, business plans or strategies, data, records, or financial information) concerning the business, policies or operations of TEPPCO, Partnership, TCO or Company Affiliates, which Executive may have learned on or prior to the date hereof or during the term of Executive's employment by TEPPCO (as employee, consultant, shareholder, officer, controlling person, agent or otherwise) and which information is not generally known to the public. Executive's obligations under this Section 9 shall survive any termination of his employment.

10. Termination.

- (a) Notwithstanding anything to the contrary contained herein, Executive may terminate his employment at any time by resigning, and Executive's employment may be terminated by TEPPCO as follows:
 - (i) due to the death of Executive;
 - (ii) due to a disability which prevents Executive from performing the essential functions of his full duties for a period of ninety (90) consecutive business days;

- (iii) for cause, which shall mean (w) the willful and continued failure by Executive to substantially perform his duties with TEPPCO, TCO or Company Affiliates (other than any such failure resulting from his incapacity due to physical or mental illness) after demand for substantial performance is delivered to him by the CEO which specifically identifies the manner in which the CEO believes the Executive has not substantially performed his duties, (x) the willful engaging by the Executive in gross misconduct materially and demonstrably injurious to the property or business of TEPPCO, Partnership, TCO or any Company Affiliates, (y) willful material violation of the provisions of Section 8 and 9 hereof, or (z) fraud, misappropriation or commission of a felony. For purposes of this subsection, no act or failure to act on the Executive's part will be considered "willful" unless done or omitted to be done, by him not in good faith and without reasonable belief that his action or omission was in the best interest of the TEPPCO, Partnership, TCO or Company Affiliates or not opposed to the interests of TEPPCO, Partnership, TCO or Company Affiliates; or
 - (iv) for any reason other than death, disability or for cause.
- (b) In the event of Executive's resignation of employment or TEPPCO's termination of Executive's employment pursuant to subsections 10(a)(i), (ii) or (iii) above, Executive shall be entitled only to his base salary earned through the date of termination. Executive's rights to any bonus shall be

forfeited, but the termination shall not affect any rights of Executive that have become vested under any employee benefit plan or arrangement. In the event that TEPPCO terminates Executive pursuant to subsection 10(a)(iv) above, Executive shall be entitled to his base salary earned through the date of termination plus a severance payment calculated in accordance with the provisions of Section 11(a) hereof.

- (c) This Agreement does not create any obligation on the part of TEPPCO or Executive for continued employment for a fixed period of time and in that regard, Executive shall be an employee-at-will whose employment can be terminated at any time for any reason by TEPPCO or Executive. If TEPPCO decides to terminate Executive, TEPPCO will cooperate with Executive in determining when and how to announce such termination. Executive shall not receive any compensation for any period of time post-termination, except for the severance payment calculated in accordance with the provisions of Section 11(a) hereof.

11. Severance Payment.

- (a) In the event that within twelve (12) months after a change of control occurs as set forth in subsection 11(b), Executive's employment shall be involuntarily terminated or Executive shall have a reduction in responsibility, he shall be entitled to a lump sum severance payment equal to two (2) times his base annual salary plus two (2) times bonus. For the purposes of this Section 11(a), bonus is calculated as 45% of Executive's base salary.

- (b) For the purposes of this Section 11, a "change in control" shall be deemed to have occurred if:
- (i) any person becomes the beneficial owner, directly or indirectly, of securities of Partnership representing 66 2/3% or more of the Partnership's then outstanding units of limited partnership interests (the "Units"); or
 - (ii) any person becomes the beneficial owner, directly or indirectly, of 50% or more of the Units and TEPPCO delivers notice of withdrawal or is otherwise removed as the general partner of the Partnership; or
 - (iii) the merger or consolidation of Partnership with one or more corporations, business trusts, common law trusts or unincorporated businesses, including, without limitation, a general partnership or limited partnership, pursuant to a written agreement of merger or consolidation in accordance with Article 16 of the Second Amended and Restated Agreement of Limited Partnership of TEPPCO Partners, L.P., dated November 30, 1998, as may from time-to-time be amended and TEPPCO delivers notice of withdrawal or is otherwise removed as the general partner of the Partnership; or
 - (iv) any person is or becomes the beneficial owner, directly or indirectly, of securities of TEPPCO representing more than 50% of

