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

FORM 10-Q

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

For the quarterly period ended September 30, 2007

OR

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

For the transition period from ___ to ___.

Commission file number: 1-33266

DUNCAN ENERGY PARTNERS L.P.

(Exact name of Registrant as Specified in Its Charter)

Delaware	**20-5639997**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes o   No x

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

Large accelerated filer [ ]   Accelerated filer [ ]   Non-accelerated filer x

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

Yes o   No x

There were 20,301,571 common units of Duncan Energy Partners L.P. outstanding at November 1, 2007. These common units trade on the New York Stock Exchange under the ticker symbol "DEP."

DUNCAN ENERGY PARTNERS L.P.
TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION.

Item 1. ***Financial Statements*****.**

DUNCAN ENERGY PARTNERS L.P.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(See Note 1 for Basis of Financial Statement Presentation)
(Dollars in thousands)

ASSETS	September 30, 2007	December 31, 2006
Current assets:		
Cash and cash equivalents	$ 3,793	$ --
Accounts receivable - trade, net of allowance for doubtful accounts of $50 at September 30, 2007 and $402 at December 31, 2006	66,185	71,776
Accounts receivable – related parties	2,397	--
Inventories	8,453	13,538
Prepaid and other current assets	1,644	792
Total current assets	82,472	86,106
Property, plant and equipment, net	834,578	707,649
Investments in and advances to unconsolidated affiliate	3,956	3,391
Intangible assets, net of accumulated amortization of $1,335 at September 30, 2007 and $1,161 at December 31, 2006	6,792	6,966
Other assets	305	--
Total assets	$ 928,103	$ 804,112
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable – trade	$ 12,429	$ 702
Accounts payable – related parties	36,576	--
Accrued product payables	50,332	62,571
Accrued costs and expenses	2,691	5,093
Accrued interest	131	--
Other current liabilities	9,594	9,263
Total current liabilities	111,753	77,629
Long-term debt (see Note 8)	215,000	--
Other long-term liabilities	1,433	686
Parent interest in subsidiaries (see Note 9)	277,315	--
Commitments and contingencies		
Partners' equity:		
Limited partners (20,301,571 common units outstanding at September 30, 2007)	321,879	--
General partner	642	--
Accumulated other comprehensive income	81	--
Owners' net investment – predecessor	--	725,797
Total partners' equity	322,602	725,797
Total liabilities and partners' equity	$ 928,103	$ 804,112

See Notes to Unaudited Condensed Consolidated Financial Statements

DUNCAN ENERGY PARTNERS L.P.
UNAUDITED CONDENSED STATEMENTS OF CONSOLIDATED OPERATIONS AND COMPREHENSIVE INCOME
(See Note 1 for Basis of Financial Statement Presentation)
(Dollars in thousands, except per unit amounts)

	Duncan Energy Partners	Duncan Energy Partners Predecessor
	For the Three Months Ended September 30, 2007	For the Three Months Ended September 30, 2006
Revenues:		
Third parties	$ 116,569	$ 120,153
Related parties	104,003	116,158
Total (see Note 11)	220,572	236,311
Costs and expenses:		
Operating costs and expenses:		
Third parties	195,866	202,035
Related parties	12,791	17,358
Total operating costs and expenses	208,657	219,393
General and administrative costs:		
Third parties	399	49
Related parties	747	685
Total general and administrative costs	1,146	734
Total costs and expenses	209,803	220,127
Equity in income of unconsolidated affiliate	(5)	270
Operating income	10,764	16,454
Other income (expense):		
Interest expense	(3,180)	--
Interest income	130	--
Other, net	--	2
Other expense	(3,050)	2
Income before provision for income taxes, parent interest in the income of subsidiaries and the cumulative effect of a change in accounting principle	7,714	16,456
Provision for income taxes	(32)	--
Income before parent interest in income of subsidiaries	7,682	16,456
Parent interest in income of subsidiaries	(3,188)	--
Net income	4,494	16,456
Change in fair value of financial instruments	328	18
Comprehensive income	$ 4,822	$ 16,474
Net income allocation: (see Note 13)		
Limited partners' interest in net income	$ 4,404	
General partner interest in net income	90	
Earnings per unit: (see Note 13)		
Basic and diluted income per unit	$ 0.22	

See Notes to Unaudited Condensed Consolidated Financial Statements

DUNCAN ENERGY PARTNERS L.P.
UNAUDITED CONDENSED STATEMENTS OF CONSOLIDATED OPERATIONS
AND COMPREHENSIVE INCOME
(See Note 1 for Basis of Financial Statement Presentation)
(Dollars in thousands, except per unit amounts)

	Duncan Energy Partners	Duncan Energy Partners Predecessor	
	For the Eight Months Ended September 30, 2007	One Month Ended January 31, 2007	For the Nine Months Ended September 30, 2006
Revenues:			
Third parties	$ 361,629	$ 42,657	$ 416,653
Related parties	229,713	24,017	323,449
Total (see Note 11)	591,342	66,674	740,102
Costs and expenses:			
Operating costs and expenses:			
Third parties	526,271	58,038	655,971
Related parties	29,528	3,149	42,008
Total operating costs and expenses	555,799	61,187	697,979
General and administrative costs:			
Third parties	1,012	22	81
Related parties	1,517	455	2,388
Total general and administrative costs	2,529	477	2,469
Total costs and expenses	558,328	61,664	700,448
Equity in income of unconsolidated affiliate	155	25	624
Operating income	33,169	5,035	40,278
Other income (expense):			
Interest expense	(6,721)	--	--
Interest income	503	--	--
Other, net	--	--	6
Other expense	(6,218)	--	6
Income before provision for income taxes, parent interest in the income of subsidiaries and the cumulative effect of a change in accounting principle	26,951	5,035	40,284
Provision for income taxes	(146)	--	(21)
Income before parent interest in income of subsidiaries and the cumulative effect of a change in accounting principle	26,805	5,035	40,263
Parent interest in income of subsidiaries	(13,840)	--	--
Income before the cumulative effect of a change in accounting principle	12,965	5,035	40,263
Cumulative effect of a change in accounting principle (see Note 2)	--	--	9
Net income	12,965	5,035	40,272
Change in fair value of financial instruments	81	--	--
Comprehensive income	$ 13,046	$ 5,035	$ 40,272
Net income allocation: (see Note 13)			
Limited partners' interest in net income	$ 12,706		
General partner interest in net income	259		
Earnings per unit: (see Note 13)			
Basic and diluted income per unit	$ 0.63		

See Notes to Unaudited Condensed Consolidated Financial Statements

DUNCAN ENERGY PARTNERS L.P.
UNAUDITED CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS
(See Note 1 for Basis of Financial Statement Presentation)
(Dollars in thousands)

	Duncan Energy Partners	Duncan Energy Partners Predecessor
	For the Three Months Ended September 30, 2007	For the Three Months Ended September 30, 2006
Operating activities:		
Net income	$ 4,494	$ 16,456
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion in operating costs and expenses	7,249	5,319
Depreciation and amortization in general and administrative costs	72	--
Amortization in interest expense	32	--
Equity in income of unconsolidated affiliate	5	(270)
Parent interest in income of subsidiaries	3,188	--
Gain on sale of assets	(17)	(4)
Deferred income tax expense	2	--
Changes in fair market value of financial instruments	158	118
Net effect of changes in operating accounts (see Note 15)	6,903	13,806
Net cash flows provided by operating activities	22,086	35,425
Investing activities:		
Capital expenditures	(48,879)	(25,399)
Contributions in aid of construction costs	80	394
Proceeds from sale of assets	3,254	6
Advances to unconsolidated affiliate	(320)	--
Cash used in investing activities	(45,865)	(24,999)
Financing activities:		
Repayments of debt	(5,000)	--
Borrowings under debt agreements	30,000	--
Debt issuance costs	(8)	
Net contributions from Parent to subsidiaries	5,448	--
Adjustment to net proceeds from initial public offering	(578)	--
Net cash contributions from and distributions to owners – predecessor (see Note 2)	--	(10,426)
Distributions paid to partners	(8,286)	--
Cash provided by (used in) financing activities	21,576	(10,426)
Net change in cash and cash equivalents	(2,203)	--
Cash and cash equivalents, beginning of period	5,996	--
Cash and cash equivalents, end of period (see Note 2)	$ 3,793	$ --

See Notes to Unaudited Condensed Consolidated Financial Statements

DUNCAN ENERGY PARTNERS L.P.
UNAUDITED CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS
(See Note 1 for Basis of Financial Statement Presentation)
(Dollars in thousands)

	Duncan Energy Partners	Duncan Energy Partners Predecessor	
	For the Eight Months Ended September 30, 2007	For the One Month Ended January 31, 2007	For the Nine Months Ended September 30, 2006
Operating activities:			
Net income	$ 12,965	$ 5,035	$ 40,272
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Depreciation, amortization and accretion in operating costs and expenses	18,967	2,209	15,468
Depreciation and amortization in general and administrative costs	132	--	--
Amortization in interest expense	85	--	--
Equity in income of unconsolidated affiliate	(155)	(25)	(624)
Cumulative effect of a change in accounting principle	--	--	(9)
Parent interest in income of subsidiaries	13,840	--	--
Gain on sale of assets	(19)	--	(17)
Deferred income tax expense	64	--	21
Changes in fair market value of financial instruments	157	--	65
Net effect of changes in operating accounts (see Note 15)	40,945	(10,754)	7,125
Net cash flows provided by (used in) operating activities	86,981	(3,535)	62,301
Investing activities:			
Capital expenditures	(131,793)	(5,348)	(58,963)
Contributions in aid of construction costs	368	349	777
Proceeds from sale of assets	3,256	--	19
Advances to unconsolidated affiliate	(384)	--	(59)
Cash used in investing activities	(128,553)	(4,999)	(58,226)
Financing activities:			
Repayments of debt	(61,000)	--	--
Borrowings under debt agreements	276,000	--	--
Debt issuance costs	(518)	--	--
Distributions paid to Parent at time of initial public offering	(459,551)	--	--
Net contributions from Parent to subsidiaries	13,306	--	--
Net proceeds from issuance of common units	290,466	--	--
Net cash contributions from and distributions to owners – predecessor (see Note 2)	--	8,534	(4,075)
Distributions paid to partners	(13,341)	--	--
Cash provided by financing activities	45,362	8,534	(4,075)
Net change in cash and cash equivalents	3,790	--	--
Cash and cash equivalents, beginning of period	3	--	--
Cash and cash equivalents, end of period (see Note 2)	$ 3,793	$ --	$ --

See Notes to Unaudited Condensed Consolidated Financial Statements

DUNCAN ENERGY PARTNERS L.P.
UNAUDITED CONDENSED STATEMENT OF CONSOLIDATED PARTNERS' EQUITY
(See Note 1 for Basis of Financial Statement Presentation and Note 10 for Unit History)
(Dollars in thousands)

	Duncan Energy Partners Predecessor	Duncan Energy Partners			
	Owners' Net Investment	Limited Partner Interests	General Partner	AOCI	Total
Balance, December 31, 2006	$ 725,797				$ 725,797
Net income – January 1, 2007 to January 31, 2007	5,035				5,035
Net cash contribution from owners	8,534				8,534
Non-cash contribution from owners	6				6
Balance, January 31, 2007	739,372				739,372
Adjustment for Predecessor liabilities not transferred to Duncan Energy Partners	2,664				2,664
Retention by Parent of 34% ownership interest in certain operating subsidiaries	(252,292)				(252,292)
Allocation of Predecessor equity to Parent in exchange for 5,351,571 common units of Duncan Energy Partners and general partner interest	(489,744)	$ 479,948	$ 9,796	$ --	--
Net proceeds from issuance of 14,950,000 common units to public at initial public offering	--	290,466	--	--	290,466
Cash distribution to Parent at time of initial public offering	--	(450,360)	(9,191)	--	(459,551)
Balance after completion of initial public offering and related transactions	--	320,054	605	--	320,659
Net income – February 1, 2007 to September 30, 2007	--	12,706	259	--	12,965
Amortization of equity awards	--	129	3	--	132
Excess of proceeds received in connection with sale of storage related assets to parent over carrying values (see Note 12)	--	2,064	42	--	2,106
Distributions	--	(13,074)	(267)	--	(13,341)
Change in fair value of financial instruments - February 1, 2007 to September 30, 2007	--	--	--	81	81
Balance, September 30, 2007	$ --	$ 321,879	$ 642	$ 81	$ 322,602

See Notes to Unaudited Condensed Consolidated Financial Statements

Note 1. Background and Basis of Financial Statement Presentation

Significant Relationships Referenced in these Notes

Duncan Energy Partners L.P. did not own any assets prior to February 5, 2007, which was the date it completed its initial public offering of common units. The business and operations of Duncan Energy Partners L.P. prior to February 5, 2007 are referred to as “Duncan Energy Partners Predecessor” or “Predecessor.” Unless the context requires otherwise, references to “we,” “us,” “our,” “the Partnership” or “Duncan Energy Partners” are intended to mean the business and operations of Duncan Energy Partners L.P. and its consolidated subsidiaries since February 5, 2007. When used in a historical context (i.e. prior to February 5, 2007), these terms are intended to mean the combined business and operations of Duncan Energy Partners Predecessor. For financial reporting purposes, the effective date of the closing of our initial public offering and related transactions was February 1, 2007.