the combined voting power of TEPPCO's then outstanding voting securities; or

- (v) all or substantially all of the assets and business of TEPPCO, Partnership, TCO or TCTM, L.P. ("Operating Partnership") are sold, transferred or assigned to, or otherwise acquired by, any other person or persons; or
 - (vi) any person is or becomes the beneficial owner, directly or indirectly, of the membership interest in TCO.
 - (vii) the dissolution or liquidation of TCO, Partnership, Operating Partnership, or TEPPCO; or
 - (viii) adoption by the Board of Directors of TEPPCO of a resolution to the effect that any person has acquired effective control of the business and affairs of TEPPCO, Partnership, Operating Partnership or TCO.
- (c) The term "beneficial owner" shall have the meaning set forth in Section 13(d) of the Securities Exchange Act of 1934, as amended and in the regulations promulgated thereunder. The term "person" shall mean an individual, corporation, partnership, limited liability company, trust, unincorporated organization, association or other entity, provided that the term "person" shall not include (i) Duke Energy Corporation ("Duke"), (ii) any affiliate of Duke, or (iii) any employee benefit plan maintained by Duke or any affiliate of Duke. The term "affiliate" means when used with respect to a specified person or entity, any other person or entity directly

or indirectly controlled by, controlling, or under direct or indirect common control with the specified person or entity. The term "control" or "controlled" when used with respect to any specified person or entity means the power to direct the management and policies of the person or entity whether through the ownership of voting securities, membership interest or by contract.

12. Notice. Any notice to be given hereunder by either party to the other party may be effectuated either by personal delivery in writing or by mail, registered or certified, postage prepaid, with return receipt requested. Mailed notices shall be addressed to the parties at the following addresses:

If to TEPPCO, TCO or any Company Affiliate:

Mr. William L. Thacker
President & CEO
Texas Eastern Products Pipeline Company
2929 Allen Parkway
Houston, Texas 77019

If to Executive:

13. Waiver of Breach. The waiver by any party to a breach of any provision in this Agreement cannot operate or be construed as a waiver of any subsequent breach by a party.

14. Severability. The invalidity or unenforceability of any particular provision in this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if the invalid or unenforceable provision were omitted.

15. Entire Agreement. Except as otherwise provided herein, this Agreement contains the entire understanding of the parties as to the employment of Executive, superseding all prior understandings and agreements, and no modifications or amendments of the terms and conditions herein shall be effective unless in writing and signed by the parties or their respective duly authorized agents.

16. Governing Law. This Agreement shall be interpreted, construed and governed according to the laws of the State of _____, without reference to conflicts of law principles thereof.

17. Dispute Resolution. In the event any dispute arises concerning the provisions of this Agreement or Executive's employment with TEPPCO, the parties agree that such dispute shall be resolved in accordance with the Employment Dispute Resolution procedures of the American Arbitration Association and that any arbitration pursuant to such procedures shall be held in _____.

18. Consent to Jurisdiction. Employee hereby consents to the nonexclusive jurisdiction of any state court within _____, _____ or any federal court located within the same city for any proceeding instituted hereunder or arising out of or in connection with this Agreement.

19. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their permitted successors, assigns, legal representatives and heirs, but neither this Agreement nor any rights hereunder shall be assignable by Executive.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

By:

President and Chief Executive Officer

EXECUTIVE

TEXAS EASTERN PRODUCTS PIPELINE COMPANY

NONEMPLOYEE DIRECTORS UNIT ACCUMULATION PLAN

Texas Eastern Products Pipeline Company, a Delaware corporation (the "Company"), hereby establishes, effective April 1, 1999, a Unit Accumulation Plan (the "Plan"), providing for the automatic deferral of a certain portion of each Director's annual stipend as described below:

1. Eligibility

Any member of the Board of Directors of the Company who is not also an employee of Duke Energy Corporation, the Company, or any other company affiliated with Duke Energy Corporation ("Director"), shall participate under the Plan ("Participant").

2. Fees to be Deferred and Length of Deferral

Each Director shall have a portion of his/her annual directors fees paid in the form of TEPPCO Partners phantom LP Units ("Phantom Units"), which shall automatically be deferred until the director terminates his/her services as a Director, or if later, a specified age. Each Director shall be credited with 62.5 Phantom Units on the last day of each calendar quarterly period (i.e. March 31, June 30, September 30 and December 31), provided that Participant was a member of the Board of Directors during such quarterly period.