References to “DEP GP” mean DEP Holdings, LLC, which is our general partner.

References to “DEP Operating Partnership” mean DEP Operating Partnership, L.P., which is a wholly owned subsidiary of Duncan Energy Partners that conducts substantially all of its business.

References to “Enterprise Products Partners” mean Enterprise Products Partners L.P., which owns 100% of Enterprise Products Operating LLC. Enterprise Products Partners is a publicly traded partnership, the limited partner interests of which are listed on the New York Stock Exchange (“NYSE”) under the ticker symbol “EPD.”

References to “EPO” mean Enterprise Products Operating LLC (as successor in interest by merger to Enterprise Products Operating L.P.), which is our Parent, and its consolidated subsidiaries. EPO has a controlling interest in the Partnership’s general partner and is a significant owner of the Partnership’s common units.

References to “EPGP” mean Enterprise Products GP, LLC, the general partner of Enterprise Products Partners.

References to “Enterprise GP Holdings” mean Enterprise GP Holdings L.P., which owns Enterprise Products GP and TEPPCO GP and limited partner interests in Enterprise Products Partners and TEPPCO.

References to “EPE Holdings” mean EPE Holdings, LLC, which is the general partner of Enterprise GP Holdings.

References to “TEPPCO” mean TEPPCO Partners, L.P., a publicly traded affiliate, the limited partner interests of which are listed on the NYSE under the ticker symbol “TPP.” References to “TEPPCO GP” refer to Texas Eastern Products Pipeline Company, LLC, which is the general partner of TEPPCO and is wholly owned by Enterprise GP Holdings.

References to “EPCO” mean EPCO, Inc., which is a related party affiliate to all of the foregoing named entities.

All of the aforementioned entities are affiliates and under common control of Dan L. Duncan, the Chairman and controlling shareholder of EPCO.

Basis of Financial Statement Presentation

Our results of operations since the completion of our initial public offering are not necessarily indicative of results expected for the full year.

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

The financial information and related notes included under this Item 1 that pertain to periods prior to our initial public offering reflect the assets, liabilities and operations contributed to us by EPO at the closing of our initial public offering on February 5, 2007 (effective February 1, 2007 for financial accounting and reporting purposes). We refer to these historical assets, liabilities and operations as the assets, liabilities and operations of Duncan Energy Partners Predecessor.

The financial information of Duncan Energy Partners Predecessor reflects EPO's historical ownership of these assets, liabilities and operations. The principal business entities included in the historical combined financial statements of Duncan Energy Partners Predecessor are (on a 100% basis): (i) Mont Belvieu Caverns, LLC ("Mont Belvieu Caverns"), a Delaware limited liability company; (ii) Acadian Gas, LLC ("Acadian Gas"), a Delaware limited liability company; (iii) Enterprise Lou-Tex Propylene Pipeline L.P. ("Lou-Tex Propylene"), a Delaware limited partnership, including its general partner; (iv) Sabine Propylene Pipeline L.P. ("Sabine Propylene"), a Delaware limited partnership, including its general partner; and (v) South Texas NGL Pipelines, LLC ("South Texas NGL"), a Delaware limited liability company. EPO contributed a 66% equity interest in each of these five entities to us on February 5, 2007. EPO retained the remaining 34% equity interests in each of these subsidiaries.

We have presented our results of operations following the completion of our initial public offering separately from those pertaining to Duncan Energy Partners Predecessor. We acquired substantially all of the assets and operations of the Predecessor that are included in our consolidated financial statements. There are a number of agreements and other items that went into effect at the time of our initial public offering that affect the comparability of our current operating results with the historical operating results of Duncan Energy Partners Predecessor. These differences include:

- the fees we charge EPO for underground storage services at the facility owned by Mont Belvieu Caverns increased as a result of new agreements executed in connection with our initial public offering;

- all storage well measurement gains and losses relating to Mont Belvieu Caverns' facility are now retained by EPO;

- Mont Belvieu Caverns now makes a special allocation of operational measurement gains and losses to EPO; and

- the transportation revenues recorded by Lou-Tex Propylene and Sabine Propylene decreased after our initial public offering due to the assignment of certain exchange agreements to us by EPO.

In our opinion, the accompanying Unaudited Condensed Consolidated Financial Statements include all adjustments consisting of normal recurring accruals necessary for fair presentation. Although we believe the disclosures in these financial statements are adequate to make the information presented not misleading, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") have been condensed or omitted pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC.") These Unaudited Condensed Consolidated Financial Statements should be read in conjunction with our annual report on Form 10-K for the year ended December 31, 2006 (Commission File No. 1-33266).

Overview of Business

Duncan Energy Partners is a publicly traded Delaware limited partnership, the common units of which are listed on the NYSE under the ticker symbol “DEP.” The Partnership was formed by Enterprise Products Partners in September 2006 to acquire, own and operate a diversified portfolio of midstream energy assets. We are owned 98% by our limited partners and 2% by our general partner, DEP GP, which is a wholly owned subsidiary of EPO. DEP GP is responsible for managing all of our operations and activities. EPCO provides all employees and certain administrative services for us.

On February 5, 2007, the Partnership completed its initial public offering of 14,950,000 common units (including an overallotment amount of 1,950,000 common units) at a price of $21.00 per unit, which generated net proceeds to the Partnership of $290.5 million. As consideration for assets contributed and reimbursement for capital expenditures related to these assets, the Partnership distributed $260.6 million of these net proceeds to EPO, along with $198.9 million in borrowings under its revolving credit facility and a final amount of 5,351,571 common units of the Partnership. The Partnership used $38.5 million of net proceeds from the overallotment to redeem 1,950,000 of the 7,301,571 common units it had originally issued to EPO, resulting in the final amount of 5,351,571 common units beneficially owned by EPO.

The following is a brief description of the businesses of which 66% of the ownership interests were contributed to us by EPO effective February 1, 2007:

§ Mont Belvieu Caverns owns and operates salt dome caverns and a brine system located in Mont Belvieu, Texas.

§ Acadian Gas gathers, transports, stores and markets natural gas in Louisiana utilizing over 1,000 miles of high-pressure transmission lines and lateral and gathering lines with an aggregate throughput capacity of one billion cubic feet per day (the “Acadian Gas System”), including a 27-mile pipeline owned by its unconsolidated affiliate Evangeline Gas Pipeline L.P. (“Evangeline”) and a leased storage cavern with three billion cubic feet of storage capacity.

§ Lou-Tex Propylene owns a 263-mile pipeline used to transport chemical-grade propylene from Sorrento, Louisiana to Mont Belvieu, Texas.

§ Sabine Propylene owns a 21-mile pipeline used to transport polymer-grade propylene from Port Arthur, Texas to a pipeline interconnect in Cameron Parish, Louisiana on a transport-or-pay basis.

§ South Texas NGL owns a 220-mile pipeline extending from Corpus Christi, Texas to Pasadena, Texas that was purchased by EPO from a third party in August 2006 for $97.7 million. Beginning in January 2007, this pipeline (together with other pipelines constructed, leased or acquired since August 2006) commenced transportation of NGLs from two of EPO’s fractionation facilities located in South Texas to Mont Belvieu, Texas. Collectively, these pipelines are referred to as the DEP South Texas NGL Pipeline System.

EPO had owned controlling interests in and operated the underlying assets of, Mont Belvieu Caverns, Acadian Gas, Lou-Tex Propylene and Sabine Propylene for several years prior to its contribution of interests in such entities to us. On February 5, 2007, DEP Operating Partnership (the primary operating subsidiary of the Partnership) directly or indirectly assumed such operating responsibilities.

EPO may contribute or sell other equity interests in its subsidiaries or other of its or its subsidiaries’ assets to the Partnership and use the proceeds it receives to fund its capital spending program. EPO has no obligation or commitment to make such contributions or sales to the Partnership.

Note 2. General Accounting Policies and Related Matters

Cash and Cash Equivalents

Prior to our initial public offering in February 2007, we operated within the EPO cash management program. For purposes of presentation in the Unaudited Condensed Statements of Consolidated Cash Flows, cash flows received (or used) in financing activities represent transfers of excess cash from us to our prior owners equal to net cash flow provided by operating activities less cash used in investing activities. Such transfers of excess cash are shown as distributions to owners on our Unaudited Condensed Statement of Partners' Equity prior to February 2007. Conversely, if cash used in investing activities was greater than net cash flow provided by operating activities, then a deemed contribution by owners was reflected. As a result, our financial statements prior to February 2007 do not present cash balances. Following our initial public offering, we ceased participation in the EPO cash management program and maintain our cash balances separately from affiliates.

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

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

Consolidation Policy

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

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

To the extent applicable, we would also consolidate other entities and ventures in which we possess a controlling financial interest as well as partnership interests where we are the sole general partner of the partnership. If our ownership interest in an investee does not provide us with either control or significant influence over the investee, we would account for the investment using the cost method.

Cumulative effect of a change in accounting principle

We recognized, as a nominal benefit, the cumulative effect of a change in accounting principle of $9 thousand in January 2006 due to the implementation of Statement of Financial Accounting Standards ("SFAS") 123(R), "Share-Based Payment."

Estimates

Preparing our Unaudited Condensed Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Our actual results could differ from these estimates. On an ongoing basis, management reviews its estimates based on currently available information. Changes in facts and circumstances may result in revised estimates.

Income Taxes

We are organized as a pass-through entity for income tax purposes. As a result, our partners are responsible for federal income taxes on their share of our taxable income. Our provision for income taxes for the three months ended September 30, 2007 was $32 thousand and there was no provision recorded for the three months ended September 30, 2006. Our provision for income taxes for the eight months ended September 30, 2007 and nine months ended September 30, 2006 is $146 thousand and $21 thousand, respectively. The provision for income taxes is applicable to state tax obligations under the Revised Texas Franchise Tax.

In accordance with Financial Accounting Standards Board Interpretation ("FIN") 48, "Accounting for Uncertainty in Income Taxes," we recognize the tax effects of any uncertain tax positions we may adopt, if the position taken by us is more likely than not sustainable. If a tax position meets such criteria, the tax effect to be recognized by us would be the largest amount of benefit with more than a 50% chance of being realized upon settlement. This guidance was effective January 1, 2007, and our adoption of this guidance had no material impact on our financial position, results of operations or cash flows.

Recent Accounting Developments

SFAS 157, "Fair Value Measurements" defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. SFAS 157 applies only to fair-value measurements that are already required or permitted by other accounting standards and is expected to increase the consistency of those measurements. SFAS 157 emphasizes that fair value is a market-based measurement that should be determined based on the assumptions that market participants would use in pricing an asset or liability. Companies will be required to disclose the extent to which fair value is used to measure assets and liabilities, the inputs used to develop the measurements and the effect of certain of the measurements on earnings (or changes in net assets) for the period. SFAS 157 is effective for fiscal years beginning after November 15, 2007, and we are required to adopt SFAS 157 as of January 1, 2008.

SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115" permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected would be reported in net income. SFAS 159 also establishes presentation and disclosure requirements designed to draw comparisons between the different measurement attributes the company elects for similar types of assets and liabilities. SFAS 159 is effective for fiscal years beginning after November 15, 2007. We are currently evaluating this statement and have not yet determined the impact of such on our financial statements.