3. Time and Method of Election to Defer

- a. Each Participant may elect on an election form that has been approved by the Committee to have the amounts deferred under this Plan become payable upon the later of termination as a Director or attainment of a specified age; provided, however, that if the Participant does not file an election, such amounts shall become payable upon termination as a Director.
- b. An election to defer distribution until a specified age shall be irrevocable and shall apply to all amounts deferred under this Plan unless revoked by a new Deferral Election Form filed prior to December 31 of the year preceding the calendar year in which the Participant ceases to be a Director.

4. Phantom Unit Account

The Company shall establish a Phantom Unit account ("TEPPCO LP Account") in the name of each Participant, which shall be deemed invested in, or liquidated from, whole and fractional TEPPCO Partners LP Units, based upon the closing price of a TEPPCO Partners LP Unit as reported on the NYSE Composite Reporting System as of the trading day immediately following the last day of each calendar quarterly

period, or the last day of the year that immediately precedes payment of the balance of the TEPPCO LP Account in a lump sum or in an annual installment, whichever day is applicable. The Participant's TEPPCO LP Account shall be increased to reflect the TEPPCO Partners LP Units added on the last day of each calendar quarterly period as set forth in Section 2 of this Plan. The Participant's TEPPCO LP Account shall be adjusted for (i) Distribution Equivalents as determined pursuant to Section 9 of this Plan and (ii) investment gain or loss based upon the performance of the TEPPCO Partners LP Units. The Participant's TEPPCO LP Account shall be decreased to reflect any payment of the balance thereof. TEPPCO LP Accounts shall be maintained by the Company in accordance with such accounting rules and procedures as the Company, in its sole discretion, shall determine.

5. Time of Payment

The Company shall pay the balance of a Participant's TEPPCO LP Account, in a lump sum, or in five annual installments, with the lump sum payment or the first installment payment, as the case maybe, being made by January 15 of the year next following the later of the year in which the Participant's service as a Director terminates or the Participant attains the elected age on the Deferral Election form. Subsequent installment payments (if any) shall be made by January 15 of subsequent years. All such payments shall be in cash.

6. Form of Payment

A Participant shall elect to have payment of the balance of the TEPPCO LP Account made in one of the following forms:

- a. In a lump sum, the amount of which shall be the balance of the Participant's TEPPCO LP Account, as adjusted for Phantom Unit investment through the last day of the preceding year, or
- b. In five annual installments, the amount of each installment shall be the balance of the Participant's TEPPCO LP Account, as adjusted for Phantom Unit investment through the last day of the preceding year and for any installment previously paid, divided by the number of installments not yet paid. Participant's TEPPCO LP Account shall continue to be credited with Distribution Equivalents until such time as no balance remains in the account.

Notwithstanding the foregoing:

- a. If at the close of the year during which the Participant's service as a Director terminates or the year in which the Participant attains the elected age on the Deferral Election form, whichever is later, the aggregate balance of the

Participant's TEPPCO LP Account does not exceed \$10,000.00, the aggregate balance of the Participant's TEPPCO LP Account shall be paid to the Participant in a lump sum by January 15 of the next following year; or

- b. In the event of the Participant's death, the aggregate balance of the Participant's TEPPCO LP Account shall be paid to the Participant's beneficiary in a lump sum by January 15 of the year next following the year in which the Participant died.

7. Death Beneficiary

A Participant may designate a beneficiary or beneficiaries to receive the aggregate balance of the Participant's TEPPCO LP Account that is unpaid at the time of Participant's death. Such designation, including the revocation of any prior designation by a superseding designation, shall be made by completing the approved form and filing with the Secretary of the Company. A beneficiary designation by a Participant who is married at the time of his/her death which fails to name the Participant's surviving spouse as the sole beneficiary shall not be effective unless such surviving spouse has consented to the designation in writing, witnessed by the Secretary of the Company, another representative of the Committee or notary public, acknowledging the effect of the designation. Spousal consent shall not be required if, at the time of filing such designation, the Participant established to the satisfaction of the Secretary of the Company that the consent of the Participant's spouse could not be obtained because there is no spouse, the spouse could not be located or there exist such other mitigating circumstances as may be prescribed by the Secretary of the Company. Any spouse's consent (or establishment that the consent could not be obtained) shall be effective only with respect to that spouse. Any Participant may change his/her beneficiary designation at any time by filing with the Secretary of the Company a new beneficiary designation (with such spousal consent as may be required). Such designation shall not become effective until so filed and unless so filed prior to the time of Participant's death. In the event that a beneficiary designation is not in effect at the time of Participant's death or in the event that no designated beneficiary has survived the Participant's death, the Participant's estate shall be the Participant's sole beneficiary.

8. Payments to Minors and Incompetents

Should the Participant become incompetent or should the Participant's beneficiary be a minor or incompetent, the Company is authorized to make payment to a parent or guardian of such minor or incompetent in full discharge of its obligations to such minor or incompetent under the Plan.

9. Distribution Equivalents

As soon as possible after each quarterly distribution date, TEPPCO shall credit to each Participant's TEPPCO LP Account a monetary amount ("Distribution Equivalents") equal to the product of:

1. the total number of Phantom Units in Participant's TEPPCO LP Account, multiplied by
2. the distribution paid with respect to a TEPPCO Partners, L.P. Unit for such quarter.

On the date that a quarterly credit of Phantom Units is made to a Participant's TEPPCO LP Account, any monetary balance in such account will be converted to additional Phantom Units in accordance with the provisions of Section 4 of this Plan.

10. Plan Administration

The Compensation Committee of the Board of Directors of the Company (the "Committee") is the administrator of the Plan, provided that any member of the Compensation Committee who is eligible under the Plan shall not participate in any matters or decisions constituting the administration of the Plan. As Plan administrator, the Committee shall have full and exclusive authority to control and manage the operation and administration of the Plan. The Committee may adopt such rules, and approve such forms, as may be necessary or desirable for the administration of the Plan and may delegate any of its duties and authority to others.

The Committee has the discretion:

1. To interpret and construe the terms and provisions of the Plan (including any rules adopted for the Plan);
2. To correct any defect, supply any omission, or reconcile any inconsistency in the Plan;
3. To decide any claim arising under the Plan; and
4. To make factual determinations in connection with any of the foregoing.

A decision by the Committee with respect to any matter pertaining to the Plan shall be conclusive and binding on all interested parties.

11. Unfunded Plan

The Plan is unfunded. To the extent that a Participant or beneficiary acquires a right to receive payments from the Company under the Plan, such right shall not be greater than the right of an unsecured general creditor of the Company and such right shall be an unsecured claim against the general assets of the Company. Title to and beneficial ownership of any assets, whether cash or investments, which the Company may set aside in a grantor trust or otherwise earmark to pay its obligations hereunder will at all times remain the property of the Company, and neither the Participant nor the Participant's estate or other beneficiary shall have any property interest whatsoever in any specific assets of the Company.

12. Nonassignability

The right of the Participant to receive payment from the Company under the Plan shall not be assigned, transferred, pledged, or encumbered except as provided by Section 7. Any attempted assignment, transfer, pledge, or encumbrance in violation of this Section 12 shall be null and void.

13. Amendment or Termination

The Plan may be amended from time to time or terminated by the Board of Directors of the Company, except that no amendment or termination shall, without the consent of the Participant, impair the rights of the Participant to receive payment of the aggregate balance of the Participant's TEPPCO LP Account.

14. Governing Law

The Plan, and all determinations made and actions taken pursuant thereto, to extent not governed by the provisions of the Internal Revenue Code or the securities laws of the United States, shall be governed by and construed in accordance with the laws of the state of Texas.

This Plan document has been executed on behalf of the Company this ____ day of _____, 1999.

TEXAS EASTERN PRODUCTS PIPELINE COMPANY

By: _____

Its: _____

TEXAS EASTERN PRODUCTS PIPELINE COMPANY

NONEMPLOYEE DIRECTORS DEFERRED COMPENSATION PLAN

Texas Eastern Products Pipeline Company, a Delaware corporation (the "Company"), hereby establishes, effective November 1, 1999, a Deferred Compensation Plan (the "Plan"), providing for optional deferral of directors' fees, as described below:

1. Eligibility

Any member of the Board of Directors of the Company who is not also an employee of Duke Energy Corporation, the Company, or any other company affiliated with Duke Energy Corporation ("Director"), is eligible to participate under the Plan ("Participant").

2. Compensation to be Deferred

A Director may elect to defer any whole percentage of all directors' fees which may become payable to him or her with respect to services as a Director during any calendar year (the "year"). Directors' fees shall include retainer fees, committee fees, and attendance fees, but shall not include any expense reimbursement.