Note 3. Financial Instruments

We are exposed to financial market risks, including changes in commodity prices and interest rates. We may use financial instruments (i.e. futures, forwards, swaps, options and other financial instruments with similar characteristics) to mitigate the risks of certain identifiable and anticipated transactions. As a matter of policy, we do not use financial instruments for speculative (or "trading") purposes.

Interest Rate Risk Hedging Program

In September 2007, we executed three floating-to-fixed interest rate swaps having a combined notional value of $175 million. The purpose of these financial instruments, which are accounted for as cash flow hedges, is to reduce the sensitivity of our earnings to variable interest rates charged under our revolving credit facility. In September 2007, we recognized a $0.1 million benefit from these swaps in interest expense. At September 30, 2007, the aggregate fair value of these interest rate swaps was a liability of $77 thousand.

Commodity Risk Hedging Program

In addition to its natural gas transportation business, Acadian Gas engages in the purchase and sale of natural gas. The price of natural gas fluctuates in response to changes in supply, market uncertainty, and a variety of additional factors that are beyond our control. Acadian Gas may enter into risk management transactions to manage price risk, basis risk, physical risk or other risks related to its commodity positions on both a short-term (less than 30 days) and a long-term basis, not to exceed 24 months.

Acadian Gas may use commodity financial instruments such as futures, swaps and forward contracts to mitigate such risks. In general, the types of risks Acadian Gas attempts to hedge are those related to the variability of its future earnings and cash flows resulting from changes in applicable commodity prices. The commodity financial instruments that Acadian Gas utilizes may be settled in cash or with another financial instrument.

Acadian Gas enters into a small number of cash flow hedges in connection with its purchase of natural gas held for sale. In addition, Acadian Gas enters into a limited number of offsetting financial instruments that effectively fix the price of natural gas for certain of its customers.

The fair value of the Acadian Gas commodity financial instrument portfolio was an asset of $11 thousand at September 30, 2007 and a negligible amount at December 31, 2006. We recorded a loss of $0.6 million and a gain of $12 thousand related to our commodity financial instruments during the three months ended September 30, 2007 and 2006, respectively. We also recorded losses of $0.6 million, $0.4 million and $0.3 million for the eight months ended September 30, 2007, for the month of January 2007 and for the nine months ended September 30, 2006, respectively.

Note 4. Inventories

Our inventory consists of natural gas volumes valued at the lower of average cost or market. At September 30, 2007 and December 31, 2006, the value of our natural gas inventory was $8.5 million and $13.5 million, respectively.

Operating costs and expenses, as presented on our Unaudited Condensed Statements of Consolidated Operations and Comprehensive Income, included cost of sales amounts related to the sale of natural gas inventory. Our costs of sales were $185.7 million and $201.4 million for the three months ended September 30, 2007 and 2006, respectively. We recorded costs of sales of $500.4 million, $54.2 million and $643.5 million for the eight months ended September 30, 2007, for the month of January 2007 and for the nine months ended September 30, 2006, respectively.

As a result of fluctuating market conditions, we recognize lower of average cost or market ("LCM") adjustments when the historical cost of our inventory exceeds its net realizable value. These non-cash adjustments are recorded as a component of cost of sales. For the eight months ended September 30, 2007 and for the month of January 2007, we recognized LCM adjustments of approximately $0.3 million and $37 thousand, respectively. No LCM adjustments were required during the three months ended September 30, 2007 and 2006, respectively, and for the nine months ended September 30, 2006.

Note 5. Property, Plant and Equipment

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

	Estimated Useful Life in Years	September 30, 2007	December 31, 2006
Natural gas and petrochemical pipelines and related equipment (1)	3-35 (4)	$ 406,497	$ 350,360
Underground storage wells and related assets (2)	5-35 (5)	350,841	324,685
NGL pipelines and related equipment	5-35 (6)	132,307	98,148
Transportation equipment (3)	3-10	1,321	1,240
Land		20,029	15,809
Construction in progress		88,614	61,839
Total		999,609	852,081
Less accumulated depreciation		165,031	144,432
Property, plant and equipment, net		$ 834,578	$ 707,649

(1) Includes natural gas and petrochemical pipelines, office furniture and equipment, buildings, and related assets.
(2) Underground storage facilities include underground product storage caverns and related assets such as pipes and compressors.
(3) Transportation equipment includes vehicles and similar assets used in our operations.
(4) In general, the estimated useful lives of major components of this category are: pipelines, 18-35 years (with some equipment at 5 years); office furniture and equipment, 3-20 years; and buildings 20-35 years.
(5) In general, the estimated useful life of underground storage facilities is 20-35 years (with some components at 5 years).
(6) In general, the estimated useful life of NGL pipelines will be 20-35 years (with some equipment at 5 years).

Depreciation expense for the three months ended September 30, 2007 and 2006 was $7.4 million, and $5.3 million, respectively. For the eight months ended September 30, 2007, one month ended January 31, 2007 and nine months ended September 30, 2006, we recorded depreciation expense of $19.2 million, $2.2 million, and $15.5 million, respectively. We capitalized $0.4 million and $0.3 million of interest in connection with capital projects during the three months ended September 30, 2007 and 2006, respectively, and $2.1 million and $1.0 million during the eight months ended September 30, 2007 and nine months ended September 30, 2006, respectively.

Note 6. Investments in and Advances to Unconsolidated Affiliate

Acadian Gas, through a wholly owned subsidiary, owns a collective 49.51% equity interest in Evangeline, which consists of a 45% direct ownership interest in Evangeline Gas Pipeline Company, L.P. ("EGP") and a 45.05% direct interest in Evangeline Gas Corp. ("EGC"). EGC also owns a 10% direct interest in EGP. Third parties own the remaining equity interests in EGP and EGC.

Evangeline owns a 27-mile natural gas pipeline system extending from Taft, Louisiana to Westwego, Louisiana that connects three electric generation stations owned by Entergy Louisiana ("Entergy"). Evangeline's most significant contract is a natural gas sales agreement with Entergy. Acadian Gas does not have a controlling interest in the Evangeline entities, but does exercise significant influence on Evangeline's operating policies. Acadian Gas accounts for its financial investment in Evangeline using the equity method.

At September 30, 2007 and December 31, 2006, the carrying value of our investment in Evangeline was $4.0 million and $3.4 million, respectively. Our Unaudited Condensed Statements of Consolidated Operations and Comprehensive Income reflect equity losses from Evangeline of $5 thousand and equity earnings of $0.2 million for the three months ended September 30, 2007 and 2006, respectively. Our Unaudited Condensed Statements of Consolidated Operations and Comprehensive Income reflects equity earnings from Evangeline of $155 thousand and $25 thousand for the eight months ended September 30, 2007 and for the month of January 2007, respectively. For the nine months ended September 30, 2006, we had equity earnings of $0.6 million from Evangeline. Our investment in Evangeline is classified within our Natural Gas Pipelines & Services business segment.

Summarized Financial Information of Unconsolidated Affiliate

The following table presents unaudited summarized income statement data of Evangeline for the periods indicated (on a 100% basis):

	For the Three Months Ended September 30,		For the Nine months Ended September 30,	
	2007	**2006**	**2007**	**2006**
Revenues	$ 78,683	$ 81,724	$ 209,790	$ 237,847
Operating income	1,436	2,120	4,706	6,031
Net income (loss)	(8)	544	366	1,262

Note 7. Intangible Assets

Our intangible assets represent the value attributable to renewable storage contracts with various customers. We acquired these assets in connection with the purchase of storage caverns from a third party in January 2002. The gross value of these intangible assets was $8.1 million at inception. Due to the renewable nature of the underlying contracts, we amortize our intangible assets on a straight-line basis over the estimated remaining economic life of the storage assets to which they relate. We classify these intangible assets within our NGL & Petrochemical Storage Services business segment (see Note 11).

At September 30, 2007 and December 31, 2006, the carrying value of these intangible assets was $6.8 million and $7.0 million, respectively. We recorded $58 thousand of amortization expense associated with these intangible assets during each of the three month periods ended September 30, 2007 and 2006. For the nine month periods ended September 30, 2007 and 2006, we recorded $174 thousand of amortization expense associated with these intangible assets. For the remainder of 2007, we estimate that the amortization expense associated with these intangible assets will be $58 thousand.

Note 8. Debt Obligations

On February 5, 2007, we entered into a $300.0 million revolving credit facility having a $30.0 million sublimit for Swingline loans. We may also issue up to $300.0 million of letters of credit under this facility. Letters of credit outstanding under this facility reduce the amount available for borrowings. At the closing of our initial public offering, we made an initial draw of $200.0 million under this facility to fund the $198.9 million cash distribution to EPO and the remainder to pay debt issuance costs. At September 30, 2007, the principal balance outstanding under this facility was $215.0 million and letters of credit outstanding were $1.1 million.

This credit facility matures in February 2011 and will be used by us in the future to fund working capital and other capital requirements and for general partnership purposes. We may make up to two requests for one-year extensions of the maturity date (subject to certain restrictions). The revolving credit facility is also available to help fund distributions. We can increase the borrowing capacity under our revolving credit facility, without consent of the lenders, by an amount not to exceed $150.0 million, by adding to the facility one or more new lenders and/or increasing the commitments of existing lenders. No existing lender is required to increase its commitment, unless it agrees to do so in its sole discretion.

Our revolving credit facility offers the following unsecured loans (as defined in the credit agreement), each having different minimum borrowing amounts and interest requirements:

§ *London Interbank Offered Rate* (“LIBOR”) *Loans*. LIBOR loans can be exercised in a minimum borrowing amount of $5.0 million and multiples of $1.0 million thereafter. No more than eight LIBOR loans may be outstanding at any time under the revolving credit facility. LIBOR loans bear interest at a rate per annum equal to LIBOR plus the applicable LIBOR margin. Unless LIBOR loans are repaid on interest payment dates, breakage costs could be incurred.

- *Base Rate Loans*. Base Rate loans can be exercised in a minimum borrowing amount of $1.0 million and multiples of $500.0 thousand thereafter. These loans bear interest at a rate per annum equal to the Base Rate. The Base Rate is the higher of (i) the rate of interest publicly announced by the administrative agent, Wachovia Bank, National Association, as its Base Rate and (ii) 0.5% per annum above the Federal Funds Rate in effect on such date.

- *Swingline Loans*. Swingline loans can be exercised in a minimum borrowing amount of $1.0 million and multiples of $100.0 thousand thereafter. These loans bear interest at a rate per annum equal to LIBOR plus an applicable LIBOR margin.

For the three months ended September 30, 2007, our weighted-average variable interest rate paid on borrowings outstanding under this facility was 6.25%. At September 30, 2007, our year-to-date weighted-average variable interest rate paid was 6.21%.

As defined in our revolving credit facility, we are required to maintain a leverage ratio for the prior four fiscal quarters of not more than 4.75 to 1.00 at the last day of each fiscal quarter commencing September 30, 2007; provided that, upon the closing of a permitted acquisition, such ratio shall not exceed (a) 5.25 to 1.00 at the last day of the fiscal quarter in which such specified acquisition occurred and at the last day of each of the two fiscal quarters following the fiscal quarter in which such specified acquisition occurred, and (b) 4.75 to 1.00 at the last day of each fiscal quarter thereafter. In addition, prior to obtaining an investment-grade rating by Standard & Poor’s Ratings Services, Moody’s Investors Service or Fitch Ratings, our interest coverage ratio, for the prior four fiscal quarters shall not be less than 2.75 to 1.00 at the last day of each fiscal quarter commencing September 30, 2007**.**

Our revolving credit facility contains other customary covenants, including those restricting or limiting our ability, and the ability of certain of our subsidiaries, to:

- make distributions;
- incur additional indebtedness;
- grant liens or make certain negative pledges;
- engage in certain asset conveyances, sales, leases, transfers, distributions or otherwise dispose of certain assets, businesses or operations;
- make certain investments;
- enter into a merger, consolidation, or dissolution;
- engage in certain transactions with affiliates;
- directly or indirectly make or permit any payment or distribution in respect of our partnership interests; or
- permit or incur any limitation on the ability of any of our subsidiaries to pay dividends or make distributions to, repay indebtedness to, or make subordinated loans or advances to us.