3. Time and Method of Election to Defer

- a. In the first year in which a Participant becomes eligible to participate in the Plan (including the first year in which the Plan is in effect), the newly eligible Participant may make an election to defer directors' fees for services to be performed subsequent to such deferral election by completing the deferral election form that has been approved by the Committee ("Deferral Election Form"), and filing it with the Secretary of the Company within thirty (30) days after the date the Participant becomes eligible (or the date the Plan is first in effect).
- b. A Participant may elect to defer directors' fees for any subsequent year by completing the Deferral Election Form and filing it with the Secretary of the Company before December 31 of the year preceding the year for which directors' fees shall be deferred.
- c. A deferral election for a year shall be irrevocable and shall remain in effect and be deemed a like election for deferral of directors' fees for all subsequent years unless revoked by a new Deferral Election Form filed prior to December 31 of the year preceding the first year for which the new deferral election is to be effective. To the extent a deferral election is not in effect for a year, directors' fees for such year shall be paid by the Company in accordance with its usual procedures.

4. Phantom Investment

Each time a Participant files a Deferral Election Form, the Company shall establish an account ("Deferred Compensation Account") in the name of the Participant. The Participant's Deferred Compensation Account shall be increased to reflect the directors' fees deferred by the Participant pursuant to the Deferral Election Form. The Participant's Deferred Compensation Account shall be adjusted for investment gain or loss based upon the phantom investment elected in the Deferral Election Form. The Participant's Deferred Compensation Account shall be decreased to reflect any payment of the balance thereof. Deferred Compensation Accounts shall be maintained by the Company in accordance with such accounting rules and procedures as the Company, in its sole discretion, shall determine. In the Deferral Election Form, the Participant shall irrevocably elect from among the following options, the phantom investment in the Deferred Compensation Account of the directors' fees deferred thereby:

100% Fixed Income Phantom Investment

100% LP Unit Phantom Investment

50% Fixed Income/50% LP Unit Phantom Investment

Fixed Income Phantom Investment - quarterly interest on the opening balance for the calendar quarter, at an annual rate of 7% or such other annual rate as a majority of the members of the Compensation Committee of the Board of Directors who are not eligible to participate under the Plan may, from time to time, establish.

LP Unit Phantom Investment - deemed invested in, or liquidated from, whole and fractional TEPPCO Partners LP Units, based upon the closing price of a TEPPCO Partners LP Unit as reported on the NYSE Composite Reporting System as of the trading day immediately preceding the day on which the directors' fees if not deferred would have been payable, the day on which quarterly cash distributions are paid to holders of TEPPCO Partners LP Units, or the last day of the year that immediately precedes payment of the balance of the Deferred Compensation Account in a lump sum or in an annual installment, whichever day is applicable.

Combined Fixed Income and LP Unit Phantom Investment. should the phantom investment in a Deferred Compensation Account be 50% Fixed Income/50% LP Unit, any payment of the balance of the Deferred Compensation Account shall be considered taken, to the extent possible, in equal amounts from each phantom investment.

5. Time of Payment

The Company shall pay the balance of a Participant's Deferred Compensation Account, in a lump sum, or in five annual installments as determined below, with the lump sum payment or, the first installment payment, as the case may be, being made by January 15 of the year next succeeding the year in which the Participant's service as a Director terminates. Subsequent installment payments shall be made by January 15 of subsequent years.

6. Form of Payment

In the Deferral Election Form that results in the establishment of the Deferred Compensation Account, a Participant shall elect to have payment of the balance of the Deferred Compensation Account made in one of the following forms:

- a. In a lump sum, the amount of which shall be the balance of the Participant's Deferred Compensation Account, as adjusted for phantom investment through the last day of the preceding year; or
- b. In five annual installments, the amount of each installment shall be the balance of the Participant's Deferred Compensation Account, as adjusted for phantom investment through the last day of the preceding year and for any installment previously paid, divided by the number of installments not yet paid.

Notwithstanding the foregoing:

- a. If at the close of the year during which the Participant's service as a Director terminates, the aggregate balance of the Participant's Deferred Compensation Accounts does not exceed \$10,000.00, the aggregate balance of the Participant's Deferred Compensation Accounts shall be paid to the Participant in a lump sum by January 15 of the next succeeding year; or
- b. In the event of the Participant's death, the aggregate balance of the Participant's Deferred Compensation Accounts shall be paid to the Participant's beneficiary in a lump sum by January 15 of the year next succeeding the year in which the Participant died.