If an event of default exists under the credit agreement, the lenders will be able to accelerate the maturity of the credit agreement and exercise other rights and remedies. Each of the following is an event of default under the credit agreement:

- non-payment of any principal, interest or fees when due under the credit agreement, subject to grace periods;
- non-performance of covenants, subject to grace periods;

- failure of any representation or warranty to be true and correct in any material respect when made;
- failure to pay any other material debt exceeding $10.0 million in the aggregate;
- a change of control; and
- other customary defaults.

At September 30, 2007, we were in compliance with the covenants of this credit facility.

Evangeline joint venture debt obligation

	At September 30, 2007	At December 31, 2006
	(in thousands)	
9.9% fixed interest rate senior secured notes due December 2010 (“Series B” notes)		
Current portion of debt – due December 31, 2007	$ 5,000	$ 5,000
Long-term portion of debt	13,150	13,150
$7.5 million subordinated note payable to an affiliate of other co-venture participant (“LL&E Note”)	7,500	7,500
Total joint venture debt principal obligation	$ 25,650	$ 25,650

The Series B notes are collateralized by (i) Evangeline’s property, plant and equipment; (ii) proceeds from its Entergy natural gas sales contract; and (iii) a debt service reserve requirement. Scheduled principal repayments on the Series B notes are $5.0 million annually through 2009 with a final repayment in 2010 of approximately $3.2 million. The trust indenture governing the Series B notes contains covenants such as requirements to maintain certain financial ratios. Evangeline was in compliance with such covenants during the periods presented.

Evangeline incurred the $7.5 million LL&E Note obligations in connection with its acquisition of the Entergy natural gas sales contract in 1991 and the formation of the venture. The LL&E Note is subject to a subordination agreement which prevents the repayment of principal and accrued interest on the note until such time as the Series B note holders are either fully cash secured through debt service accounts or have been completely repaid. Variable rate interest accrues on the subordinated note at a LIBOR rate plus 0.5%. The weighted-average variable interest rate paid on this debt was 5.88% during the three months and nine months ended September 30, 2007. At September 30, 2007 and December 31, 2006, the amount of accrued but unpaid interest on the LL&E Note was approximately $8.6 million and $7.9 million, respectively.

Note 9. Parent Interest in Subsidiaries

In connection with our initial public offering (see Note 1), EPO contributed to us a 66% equity interest in Mont Belvieu Caverns, Acadian Gas, Lou-Tex Propylene, Sabine Propylene and South Texas NGL. EPO retained the remaining 34% equity interest in each of these entities. We account for EPO’s share of our subsidiaries’ net assets and income as Parent interest in a manner similar to minority interest.

The following table presents the change in Parent interest in subsidiaries as shown on our Unaudited Condensed Consolidated Balance Sheet at September 30, 2007:

Retention by Parent of 34% ownership interest in certain operating subsidiaries contributed to us on February 1, 2007	$ 252,292
Parent interest in income of our subsidiaries – February 1, 2007 through September 30, 2007	13,840
Cash capital contributions to our subsidiaries, net – February 1, 2007 through September 30, 2007	13,306
Non-cash distribution to parent – February 1, 2007 through September 30, 2007	(3,208)
Parent interest in proceeds on sale of storage assets	1,085
Parent interest in subsidiaries, September 30, 2007	$ 277,315

The Parent made net capital contributions of $13.3 million to us during the eight months ended September 30, 2007. This amount consisted of $34.0 million of contributions primarily related to normal capital project expenditures less $20.7 million of cash distributions.

The following table presents our calculation of Parent interest in income of subsidiaries for the three months and eight months ended September 30, 2007:

		For The Three Months Ended September 30, 2007		For The Eight Months Ended September 30, 2007
Net income amounts:				
Mont Belvieu Caverns' net income (before special allocation of operational measurement gains and losses see Note 12)	$ 3,824		$ 15,376	
Add (Deduct) operational measurement loss (gain) allocated to Parent	936	$ (936)	(3,209)	$ 3,209
Remaining Mont Belvieu Caverns' net income to allocate to partners	4,760		12,167	
Multiplied by Parent 34% interest in remaining net income	x 34%		x 34%	
Mont Belvieu Caverns' net income allocated to Parent	1,618	1,618	4,137	4,137
Acadian Gas net income multiplied by Parent 34% interest		364		610
Lou-Tex Propylene net income multiplied by Parent 34% interest		660		1,922
Sabine Propylene net income multiplied by Parent 34% interest		89		238
South Texas NGL net income multiplied by Parent 34% interest		1,393		3,724
Parent interest in income of subsidiaries		$ 3,188		$ 13,840

Note 10. Partners' Equity and Distributions

We are a Delaware limited partnership that was formed in September 2006. We are owned 98% by our limited partners and 2% by our general partner, DEP GP, which is a wholly owned subsidiary of EPO.

Capital accounts, as defined in our Partnership Agreement, are maintained by us for our general partner and our limited partners. The capital account provisions of our Partnership Agreement incorporate principles established for U.S. Federal income tax purposes and are not comparable to the equity accounts reflected under GAAP in our consolidated financial statements. Earnings and cash distributions are allocated to our partners in accordance with their respective percentage interests.

As discussed in Note 1, we completed our initial public offering of 14,950,000 common units (including an overallotment amount of 1,950,000 common units) on February 5, 2007 at a price of $21.00 per unit, which generated net proceeds to the Partnership of $290.5 million. As consideration for assets contributed and reimbursement for capital expenditures related to these assets, we distributed $260.6 million of these net proceeds to EPO, along with $198.9 million in borrowings under our revolving credit facility (see Note 8) and a final amount of 5,351,571 common units of the Partnership.

The following table presents the adjustments made to the owners' net investment balance of Duncan Energy Partners Predecessor at December 31, 2006 to arrive at our total partners' equity balance after completion of our initial public offering effective February 1, 2007:

Balance, December 31, 2006	$ 725,797
Net income – January 1, 2007 to January 31, 2007	5,035
Net cash contribution from owners	8,534
Non-cash contribution from owners	6
Balance, January 31, 2007	739,372
Adjustment for Predecessor liabilities not transferred to Duncan Energy Partners (1)	2,664
Retention by Parent of 34% ownership interest in certain operating subsidiaries (2)	(252,292)
Allocation of Predecessor equity to Parent in exchange for 5,351,571 common units of Duncan Energy Partners	(489,744)
Balance after completion of initial public offering and related transactions	$ --

(1) Reflects the retention by EPO of the storage well measurement imbalance account.
(2) Reflects the retention by EPO (the sponsor of the Partnership) of a 34% ownership interest in each of operating subsidiaries.

In September 2007, Enterprise Texas Pipeline LLC, a wholly owned subsidiary of EPO, purchased certain parcels of land and regulatory permits from Mont Belvieu Caverns for $3.2 million. Due to common control considerations, the approximate $3.2 million excess of the proceeds received from EPO over the carrying value of assets sold was recorded as a general contribution by Mont Belvieu Caverns. The parent company has reflected its share of the excess amount, or $2.1 million, as an increase in partners' equity. The remaining $1.1 million is included in parent interest in subsidiaries on our consolidated balance sheet.

Unit History

The following table details changes in our outstanding common units since our initial public offering on February 5, 2007. The Partnership used $38.5 million of net proceeds from the overallotment to redeem 1,950,000 of the 7,301,571 common units it had originally issued to EPO, resulting in a final amount of 5,351,571 common units beneficially owned by EPO.

Activity on February 5, 2007:	
Common units originally issued to EPO in connection with its contribution of assets to us	7,301,571
Common units originally issued in connection with our initial public offering	13,000,000
Redemption of common units using proceeds of overallotment	(1,950,000)
Additional common units issued to public in connection with our initial public offering (overallotment amount)	1,950,000
Common units outstanding, September 30, 2007	20,301,571

Distributions

Our partnership agreement requires us to distribute all of our available cash (as defined in our Partnership Agreement) to our partners on a quarterly basis. Such distributions are not cumulative. In addition, we do not have a legal obligation to pay distributions at our initial distribution rate or at any other rate except as provided in our partnership agreement. Our general partner is entitled to 2% of all distributions; however, it has no incentive distribution rights.

Our quarterly cash distributions for 2007 are presented in the following table:

	Cash Distribution History		
	Distribution per Unit	Record Date	Payment Date
1st Quarter 2007 (1)	$ 0.244	Apr. 30, 2007	May 9, 2007
2nd Quarter 2007	$ 0.400	Jul. 31, 2007	Aug. 8, 2007
3rd Quarter 2007	$ 0.410	Oct. 31, 2007	Nov. 7, 2007

(1) Distribution per unit based on a declared quarterly distribution of $0.400 pro-rated over 55 days.

Note 11. Business Segments

We classify our midstream energy operations in four reportable business segments: NGL & Petrochemical Storage Services; Natural Gas Pipelines & Services; Petrochemical Pipeline Services; and NGL Pipeline Services. Our business segments are generally organized and managed according to the type of services rendered (or technologies employed) and products produced and/or sold.

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

We define total segment gross operating margin as consolidated operating income before: (i) depreciation, amortization and accretion expense; (ii) gains and losses on the sale of assets; and (iii) general and administrative expenses. Gross operating margin is exclusive of other income and expense transactions, provision for income taxes, extraordinary charges and the cumulative effect of changes in accounting principles. Gross operating margin by segment is calculated by subtracting segment operating costs and expenses (net of the adjustments noted above) from segment revenues, with both segment totals before the elimination of any intersegment and intrasegment transactions. In accordance with GAAP, intercompany accounts and transactions are eliminated in consolidation.

We include equity earnings from Evangeline in our measurement of segment gross operating margin and operating income. Our equity investment in Evangeline is a vital component of our business strategy and important to the operations of Acadian Gas. This method of operation enables us to achieve favorable economies of scale relative to the level of investment and business risk assumed versus what we could accomplish on a stand-alone basis. Evangeline performs complementary roles to the other business operations of Acadian Gas. As circumstances dictate, we may increase our ownership interest in Evangeline or make other equity method investments.

All of our consolidated revenues were earned in the United States. Our underground storage wells in Mont Belvieu, Texas receive, store and deliver NGLs and petrochemical products for refinery and other customers along the U.S. Gulf Coast. Acadian Gas gathers, transports, stores and markets natural gas to customers in Louisiana. Our petrochemical pipelines provide propylene transportation services to shippers in southeast Texas and southwestern Louisiana. Our DEP South Texas NGL Pipeline System commenced transportation of NGLs from south Texas to Mont Belvieu, Texas in January 2007 for EPO.

Combined property, plant and equipment and investments in and advances to our unconsolidated affiliate are allocated to each segment based on the primary operations of each asset or investment. The principal reconciling item between combined property, plant and equipment and the total value of segment assets is construction-in-progress. Segment assets represent the net carrying value of assets that contribute to the gross operating margin of a particular segment. Since assets under construction generally do not contribute to segment gross operating margin until completed, such assets are excluded from segment asset totals until they are deemed operational.

The following table shows our measurement of total segment gross operating margin for the three months ended September 30, 2007 and 2006:

	Duncan Energy Partners	Duncan Energy Partners Predecessor
	For the Three Months Ended September 30, 2007	For the Three Months Ended September 30, 2006
Revenues (1)	$ 220,572	$ 236,311
Less: Operating costs and expenses (1)	(208,657)	(219,393)
Add: Equity in income of unconsolidated affiliate (1)	(5)	270
Depreciation, amortization and accretion in operating costs and expenses (2)	7,249	5,319
Gain on sale of assets (2)	(17)	(4)
Total segment gross operating margin	$ 19,142	$ 22,503

(1) These amounts are taken from our Unaudited Condensed Statements of Consolidated Operations and Comprehensive Income.
(2) These non-cash amounts are taken from the operating activities section of our Unaudited Condensed Statements of Consolidated Cash Flows.

The following table shows our measurement of total segment gross operating margin for the periods indicated:

	Duncan Energy Partners	Duncan Energy Partners Predecessor	
	For the Eight Months Ended September 30, 2007	One Month Ended January 31, 2007	For the Nine Months Ended September 30, 2006
Revenues (1)	$ 591,342	$ 66,674	$ 740,102
Less: Operating costs and expenses (1)	(555,799)	(61,187)	(697,979)
Add: Equity in income of unconsolidated affiliate (1)	155	25	624
Depreciation, amortization and accretion in operating costs and expenses (2)	18,967	2,209	15,468
Gain on sale of assets (2)	(19)	--	(17)
Total segment gross operating margin	$ 54,646	$ 7,721	$ 58,198

(1) These amounts are taken from our Unaudited Condensed Statements of Consolidated Operations and Comprehensive Income.
(2) These non-cash amounts are taken from the operating activities section of our Unaudited Condensed Statements of Consolidated Cash Flows.

A reconciliation of our measurement of total gross operating margin to operating income and further to income before the cumulative effect of a change in accounting principle for the three month period ended September 30, 2007 and 2006 follows:

	Duncan Energy Partners	**Duncan Energy Partners Predecessor**
	For the Three Months Ended September 30, 2007	**For the Three Months Ended September 30, 2006**
Total segment gross operating margin	$ 19,142	$ 22,503
Adjustments to reconcile total non-GAAP segment gross operating margin to operating income:		
Depreciation, amortization and accretion in operating costs and expenses	(7,249)	(5,319)
Gain on sale of assets in operating costs and expenses	17	4
General and administrative costs	(1,146)	(734)
Operating income	10,764	16,454
Other income (expense), net	(3,050)	2
Provision for income taxes	(32)	--
Parent interest in income of subsidiaries	(3,188)	--
Income before the cumulative effect of a change in accounting principle	$ 4,494	$ 16,456

A reconciliation of our measurement of total gross operating margin to operating income and further to income before the cumulative effect of a change in accounting principle for the periods indicated follows:

	Duncan Energy Partners	**Duncan Energy Partners Predecessor**	
	For the Eight Months Ended September 30, 2007	**One Month Ended January 31, 2007**	**For the Nine Months Ended September 30, 2006**
Total segment gross operating margin	$ 54,646	$ 7,721	$ 58,198
Adjustments to reconcile total non-GAAP segment gross operating margin to operating income:			
Depreciation, amortization and accretion in operating costs and expenses	(18,967)	(2,209)	(15,468)
Gain on sale of assets in operating costs and expenses	19	--	17
General and administrative costs	(2,529)	(477)	(2,469)
Operating income	33,169	5,035	40,278
Other income (expense), net	(6,218)	--	6
Provision for income taxes	(146)	--	(21)
Parent interest in income of subsidiaries	(13,840)	--	--
Income before the cumulative effect of a change in accounting principle	$ 12,965	$ 5,035	$ 40,263

Information by segment, together with reconciliations to our consolidated totals, is presented in the following table:

	Reportable Segments					
	NGL and Petrochemical Storage Services	**Natural Gas Pipelines & Services**	**Petrochemical Pipeline Services**	**NGL Pipeline Services**	**Adjustments and Eliminations**	**Consolidated Totals**
Revenues from third parties:						
Three months ended September 30, 2007	$ 10,819	$ 101,947	$ 3,803	$ --	$ --	$ 116,569
Three months ended September 30, 2006	9,257	110,896	--	--	--	120,153
Eight months ended September 30, 2007	27,705	323,346	10,578	--	--	361,629
One month ended January 31, 2007	3,630	39,027	--	--	--	42,657
Nine months ended September 30, 2006	28,375	388,278	--	--	--	416,653
Revenues from related parties:						
Three months ended September 30, 2007	7,561	90,878	--	5,564	--	104,003
Three months ended September 30, 2006	6,089	100,188	9,881	--	--	116,158
Eight months ended September 30, 2007	19,653	195,374	--	14,686	--	229,713
One month ended January 31, 2007	1,534	17,742	2,990	1,751	--	24,017
Nine months ended September 30, 2006	14,812	280,440	28,197	--	--	323,449
Total revenues:						
Three months ended September 30, 2007	18,380	192,825	3,803	5,564	--	220,572
Three months ended September 30, 2006	15,346	211,084	9,881	--	--	236,311
Eight months ended September 30, 2007	47,358	518,720	10,578	14,686	--	591,342
One month ended January 31, 2007	5,164	56,769	2,990	1,751	--	66,674
Nine months ended September 30, 2006	43,187	668,718	28,197	--	--	740,102
Equity in income in unconsolidated affiliate:						
Three months ended September 30, 2007	--	(5)	--	--	--	(5)
Three months ended September 30, 2006	--	270	--	--	--	270
Eight months ended September 30, 2007	--	155	--	--	--	155
One month ended January 31, 2007	--	25	--	--	--	25
Nine months ended September 30, 2006	--	624	--	--	--	624
Gross operating margin by individual business segment and in total:						
Three months ended September 30, 2007	7,652	3,308	3,047	5,135	--	19,142
Three months ended September 30, 2006	6,209	6,177	10,117	--	--	22,503
Eight months ended September 30, 2007	25,073	7,364	8,551	13,658	--	54,646
One month ended January 31, 2007	1,770	1,605	2,700	1,646	--	7,721
Nine months ended September 30, 2006	15,080	17,058	26,060	--	--	58,198
Segment assets:						
At September 30, 2007	319,588	206,732	90,162	129,481	88,615	834,578
At December 31, 2006	246,068	209,550	92,044	98,148	61,839	707,649
Investments in and advances to unconsolidated affiliate (see Note 6):						
At September 30, 2007	--	3,956	--	--	--	3,956
At December 31, 2006	--	3,391	--	--	--	3,391
Intangible Assets (see Note 7):						
At September 30, 2007	6,792	--	--	--	--	6,792
At December 31, 2006	6,966	--	--	--	--	6,966

See Note 1, “Background and Basis of Financial Statement Presentation,” for a summary of factors that affect the comparability of our segment totals for the eight months ended September 30, 2007 with prior periods.

Note 12. Related Party Transactions

The following table summarizes our related party transactions for the three months ended September 30, 2007 and 2006:

	Duncan Energy Partners	Duncan Energy Partners Predecessor
	For the Three Months Ended September 30, 2007	For the Three Months Ended September 30, 2006
Revenues:		
EPO	$ 20,982	$ 34,554
Evangeline	83,021	81,604
Total	$ 104,003	$ 116,158
Operating costs and expenses:		
EPCO	$ 4,436	$ 9,196
EPO	8,304	8,162
TEPPCO	27	--
Evangeline	18	--
Other	6	--
Total	$ 12,791	$ 17,358
General and administrative costs:		
EPCO	$ 747	$ 685

The following table summarizes our related party transactions for the periods indicated

	Duncan Energy Partners	Duncan Energy Partners Predecessor	
	For the Eight Months Ended September 30, 2007	One Month Ended January 31, 2007	For the Nine Months Ended September 30, 2006
Revenues:			
EPO	$ 49,173	$ 8,602	$ 90,463
Evangeline	180,540	15,415	232,986
Total	$ 229,713	$ 24,017	$ 323,449
Operating costs and expenses:			
EPCO	$ 12,081	$ 2,487	$ 25,809
EPO	17,323	654	16,199
TEPPCO	99	--	--
Evangeline	19	8	--
Other	6	--	--
Total	$ 29,528	$ 3,149	$ 42,008
General and administrative costs:			
EPCO	$ 1,517	$ 455	$ 2,388

We believe that the terms and provisions of our related party agreements are fair to us; however, such agreements and transactions may not be as favorable to us as we could have obtained from unaffiliated third parties.

Relationship with EPO

Prior to our initial public offering, EPO was the shipper of record on our Sabine Propylene and Lou-Tex Propylene Pipelines through exchange agreements EPO had with third parties. Our Predecessor recorded $9.9 million and $28.2 million of related party revenues from EPO in connection with these pipelines during the three months and nine months ended September 30, 2006, respectively, and $3.0 million during the one month ended January 31, 2007. In connection with our initial public offering, EPO assigned these third party exchange agreements to us. However, EPO remains jointly and severally liable with us to such third parties for our performance of these agreements. We recorded $3.8 million and $10.6

million of revenues from these exchange agreements during the three and eight months ended September 30, 2007, respectively.

Our related party revenues from EPO include $7.8 million and $18.6 million for the sale of natural gas for the three months ended September 30, 2007 and 2006, respectively. Our related party revenues also include $14.8 million, $2.3 million and $47.5 million for the eight months ended September 30, 2007, one month ended January 31, 2007 and the nine months ended September 30, 2006, respectively, for the sale of natural gas.

Our related party operating costs and expenses include the cost of natural gas EPO sold to us. Such amounts were $6.8 million and $8.2 million for the three months ended September 30, 2007 and 2006, respectively. For the eight months ended September 30, 2007 and one month ended January 31, 2007, these costs were $16.9 million and $0.7 million, respectively. For the nine months ended September 30, 2006, such costs were $16.2 million.

We provide underground NGL and petrochemical storage services to EPO. Historically, our related party revenues from such services were based on fees that were below market. Effective with the closing of our initial public offering, we increased the storage fees we charge EPO to equal the market rates we charge third parties for storage services of similar scope, volume and duration. Our Predecessor recorded $6.1 million and $14.8 million of related party revenues from EPO in connection with these storage services during the three months and nine months ended September 30, 2006, and $1.5 million during the one month ended January 31, 2007. We recorded $7.6 million and $19.7 million of revenues under the new storage agreements during the three and eight months ended September 30, 2007.

Storage well measurement gains and losses occur when product movements into a storage well are different than those redelivered to customers. In connection with storage agreements entered into between EPO and Mont Belvieu Caverns effective concurrently with the closing of our initial public offering, EPO agreed to assume all storage well measurement gains and losses.

Operational measurement gains and losses are created when product is moved between storage wells and are attributable to pipeline and well connection measurement variances. Beginning February 2007, the Mont Belvieu Caverns' limited liability company agreement allocates to EPO any items of income or loss relating to net operational measurement gains and losses, including amounts that Mont Belvieu Caverns may retain as handling losses. As such, EPO is required each period to contribute cash to Mont Belvieu Caverns for net operational measurement losses and is entitled to receive distributions from Mont Belvieu Caverns for net operational measurement gains. We continue to record operational measurement gains and losses associated with the operation of our Mont Belvieu storage facility. However, these operational measurement gains and losses should not affect our net income or have a significant impact on us with respect to the timing of our net cash flows provided by operating activities and, accordingly, we have not established a reserve for operational measurement losses on our balance sheet.

In September 2007, Enterprise Texas Pipeline LLC, a wholly owned subsidiary of EPO, purchased certain parcels of land and regulatory permits from Mont Belvieu Caverns for $3.2 million for use in its natural gas storage business.

In connection with our initial public offering, South Texas NGL entered into a ten-year contract with EPO for the transportation of NGLs from south Texas to Mont Belvieu, Texas. Under this contract, EPO pays us a dedication fee of no less than $0.02 per gallon for all NGLs it produces at its Shoup and Armstrong NGL fractionation plants, whether or not any such volumes are actually shipped on our DEP South Texas NGL Pipeline System. EPO is currently the sole shipper on this pipeline system.

South Texas NGL does not take title to products transported on its pipeline system. EPO retains title and associated commodity risk for products it transports on the pipeline. Our Predecessor recorded $1.8 million of related party revenues from our DEP South Texas NGL Pipeline System in January 2007, and we recorded $5.6 million and $14.7 million during the three and eight months ended September 30, 2007, respectively.

Omnibus Agreement. On February 5, 2007, EPO entered into an Omnibus Agreement with us regarding the following matters:

- indemnification for certain environmental liabilities, tax liabilities and right-of-way defects;
- reimbursement of certain expenditures for South Texas NGL and Mont Belvieu Caverns;
- a right of first refusal to EPO on the Partnership's current and future subsidiaries and a right of first refusal on the material assets of these entities, other than sales of inventory and other assets in the ordinary course of business; and
- a preemptive right with respect to equity securities issued by certain of the Partnership's subsidiaries, other than as consideration in an acquisition or in connection with a loan or debt financing.

As stated above, in the Omnibus Agreement, EPO has indemnified us against certain environmental and related liabilities arising out of or associated with the operation of the contributed assets prior to February 5, 2007. These liabilities include both known and unknown environmental and related liabilities. The indemnification will terminate on February 5, 2010 and there is an aggregate cap of $15.0 million on the amount of indemnity coverage. In addition, we are not entitled to indemnification until the aggregate amount of claims exceeds $250 thousand. Liabilities resulting from a change of law after February 5, 2007 are excluded from the environmental indemnity.