7. Death Beneficiary

A Participant may designate a beneficiary or beneficiaries to receive the aggregate balance of the Participant's Deferred Compensation Account that is unpaid at the time of Participant's death. Such designation, including the revocation of any prior designation by a superseding designation, shall be made by completing the

approved form and filing with the Secretary of the Company. A beneficiary designation by a Participant who is married at the time of his/her death which fails to name the Participant's surviving spouse as the sole beneficiary shall not be effective unless such surviving spouse has consented to the designation in writing, witnessed by the Secretary of the Company, another representative of the Committee or notary public, acknowledging the effect of the designation. Spousal consent shall not be required if, at the time of filing such designation, the Participant established to the satisfaction of the Secretary of the Company that the consent of the Participant's spouse could not be obtained because there is no spouse, the spouse could not be located or there exist such other mitigating circumstances as may be prescribed by the Secretary of the Company. Any spouse's consent (or establishment that the consent could not be obtained) shall be effective only with respect to that spouse. Any Participant may change his/her beneficiary designation at any time by filing with the Secretary of the Company a new beneficiary designation (with such spousal consent as may be required). Such designation shall not become effective until so filed and unless so filed prior to the time of Participant's death. In the event that a beneficiary designation is not in effect at the time of Participant's death or in the event that no designated beneficiary has survived the Participant's death, the Participant's estate shall be the Participant's sole beneficiary.

8. Payments to Minors and Incompetents

Should the Participant become incompetent or should the Participant's beneficiary be a minor or incompetent, the Company is authorized to make payment to a parent or guardian of such minor or incompetent in full discharge of its obligations to such minor or incompetent under the Plan.

9. Distribution Equivalents

As soon as possible after each quarterly distribution date, TEPPCO shall credit to each Participant's Deferred Compensation Account, a monetary amount ("Distribution Equivalents") equal to the product of:

- (a) the total number of LP Unit phantom investments in Participant's Deferred Compensation Account, multiplied by
- (b) the distribution paid with respect to a TEPPCO Partners, L.P. Unit for such quarter.

On the date that a credit to Participant's Deferred Compensation Account is made for LP Unit Phantom Investments any monetary balance in such account attributable to Distribution Equivalents will be converted to LP Unit Phantom Investments in accordance with the provisions of Section 4 subtitled LP Unit Phantom Investment.

10. Plan Administration

The Compensation Committee of the Board of Directors of the Company (the "Committee") is the administrator of the Plan, provided, that any member of the Committee who is eligible to participate under the Plan shall not participate in any decision on any matter regarding the administration of the Plan. As Plan administrator, the Committee shall have full and exclusive authority to control and manage the operation and administration of the Plan. The Committee may adopt such rules, and approve such forms, as may be necessary or desirable for the administration of the Plan and may delegate any of its duties and authority to others. The Committee has the discretion:

- a. To interpret and construe the terms and provisions of the Plan (including any rules adopted for the Plan);
- b. To correct any defect, supply any omission, or reconcile any inconsistency in the Plan;
- c. To decide any claim arising under the Plan; and
- d. To make factual determinations in connection with any of the foregoing.

A decision by the Committee with respect to any matter pertaining to the Plan shall be conclusive and binding on all interested parties.

11. Unfunded Plan

The Plan is unfunded. To the extent that a Participant or beneficiary acquires a right to receive payments from the Company under the Plan, such right shall not be greater than the right of an unsecured general creditor of the Company and such right shall be an unsecured claim against the general assets of the Company.

Title to and beneficial ownership of any assets, whether cash or investments, which the Company may set aside in a grantor trust or otherwise earmark to pay its obligations hereunder will at all times remain the property of the Company, and neither the Participant nor the Participant's estate or other beneficiary shall have any property interest whatsoever in any specific assets of the Company.

12. Nonassignability

The right of the Participant to receive payment from the Company under the Plan shall not be assigned, transferred, pledged, or encumbered except as provided by Section 7. Any attempted assignment, transfer, pledge, or encumbrance in violation of this Section 12 shall be null and void.

13. Amendment or Termination

The Plan may be amended from time to time or terminated by the Board of Directors of the Company, except that no amendment or termination shall, without the consent of the Participant, impair the rights of the Participant to receive payment of the aggregate balance of the Participant's Deferred Compensation Accounts.

14. Governing Law

The Plan, and all determinations made and actions taken pursuant thereto, to extent not governed by the provisions of the Internal Revenue Code or the securities laws of the United States, shall be governed by and construed in accordance with the laws of the state of Texas.

This Plan document has been executed on behalf of the Company this _____ day of _____, 1999.