In the Omnibus Agreement, EPO has also indemnified us for liabilities related to:

- certain defects in the easement rights or fee ownership interests in and to the lands on which any assets contributed to us are located and failure to obtain certain consents and permits necessary to conduct our operations that arise through February 5, 2010; and
- certain income tax liabilities attributable to the operation of the contributed assets prior to February 5, 2007.

In the Omnibus Agreement, EPO agreed to make additional contributions to us as reimbursement for our 66% share of excess construction costs, if any, above (i) the $28.6 million of estimated capital expenditures to complete planned expansions of the DEP South Texas NGL Pipeline and (ii) $14.1 million of estimated construction costs for additional planned brine production capacity and above-ground storage reservoir projects at Mont Belvieu.

The Omnibus Agreement may not be amended without the prior approval of the Audit, Conflicts and Governance Committee if the proposed amendment will, in the reasonable discretion of our general partner, adversely affect holders of our common units.

No amounts have been paid by EPO in connection with the Omnibus Agreement through September 30, 2007.

Relationship with EPCO

We have no employees. All of our operating functions are performed by employees of EPCO pursuant to an administrative services agreement (the "ASA"). EPCO also provides general and administrative support services to us in accordance with the ASA. Enterprise Products Partners, EPO and the other affiliates of EPCO, including the Partnership, are parties to the ASA. We are required to reimburse EPCO for its services in an amount equal to the sum of all costs and expenses incurred by EPCO which are directly or indirectly related to our business or activities (including EPCO expenses reasonably allocated to us). In addition, we have agreed to pay all sales, use, excise, value added or similar taxes, if any, which may be applicable with respect to services provided by EPCO.

EPCO allows us to participate as named insureds in its overall insurance program with a portion of the premiums and related costs being allocated to us. We and our Predecessor reimbursed EPCO $0.5 million and $0.2 million for insurance costs for the three months ended September 30, 2007 and 2006, respectively. We and our Predecessor reimbursed EPCO $1.2 million, $0.1 million and $1.0 million for insurance costs for the eight months ended September 30, 2007, the month of January 2007 and the nine months ended September 30, 2006, respectively.

Our operating costs and expenses also include reimbursement payments to EPCO for the costs it incurs to operate our facilities, including the compensation of employees. We reimburse EPCO for actual direct and indirect expenses it incurs related to the operation of our assets. We and our Predecessor reimbursed EPCO $4.5 million and $9.2 million for the three months ended September 30, 2007 and 2006, respectively, for operating costs and expenses. We and our Predecessor reimbursed EPCO $12.1 million, $2.5 million and $25.8 million for the eight months ended September 30, 2007, the month of January 2007, and the nine months ended September 30, 2006, respectively, for operating costs and expenses.

Likewise, our general and administrative costs include amounts we reimburse to EPCO for administrative services, including compensation of employees. In general, our reimbursement to EPCO for administrative services is either (i) on an actual basis for direct expenses it may incur on our behalf (e.g., the purchase of office supplies) or (ii) based on an allocation of such charges between the various parties to the ASA, which in turn is based on the estimated cost of such services provided to each party (e.g., the allocation of general, legal or accounting salaries based on estimates of time spent on each entity's business and affairs). We and our Predecessor reimbursed EPCO $0.8 million and $0.7 million for the three months ended September 30, 2007 and 2006, respectively, for general and administrative costs. We and our Predecessor reimbursed EPCO $1.5 million, $0.5 million and $2.4 million for the eight months ended September 30, 2007, the month of January 2007, and the nine months ended September 30, 2006, respectively, for general and administrative costs.

A small number of key employees of EPCO that devote a portion of their time to our operations and affairs also participate in long-term incentive compensation plans managed by EPCO. These plans include the issuance of restricted units of Enterprise Products Partners and limited partner interests in EPE Unit L.P. and EPE Unit III, L.P. The amount of equity-based compensation allocable to us was immaterial during all periods presented.

Relationship with Evangeline

We sell natural gas to Evangeline, which, in turn, uses such natural gas to satisfy its sales commitments to Entergy. Our sales of natural gas to Evangeline totaled $83.0 million and $81.6 million for the three months ended September 30, 2007 and 2006, respectively. Our sales of natural gas to Evangeline totaled $180.5 million, $15.4 million and $233.0 million for the eight months ended September 30, 2007, the month of January 2007, and the nine months ended September 30, 2006, respectively.

Additionally, we have a service agreement with Evangeline whereby we provide Evangeline with construction, operations, maintenance and administrative support related to its pipeline system. Evangeline paid us $0.1 million and $75 thousand for such services for the three months ended September 30, 2007 and 2006, respectively. Evangeline paid us $0.3 million, $37 thousand and $0.3 million for such services for the eight months ended September 30, 2007, the month of January 2007, and the nine months ended September 30, 2006, respectively.

Relationship with TEPPCO

We lease from TEPPCO an 11-mile pipeline extending from Pasadena, Texas to Baytown, Texas that is part of the DEP South Texas NGL Pipeline System. The primary term of this lease expired on September 15, 2007, and continues on a month-to-month basis subject to termination by either party upon

60 days notice. This pipeline will be leased by us until we complete the construction of a parallel pipeline in first quarter of 2008. Lease expense associated with this agreement was $0.1 million for the eight months ended September 30, 2007.

Note 13. Earnings Per Unit

Basic and diluted earnings per unit is computed by dividing net income or loss allocated to limited partner interests by the weighted-average number of common units outstanding during a period. The following calculation is based on common units outstanding since the completion of our initial public offering in February 2007. At present, we have no dilutive securities.

The amount of net income or loss allocated to limited partner interests is net of our general partner's share of such earnings. The following table presents the allocation of net income to DEP GP for the periods indicated:

	For the Three Months Ended September 30, 2007	For the Eight Months Ended September 30, 2007
Net income	$ 4,494	$ 12,965
Multiplied by DEP GP ownership interest	2.0%	2.0%
Net income allocation to DEP GP	$ 90	$ 259

The following table presents our calculation of basic and diluted earnings per unit for the period indicated:

	For the Three Months Ended September 30, 2007	For the Eight Months Ended September 30, 2007
Net income	$ 4,494	$ 12,965
Less net income allocation to DEP GP	90	259
Net income available to limited partners	$ 4,404	$ 12,706
Basic and Diluted Earnings per Unit:		
Numerator:		
Net income available to limited partners	$ 4,404	$ 12,706
Denominator:		
Common units	20,302	20,302
Earnings per unit	$ 0.22	$ 0.63

Note 14. Commitments and Contingencies

Litigation

On occasion, we are named as a defendant in litigation relating to our normal business operations, including regulatory and environmental matters. Although we insure against various business risks to the extent we believe it is prudent, there is no assurance that the nature and amount of such insurance will be adequate, in every case, to indemnify us against liabilities arising from future legal proceedings as a result of our ordinary business activity.

In 1997, Acadian Gas and numerous other energy companies were named as defendants in actions brought by Jack Grynberg on behalf of the U.S. Government under the False Claims Act. Generally, these complaints allege an industry-wide conspiracy to underreport the heating value, as well as the volumes, of natural gas produced from federal and Native American lands. The complaint alleges that the U.S. Government was deprived of royalties as a result of this conspiracy. The plaintiff in this case seeks royalties that he contends the U.S. government should have received had the heating value and volume been differently measured, analyzed, calculated and reported, together with interest, treble damages, civil penalties, expenses and future injunctive relief to require the defendants to adopt allegedly appropriate gas measurement practices. These matters have been consolidated for pretrial purposes (In re: Natural Gas Royalties Qui Tam Litigation, U.S. District Court for the District of Wyoming, filed June 1997). On October 20, 2006, the U.S. District Court dismissed all of Grynberg's claims with prejudice. Grynberg has appealed the matter.

We are not aware of any other significant litigation, pending or threatened, that may have a significant adverse effect on our financial position or results of operations.

Redelivery Commitments

We transport and store natural gas, NGL and petrochemical products for third parties under various contracts. Under the terms of these agreements, we are generally required to redeliver volumes to the owner on demand. We are insured for any physical loss of such volumes resulting from catastrophic events. At September 30, 2007 and December 31, 2006, NGL and petrochemical products aggregating 16.9 million barrels and 8.5 million barrels, respectively, were due to be redelivered to their owners along with 313 billion British thermal units ("BBtus") and 748 BBtus, respectively, of natural gas.

Operating lease

We lease certain property, plant and equipment under non-cancelable and cancelable operating leases. Our significant lease agreements involve the lease of an underground storage cavern for the storage of natural gas held-for-sale and land held pursuant to right-of-way agreements. The current term of the cavern lease expires in December 2012, but may be extended through negotiations with the lessor. Our significant right-of-way agreements have original terms that range from five to 50 years and include renewal options that could extend the agreements for up to an additional 25 years.

Lease expense included in operating costs and expenses was $74 thousand for the three months ended September 30, 2007 and $0.2 million for the three months ended September 30, 2006. Lease expense included in operating costs and expenses was $0.8 million and $1.0 million for the nine months ended September 30, 2007 and 2006, respectively. There have been no material changes in our operating lease commitments since December 31, 2006.

Purchase Obligations

Acadian Gas has a product purchase commitment for the purchase of natural gas in Louisiana from the co-venture party in Evangeline. This purchase agreement expires in January 2013. Our purchase price under this contract approximates the market price of natural gas at the time we take delivery of the volumes.

We also have short-term payment obligations relating to capital projects we have initiated. These commitments represent unconditional payment obligations to pay vendors for services to be rendered or products to be delivered in connection with our capital spending programs. At September 30, 2007, we had approximately $27.7 million in outstanding purchase commitments. These commitments primarily relate to announced expansions of our DEP South Texas NGL Pipeline System (Phase II) and Mont Belvieu Caverns' storage facility. Both expansions are expected to be completed in 2007.

Note 15. Supplemental Cash Flow Information

The net effect of changes in operating assets and liabilities is as follows for the three months ended September 30, 2007 and 2006:

	Duncan Energy Partners	Duncan Energy Partners Predecessor
	For The Three Months Ended September 30, 2007	For the Three Months Ended September 30, 2006
Decrease (increase) in:		
Accounts receivable	$ 22,621	$ (2,924)
Inventories	112	39
Prepaid and other current assets	(344)	(1,982)
Other assets	(103)	10
Increase (decrease) in:		
Accounts payable	7,459	11,239
Accrued product payables	(26,985)	4,087
Accrued expenses	1,932	801
Accrued interest	13	--
Other current liabilities	2,144	2,524
Other long-term liabilities	54	12
Net effect of changes in operating accounts	$ 6,903	$ 13,806

The net effect of changes in operating assets and liabilities is as follows for the periods indicated:

	Duncan Energy Partners	Duncan Energy Partners Predecessor	
	For The Eight Months Ended September 30, 2007	For the One Month Ended January 31, 2007	For the Nine Months Ended September 30, 2006
Decrease (increase) in:			
Accounts receivable	$ (4,949)	$ 8,088	$ 44,589
Inventories	917	4,169	(3,743)
Prepaid and other current assets	(401)	13	(1,614)
Other assets	--	--	--
Increase (decrease) in:			
Accounts payable	45,027	65	10,970
Accrued product payables	841	(13,080)	(41,458)
Accrued expenses	(6,698)	(7,148)	(1,071)
Accrued interest	131	--	--
Other current liabilities	5,865	(2,841)	(548)
Other long-term liabilities	212	(20)	--
Net effect of changes in operating accounts	$ 40,945	$ (10,754)	$ 7,125

On certain of our capital projects, third parties are obligated to reimburse us for all or a portion of project expenditures based on activities initiated by the party. The majority of such arrangements are associated with projects related to pipeline construction and well tie-ins. We received $0.1 million and $0.4 million as contributions in aid of our construction costs during the three months ended September 30, 2007 and 2006, respectively. We received $0.4 million, $0.3 million and $0.8 million as contributions in aid of our construction costs during the eight months ended September 30, 2007, the month of January 2007 and the nine months ended September 30, 2006, respectively.

Accounts payable related to our capital spending projects totaled $11.4 million, $16.2 million, and $12.5 million at September 30, 2007, January 31, 2007, and December 31, 2006, respectively.

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

The following information should be read in conjunction with our Unaudited Condensed Consolidated Financial Statements and our accompanying notes included under Item 1 of this quarterly report on Form 10-Q and with the information contained within our annual report on Form 10-K for the year ended December 31, 2006. This discussion and analysis includes the following:

- § Cautionary Note Regarding Forward-Looking Statements.
- § Overview of Critical Accounting Policies and Estimates.
- § Overview of Business.
- § Recent Developments – Discusses significant developments since our initial public offering in February 2007.
- § Basis of Financial Statement Presentation.
- § Results of Operations – Discusses material period-to-period variances in our Unaudited Condensed Statements of Consolidated Operations.
- § Liquidity and Capital Resources – Addresses available sources of liquidity and capital resources and includes a discussion of our capital spending program.
- § Other Items – Includes information related to contractual obligations, off-balance sheet arrangements, related party transactions, recent accounting pronouncements and similar disclosures.

As generally used in the energy industry and in this discussion, the identified terms have the following meanings:

/d	= per day
BBtus	= billion British thermal units
Bcf	= billion cubic feet
MBPD	= thousand barrels per day
Mdth	= thousand decatherms
MMBbls	= million barrels
MMBtus	= million British thermal units
MMcf	= million cubic feet
Mcf	= thousand cubic feet
TBtu	= trillion British thermal units

Our financial statements have been prepared in accordance with generally accepted accounting standards in the United States of America ("GAAP").

Significant Relationships Referenced in this Discussion and Analysis

Duncan Energy Partners L.P. did not own any assets prior to February 5, 2007, which was the date it completed its initial public offering of common units. The business and operations of Duncan Energy Partners L.P. prior to February 5, 2007 are referred to as "Duncan Energy Partners Predecessor" or "Predecessor." Unless the context requires otherwise, references to "we," "us," "our," "the Partnership" or "Duncan Energy Partners" are intended to mean the business and operations of Duncan Energy Partners L.P. and its consolidated subsidiaries since February 5, 2007. When used in a historical context (i.e. prior to February 5, 2007), these terms are intended to mean the combined business and operations of Duncan Energy Partners Predecessor. For financial reporting purposes, the effective date of the closing of our initial public offering and related transactions was February 1, 2007.

References to “DEP GP” mean DEP Holdings, LLC, which is our general partner.

References to “DEP Operating Partnership” mean DEP Operating Partnership, L.P., which is a wholly owned subsidiary of Duncan Energy Partners that conducts substantially all of its business.

References to “Enterprise Products Partners” mean Enterprise Products Partners L.P., which owns 100% of Enterprise Products Operating LLC. Enterprise Products Partners is a publicly traded partnership, the limited partner interests of which are listed on the New York Stock Exchange (“NYSE”) under the ticker symbol “EPD.”

References to “EPO” mean Enterprise Products Operating LLC (as successor in interest by merger to Enterprise Products Operating L.P.), which is our Parent, and its consolidated subsidiaries. EPO has a controlling interest in the Partnership’s general partner and is a significant owner of the Partnership’s common units.

References to “Enterprise Products GP” mean Enterprise Products GP, LLC, the general partner of Enterprise Products Partners.

References to “Enterprise GP Holdings” mean Enterprise GP Holdings L.P., which owns Enterprise Products GP and TEPPCO GP and limited partner interests in Enterprise Products Partners and TEPPCO.

References to “EPE Holdings” mean EPE Holdings, LLC, which is the general partner of Enterprise GP Holdings.

References to “TEPPCO” mean TEPPCO Partners, L.P., a publicly traded affiliate, the limited partner interests of which are listed on the NYSE under the ticker symbol “TPP.” References to “TEPPCO GP” refer to Texas Eastern Products Pipeline Company, LLC, which is the general partner of TEPPCO and is wholly owned by Enterprise GP Holdings.

References to “EPCO” mean EPCO, Inc., which is a related party affiliate to all of the foregoing named entities.

All of the aforementioned entities are affiliates and under common control of Dan L. Duncan, the Chairman and controlling shareholder of EPCO.

Cautionary Note Regarding Forward-Looking Statements

This discussion contains various forward-looking statements and information that are based on our beliefs and those of our general partner, as well as assumptions made by us and information currently available to us. When used in this document, words such as “anticipate,” “project,” “expect,” “plan,” “goal,” “forecast,” “intend,” “could,” “believe,” “may” and similar expressions and statements regarding our plans and objectives for future operations, are intended to identify forward-looking statements. Although we and our general partner believe that such expectations reflected in such forward-looking statements are reasonable, neither we nor our general partner can give any assurances that such expectations will prove to be correct. Such statements are subject to a variety of risks, uncertainties and assumptions as described in more detail in Item 1A, “Risk Factors,” included in our annual report on Form 10-K for 2006. If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may vary materially from those anticipated, estimated, projected or expected. You should not put undue reliance on any forward-looking statements.

Overview of Critical Accounting Policies and Estimates

A summary of the significant accounting policies we have adopted and followed in the preparation of our consolidated financial statements is included in our annual report on Form 10-K for the year ended December 31, 2006. Certain of these accounting policies require the use of estimates. As more fully described therein, the following estimates, in our opinion, are subjective in nature, require the exercise of judgment and involve complex analysis: revenue and expense accruals, including accruals for trade expenses, ad valorem taxes and natural gas margins; depreciation methods and estimated useful lives of property, plant and equipment; and goodwill and intangible assets. These estimates are based on our knowledge and understanding of current conditions and actions we may take in the future. Changes in these estimates will occur as a result of the passage of time and the occurrence of future events. Subsequent changes in these estimates may have a significant impact on our financial position, results of operations and cash flows.

Overview of Business

Duncan Energy Partners is a publicly traded Delaware limited partnership, the common units of which are listed on the NYSE under the ticker symbol "DEP." We were formed by Enterprise Products Partners in September 2006 to acquire, own and operate a diversified portfolio of midstream energy assets. We are owned 98% by our limited partners and 2% by our general partner, DEP GP, which is a wholly owned subsidiary of EPO. DEP GP is responsible for managing all of our operations and activities. EPCO provides all employees and certain administrative services for us.

On February 5, 2007, we completed our initial public offering of 14,950,000 common units (including an overallotment amount of 1,950,000 common units) at a price of $21.00 per unit, which generated net proceeds of $290.5 million. As consideration for assets contributed and reimbursement for capital expenditures related to these assets, we distributed $260.6 million of the net proceeds to EPO, along with $198.9 million in borrowings under our revolving credit facility and a final amount of 5,351,571 of our common units. We used $38.5 million of the net proceeds from the overallotment to redeem 1,950,000 of the 7,301,571 common units we originally issued to EPO, which resulted in the final amount of 5,351,571 common units beneficially owned by EPO. EPO used the cash it received from us to temporarily reduce amounts outstanding under its revolving credit facility.

In connection with our initial public offering, we entered into a $300 million revolving credit facility. On February 5, 2007, we borrowed $200 million under this facility to fund the $198.9 million cash distribution to EPO and the remainder to pay debt issuance costs. This credit facility matures in February 2011 and will be used by us to fund working capital, capital expenditures and other general partnership needs. We can increase borrowing capacity under this revolving credit facility, without consent of the lenders, by an amount not to exceed $150 million by adding one or more new lenders to the facility and/or increasing the commitments of existing lenders. Our borrowings under this credit facility are unsecured general obligations that are non-recourse to DEP GP.

The following is a brief description of the businesses of which 66% of the ownership interests were contributed to us by EPO effective February 1, 2007:

- § Mont Belvieu Caverns, LLC ("Mont Belvieu Caverns") owns and operates salt dome caverns and a brine system located in Mont Belvieu, Texas.
- § Acadian Gas, LLC ("Acadian Gas") gathers, transports, stores and markets natural gas in Louisiana utilizing over 1,000 miles of high-pressure transmission lines and lateral and gathering lines with an aggregate throughput capacity of one billion cubic feet per day (the "Acadian Gas System"), including a 27-mile pipeline owned by its unconsolidated affiliate Evangeline Gas Pipeline L.P. ("Evangeline") and a leased storage cavern with three billion cubic feet of storage capacity.

- § Enterprise Lou-Tex Propylene L.P. ("Lou-Tex Propylene") owns a 263-mile pipeline used to transport chemical-grade propylene from Sorrento, Louisiana to Mont Belvieu, Texas.

- § Sabine Propylene L.P. ("Sabine Propylene") owns a 21-mile pipeline used to transport polymer-grade propylene from Port Arthur, Texas to a pipeline interconnect in Cameron Parish, Louisiana on a transport-or-pay basis.

- § South Texas NGL Pipelines, LLC ("South Texas NGL") owns a 220-mile pipeline extending from Corpus Christi, Texas to Pasadena, Texas that was purchased by EPO from a third party in August 2006 for $97.7 million. Beginning in January 2007, this pipeline (together with other pipelines constructed, leased or acquired since August 2006) commenced transportation of NGLs from two of EPO's fractionation facilities located in South Texas to Mont Belvieu, Texas. Collectively, these pipelines are referred to as the DEP South Texas NGL Pipeline System.

EPO had owned controlling interests in and operated the underlying assets of Mont Belvieu Caverns, Acadian Gas, Lou-Tex Propylene and Sabine Propylene for several years prior to its contribution of interests in such entities to us. On February 5, 2007, DEP Operating Partnership (the primary operating subsidiary of the Partnership) directly or indirectly assumed such operating responsibilities. We believe our relationship with EPO and Enterprise Products Partners will enhance our ability to maintain stable cash flows and optimize our economies of scale, strategic location and pipeline connections.

EPO may contribute or sell other equity interests in its subsidiaries or other of its or its subsidiaries' assets to us and use the proceeds it receives to fund its capital spending program. EPO has no obligation or commitment to make such contributions or sales to us.

Recent Developments

The following information highlights significant developments since our initial public offering in February 2007 through the date of this quarterly filing:

- § In October 2007, the board of directors of our general partner declared an increase in our quarterly cash distribution rate to $0.41 per common unit. This distribution was paid on November 7, 2007 to unitholders of record on October 31, 2007. The following table summarizes our quarterly cash distributions since our initial public offering:

	Cash Distribution History		
	Distribution per Unit	Record Date	Payment Date
1st Quarter 2007 (1)	$ 0.244	Apr. 30, 2007	May 9, 2007
2nd Quarter 2007	$ 0.400	Jul. 31, 2007	Aug. 8, 2007
3rd Quarter 2007	$ 0.410	Oct. 31, 2007	Nov. 7, 2007

(1) Distribution per unit based on a declared quarterly distribution of $0.400 pro-rated over 55 days.

- § In July 2007, the board of directors of our general partner announced changes to its senior management team that became effective August 1, 2007. The board of directors of our general partner elected W. Randall Fowler as executive vice president and chief financial officer, Mr. Fowler was promoted to fill the position vacated by Michael A. Creel, who became the president and chief executive officer of Enterprise Products Partners.

Basis of Financial Statement Presentation

The historical combined financial information and operating data included in this discussion and analysis pertaining to periods prior to our initial public offering reflects the assets, liabilities and operations contributed to us by EPO at the closing of our initial public offering on February 5, 2007 (effective February 1, 2007 for financial accounting and reporting purposes). We refer to these historical assets, liabilities and operations as the assets, liabilities and operations of Duncan Energy Partners Predecessor.

Our discussion of amounts attributable to Duncan Energy Partners Predecessor reflects EPO's historical ownership of these assets, liabilities and operations. The principal business entities included in the historical combined financial statements of Duncan Energy Partners Predecessor are (on a 100% basis): Mont Belvieu Caverns; Acadian Gas; Lou-Tex Propylene, including its general partner; Sabine Propylene, including its general partner; and South Texas NGL Pipelines. EPO contributed a 66% equity interest in each of these five entities to us on February 5, 2007. EPO retained the remaining 34% equity interests in each of these subsidiaries.

Our discussion of the financial condition and results of operations for Duncan Energy Partners Predecessor should be read in conjunction with the financial statements and Notes to Unaudited Condensed Consolidated Financial Statements of Duncan Energy Partners included under Item 1 of this quarterly report. Our future results could differ significantly from our historical results due to a variety of factors, including the following:

Partial Ownership of Operating Assets. As a result of contributions completed in connection with our initial public offering, we own 66% of the equity interests in the subsidiaries that hold our operating assets, and affiliates of EPO continue to own the remaining 34%. Accordingly, our discussion of results prior to February 2007 reflects 100% of the results of operations of these assets. We recognize EPO's current 34% ownership of our operating subsidiaries as "Parent interest in subsidiaries" in our consolidated financial statements.