TEXAS EASTERN PRODUCTS
PIPELINE COMPANY

By: _____

Its: _____

TEXAS EASTERN PRODUCTS PIPELINE COMPANY
PHANTOM UNIT RETENTION PLAN

PHANTOM UNIT AWARD AGREEMENT

THIS AGREEMENT is made as of the date set forth on the signature page hereof, between Texas Eastern Products Pipeline Company, a Delaware corporation ("TEPPCO"), and the undersigned Participant (the "participant"). Except as defined herein, capitalized terms shall have the same meaning ascribed to them under the Texas Eastern Products Pipeline Company Retention Compensation Plan, as from time to time amended (the "Plan").

1. Purpose. This Phantom Unit Award Agreement (the "Agreement") is intended to evidence phantom units (each a "Phantom Unit" or "Phantom Units") and distribution equivalents (each a "Distribution Equivalent") awarded to the Participant under the Plan.

2. Award. Subject to the terms and conditions of the Plan and this Agreement, TEPPCO hereby awards the Participant the number of Phantom Units set forth in the related Phantom Unit Award Certificate (the "Certificate"), subject to the conditions set forth in the Certificates.

3. Establishment of Phantom Unit Account. TEPPCO shall establish and maintain an appropriate record (the "Phantom Unit Account") which shall from time to time reflect the number of Phantom Units credited to Participant's Account and the number redeemed for cash.

4. Adjustment in Phantom Units and Distribution Equivalents. In the event that the number or kind of Limited Partnership Units shall be changed as a result of a recapitalization, restructure or other such similar event, the number of Phantom Units and Distribution Equivalents which have been awarded to each Participant and the number of Phantom Units credited to each such Participant's Phantom Unit Account under this Agreement, which have not been redeemed, shall be appropriately adjusted, as determined by the Committee, to reflect such change.

5. Distribution Equivalents. As soon as possible after each quarterly distribution date, TEPPCO shall pay to the Participant if he or she is then an Eligible Employee, or if he or she has terminated such employment under circumstances which avoid the forfeiture of all or a portion of his or her Phantom Units as provided in Section 6 hereof, a cash payment equal to the product of:

(a) the total number of Phantom Units awarded to the Participant, reduce by the number of Phantom Units redeemed as of the appropriate distribution record date, multiplied by

(b) the distribution paid with respect to a Limited Partnership Unit for such quarter.

6. Crediting and Redemption of Phantom Units.

(a) Except as otherwise provided in this section 6, as of the crediting date set forth in the Certificate (the "Vesting Date"), Participant shall be credited with such portion of the total Phantom Units awarded to the Participant as set forth in the Certificate. Such Phantom Units shall be credited to the Participant's Phantom Unit Account and shall become vested and nonforfeitable.

(b) Subject to such terms and conditions as may be established by the Committee pursuant to the Plan, on or after any Vesting Date, the Participant may request redemption of the amount of any or all of the Phantom Units credited to his Phantom Unit Account by filing a written request in such form as the Committee may prescribe for such purpose.

(c) If the Participant's employment with TEPPCO is terminated, any unredeemed Phantom Units credited to the Participant's Phantom Unit Account shall be redeemed as of the date of such termination of employment.

(d) If Participant's employment is terminated due to disability or death (collectively, "Severance"), any unredeemed Phantom Units that are credited to a Participant's Phantom Unit Account at the time of such Severance and any Phantom Units that have been awarded, but not credited, to a Participant's Phantom Unit Account at such time of any such Severance shall be immediately credited to Participant and shall be redeemed as of the date of such Severance.

(e) Phantom Units will be redeemed in the form of cash payment by TEPPCO. The cash value of each Phantom Unit will be based on the Market Value of a Limited Partnership Unit as of the close of business on the date of redemption or on the last preceding date on which Market Value can be determined. Cash payments shall be made no later than 15 business days following the redemption date.

(f) Except as provided in Section 6(d) above, any Phantom Units which have not been credited to a Participant's Phantom Unit Account as of the date the Participant terminates his or her employment for any reason and ceases to be an Eligible Employee shall be forfeited as of the date of such termination of employment.

(g) Notwithstanding anything to the contrary herein, the Committee, in its sole and absolute discretion, may accelerate the crediting of Phantom Units to a Participant's Phantom Unit Account and/or the redemption of Phantom Units from any Participant in the event of circumstances of unusual financial hardship to such Participant.

7. Distributions on Account of Death. Distribution of cash for Phantom Units redeemed upon the death of a Participant shall be made to the Participant's surviving spouse, or if no surviving spouse exists, to the estate or legal representative of the Participant.

8. Withholding of Taxes. TEPPCO shall deduct from the amount of all benefits paid under this Agreement any taxes required to be withheld by the Federal or any state or local government.

9. Limitation of Rights. Nothing in this Agreement, the Phantom Unit Award Certificate or the Plan shall be construed to:

(a) give the Participant any right to be awarded any Phantom Units or Distribution Equivalents other than in the sole discretion of the Committee;

(b) give the Participant any right to have his or her Phantom Unit Account credited with any Phantom Units other than in the sole discretion of the Committee;

(c) give the Participant any rights whatsoever with respect to Limited Partnership Units; or

(d) give the Participant or any other person any interest in any fund or in any specified asset or assets of TEPPCO.

10. Non-Alienation of Benefits. No right or benefit under this Agreement shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber or charge, the same will be void. No right or benefit hereunder shall in any manner be liable for or subject to any debts, contracts, liabilities or torts of the person entitled to such benefits. If the Participant or his beneficiary hereunder shall become bankrupt or attempt to anticipate, alienate, assign, sell, pledge, encumber or charge any right or benefit hereunder or if any creditor shall attempt to subject the same to writ of garnishment, attachment, execution, sequestration, or any other form of process or involuntary lien or seizure, then such right or benefit shall cease and terminate.

11. Prerequisites to Benefits. No Participant, or any person claiming through a Participant, shall have any right or interest in the amounts represented by the Units or Distribution Equivalents awarded hereunder, unless and until all the terms, conditions and provisions of this Agreement and the Plan which affect the Participant or such other person shall have been complied with as specified herein.

12. Successors and Assigns. This Agreement shall bind and inure to the benefit of and be enforceable by Participant, TEPPCO and their respective permitted successors and assigns (including personal representatives, heirs and legatees), except that Participant may not assign any rights or obligations under this Agreement except to the extent and in the manner expressly permitted hereby.

13. Governing Law. This Agreement shall be governed by, construed and enforced in accordance with the internal laws of the State of Texas and, where applicable, the laws of the United States.

14. Interpretation. Any discrepancies or conflicts between or among the Plan; the Phantom Unit Award Certificate or this Agreement, shall be resolved in favor of the Phantom Unit Award Certificate; this Agreement; and the Plan in that order.

15. No Employment Obligation. The granting of the award of Phantom Units pursuant to this Agreement shall not constitute an employment contract, express or implied, nor impose upon TEPPCO or any affiliate of TEPPCO any obligation to employ or continue to employ Participant. The right of TEPPCO or any affiliate of TEPPCO to terminate the employment of Participant shall not be diminished or affected by reason of the fact that the award has been granted to him.

16. Forfeiture. Notwithstanding any other provisions of this Agreement, if the Committee finds by a majority vote after full consideration of the facts that Participant (a) committed or engaged in fraud, embezzlement, theft, commission of a felony, or proven dishonesty in the course of his employment by TEPPCO or an affiliate of TEPPCO, which conduct damaged TEPPCO or affiliate of TEPPCO, or disclosed trade secrets of TEPPCO or an affiliate of TEPPCO; or (b) participated, engaged in or had a material, financial or other interest, whether as an executive, officer, director, consultant, contractor, unitholder, owner, or otherwise, in any commercial endeavor which is competitive with the business of the TEPPCO or an affiliate of TEPPCO without the written consent of TEPPCO or the affiliate of TEPPCO, the Participant shall forfeit all existing unredeemed Phantom Units whether credited or not. Clause (b) shall not be deemed to have been violated solely by reason of Participant's ownership of units or securities of any publicly owned entity, if that ownership does not result in effective control of the entity.

The decision of the Committee as to the cause of Participant's discharge, the damage done to TEPPCO or an affiliate of TEPPCO, and the extent of Participant's competitive activity shall be final. No decision of the Committee, however, shall affect the finality of the discharge of Participant by TEPPCO or an affiliate of TEPPCO in any manner.

This agreement is executed and delivered, in duplication, pursuant to the Plan, the provisions of which are incorporated herein by reference.

TEXAS EASTERN PRODUCTS PIPELINE COMPANY

W. L. THACKER

ATTEST:

JAMES C. RUTH

Secretary

, Participant

Address

City, State, Zip Code

5
1,000

9-MOS
DEC-31-1999
JAN-01-1999
SEP-30-1999
31,529
3,910
182,424
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1,010,276
1,118,288
1,295,809
1,098,634
1,223,918
0
0
23,407
51,290
0
0
0
0
50,771
1.34
1.34