No Historical Results for Our NGL Pipeline Services Segment. Our discussion of historical results prior to January 2007 does not reflect any operations related to our DEP South Texas NGL Pipeline System, which did not commence operations until January 2007.

Increase in Outstanding Indebtedness. Prior to our initial public offering, we did not have any consolidated indebtedness and, therefore, we did not have interest expense. We borrowed $200.0 million under a revolving credit facility at the time of our initial public offering, of which $198.9 million was paid to EPO in connection with its contribution of certain equity interests to us.

Increased Storage Fees. As a result of contracts executed in connection with our initial public offering, we increased certain storage fees charged to EPO for use of our facilities owned by Mont Belvieu Caverns. Historically, such intercompany charges were below market and eliminated in the consolidated revenues and costs and expenses of Enterprise Products Partners. Such rates are now market-based. See "Relationship with EPCO" under Note 12 of the Notes to Unaudited Condensed Consolidated Financial Statements for additional information regarding revenues recorded by the Predecessor versus those we record for the three and eight months ended September 30, 2007.

Special Allocation of Storage Well and Operational Measurement Gains and Losses. Storage well measurement gains and losses occur when product movements into a storage well are different than those redelivered to customers. In connection with storage agreements entered into between EPO and Mont Belvieu Caverns effective concurrently with the closing of our initial public offering, EPO agreed to assume all storage well measurement gains and losses.

Operational measurement gains and losses are created when product is moved between storage wells and are attributable to pipeline and well connection measurement variances. Beginning February 2007, the Mont Belvieu Caverns' limited liability company agreement allocates to EPO any items of income or loss relating to net operational measurement gains and losses, including amounts that Mont Belvieu Caverns may retain as handling losses. As such, EPO is required each period to contribute cash to Mont Belvieu Caverns for net operational measurement losses and is entitled to receive distributions from Mont Belvieu Caverns for net operational measurement gains. We continue to record operational measurement gains and losses associated with the operation of our Mont Belvieu storage facility.

However, these operational measurement gains and losses should not affect our net income or have a significant impact on us with respect to the timing of our net cash flows provided by operating activities and, accordingly, we have not established a reserve for operational measurement losses on our balance sheet.

Decrease in Propylene Transportation Rates. Beginning February 2007, the transportation fees we received from customers utilizing our Lou-Tex Propylene and Sabine Propylene Pipelines were lower than those we realized in prior periods. Historically, EPO was the shipper of record on these pipelines, and we charged it the maximum tariff rate for using these assets. EPO then contracted with third parties to ship volumes on these pipelines under product exchange agreements. In general, the revenues recognized by EPO in connection with these exchange agreements were lower than the maximum tariff rate it paid us. In connection with our initial public offering, EPO assigned its third party product exchange agreements to us. Accordingly, the transportation fees we receive for use of our Lou-Tex Propylene and Sabine Propylene Pipelines are less than the fees we received from EPO prior to February 2007. See “Relationship with EPCO” under Note 12 of the Notes to Unaudited Condensed Consolidated Financial Statements, included under Item 1 of this quarterly report, for additional information regarding revenues recorded by the Predecessor versus those we record for the three and eight months ended September 30, 2007.

Additional General and Administrative Expenses. We incur additional general and administrative costs as a result of becoming a publicly traded entity. These costs include fees associated with annual and quarterly reports to unitholders, tax returns and Schedule K-1 preparation and distribution, investor relations, registrar and transfer agent fees, incremental insurance costs, and accounting and legal services. These costs also include estimated related party amounts payable to EPCO in connection with the administrative services agreement. For additional information regarding the administrative services agreement, see Note 12 of the Notes to Unaudited Condensed Consolidated Financial Statements included under Item 1 of this quarterly report.

Results of Operations

We classify our midstream energy operations in four reportable business segments: NGL & Petrochemical Storage Services; Natural Gas Pipelines & Services; Petrochemical Pipeline Services; and NGL Pipeline Services. Our business segments are generally organized and managed according to the type of services rendered (or technologies employed) and products produced and/or sold.

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

We define total segment gross operating margin as consolidated operating income before: (i) depreciation, amortization and accretion expense; (ii) gains and losses on the sale of assets; and (iii) general and administrative expenses. Gross operating margin is exclusive of other income and expense transactions, provision for income taxes, extraordinary charges and the cumulative effect of changes in accounting principles. Gross operating margin by segment is calculated by subtracting segment operating costs and expenses (net of the adjustments noted above) from segment revenues, with both segment totals before the elimination of any intersegment and intrasegment transactions. In accordance with GAAP, intercompany accounts and transactions are eliminated in consolidation.

We include equity earnings from Evangeline in our measurement of segment gross operating margin and operating income. Our equity investment in Evangeline is a vital component of our business strategy and important to the operations of Acadian Gas. This method of operation enables us to achieve favorable economies of scale relative to the level of investment and business risk assumed versus what we could accomplish on a stand-alone basis. Evangeline performs complementary roles to the other business operations of Acadian Gas. As circumstances dictate, we may increase our ownership interest in Evangeline or make other equity method investments.

For additional information regarding our business segments, see Note 11 of the Notes to Unaudited Condensed Consolidated Financial Statements included under Item 1 of this quarterly report.

Selected Volumetric Data

The following table presents selected average pipeline throughput volumes for the three months ended September 30, 2007 and 2006:

	Duncan Energy Partners	**Duncan Energy Partners Predecessor**
	For the Three Months Ended September 30, 2007	**For the Three Months Ended September 30, 2006**
Natural Gas Pipelines & Services, net:		
Natural gas throughput volumes (BBtus/d)		
Natural gas transportation volumes	402	394
Natural gas sales volumes	359	349
Total natural gas throughput volumes	761	743
Petrochemical Pipeline Services, net:		
Propylene throughput volumes (MBPD)		
Lou-Tex Propylene Pipeline	28	27
Sabine Propylene Pipeline	11	11
Total propylene throughput volumes	39	38
NGL Pipeline Services, net:		
NGL throughput volumes (MBPD)		
DEP South Texas NGL Pipeline System	73	--

The following table presents selected average pipeline throughput volumes for the periods indicated:

	Duncan Energy Partners	**Duncan Energy Partners Predecessor**	
	For the Eight Months Ended September 30, 2007	**For the One Month Ended January 31, 2007**	**For the Nine Months Ended September 30, 2006**
Natural Gas Pipelines & Services, net:			
Natural gas throughput volumes (BBtus/d)			
Natural gas transportation volumes	404	420	428
Natural gas sales volumes	317	281	345
Total natural gas throughput volumes	721	701	773
Petrochemical Pipeline Services, net:			
Propylene throughput volumes (MBPD)			
Lou-Tex Propylene Pipeline	25	24	26
Sabine Propylene Pipeline	12	13	10
Total propylene throughput volumes	37	37	36
NGL Pipeline Services, net:			
NGL throughput volumes (MBPD)			
DEP South Texas NGL Pipeline System	72	67	--

The following table summarizes the key components of our results of operations for the three months ended September 30, 2007 and 2006 (dollars in thousands):

	Duncan Energy Partners	Duncan Energy Partners Predecessor
	For the Three Months Ended September 30, 2007	For the Three Months Ended September 30, 2006
Revenues	$ 220,572	$ 236,311
Operating costs and expenses	208,657	219,393
General and administrative costs	1,146	734
Operating income	10,764	16,454
Parent interest in income of subsidiaries	(3,188)	--
Net income	4,494	16,456

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

	Duncan Energy Partners	Duncan Energy Partners Predecessor	
	For the Eight Months Ended September 30, 2007	For the One Month Ended January 31, 2007	For the Nine Months Ended September 30, 2006
Revenues	$ 591,342	$ 66,674	$ 740,102
Operating costs and expenses	555,799	61,187	697,979
General and administrative costs	2,529	477	2,469
Operating income	33,169	5,035	40,278
Parent interest in income of subsidiaries	(13,840)	--	--
Net income	12,965	5,035	40,272

In connection with our initial public offering, EPO contributed to us 66% of the equity interests in Mont Belvieu Caverns, Acadian Gas, Lou-Tex Propylene, Sabine Propylene and South Texas NGL. EPO retained the remaining 34% equity interest in each of these entities. We account for EPO’s share of our subsidiaries’ net assets and income as “Parent interest in subsidiaries” and “Parent interest in income of subsidiaries,” respectively, in a manner similar to minority interest.

Our gross operating margin by business segment and in total is as follows for the three months ended September 30, 2007 and 2006 (dollars in thousands):

	Duncan Energy Partners	Duncan Energy Partners Predecessor
	For the Three Months Ended September 30, 2007	For the Three Months Ended September 30, 2006
Gross operating margin by segment:		
NGL & Petrochemical Storage Services	$ 7,652	$ 6,209
Natural Gas Pipelines & Services	3,308	6,177
Petrochemical Pipeline Services	3,047	10,117
NGL Pipeline Services	5,135	--
Total segment gross operating margin	$ 19,142	$ 22,503

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

	Duncan Energy Partners	Duncan Energy Partners Predecessor	
	For the Eight Months Ended September 30, 2007	For the One Month Ended January 31, 2007	For the Nine Months Ended September 30, 2006
Gross operating margin by segment:			
NGL & Petrochemical Storage Services	$ 25,073	$ 1,770	$ 15,080
Natural Gas Pipelines & Services	7,364	1,605	17,058
Petrochemical Pipeline Services	8,551	2,700	26,060
NGL Pipeline Services	13,658	1,646	--
Total segment gross operating margin	$ 54,646	$ 7,721	$ 58,198

For a reconciliation of non-GAAP gross operating margin to GAAP operating income and further to GAAP income before the cumulative effect of a change in accounting principle, see “Other Items – Non-GAAP reconciliations” included within this Item 2.

The following table summarizes the contribution to revenues from each business segment during the three months ended September 30, 2007 and 2006 (dollars in thousands):

	Duncan Energy Partners	Duncan Energy Partners Predecessor
	For the Three Months Ended September 30, 2007	For the Three Months Ended September 30, 2006
NGL & Petrochemical Storage Services	$ 18,380	$ 15,346
Natural Gas Pipelines & Services	192,825	211,084
Petrochemical Pipeline Services	3,803	9,881
NGL Pipeline Services	5,564	--
Total revenues	$ 220,572	$ 236,311

The following table summarizes the contribution to revenues from each business segment during the periods indicated (dollars in thousands):

	Duncan Energy Partners	Duncan Energy Partners Predecessor	
	For the Eight Months Ended September 30, 2007	For the One Month Ended January 31, 2007	For the Nine Months Ended September 30, 2006
NGL & Petrochemical Storage Services	$ 47,358	$ 5,164	$ 43,187
Natural Gas Pipelines & Services	518,720	56,769	668,718
Petrochemical Pipeline Services	10,578	2,990	28,197
NGL Pipeline Services	14,686	1,751	--
Total revenues	$ 591,342	$ 66,674	$ 740,102

Comparison of Three Months Ended September 30, 2007 with Three Months Ended September 30, 2006

As described under “Basis of Financial Statement Presentation” within this Item 2, there are several factors that affect the comparability of our current results with those of Duncan Energy Partners Predecessor. Amounts referenced below for the third quarter of 2007 reflect the consolidated results of the Partnership. Amounts referenced below for the third quarter of 2006 reflect the combined results of Duncan Energy Partners Predecessor.

Revenues were $220.6 million for the third quarter of 2007 compared to $236.3 million for the third quarter of 2006. The $15.7 million quarter-to-quarter decrease in revenues is primarily due to lower revenues associated with our natural gas marketing activities. Revenues from the sale of natural gas decreased $17.7 million quarter-to-quarter primarily due to lower natural gas sales prices. Revenues from our NGL and petrochemical storage business increased $3.0 million quarter-to-quarter primarily due to higher storage fee revenues and volumes. Revenues from propylene transportation decreased $6.1 million quarter-to-quarter due to lower transportation fees. In addition, the third quarter of 2007 includes $5.6 million of revenues from the DEP South Texas NGL Pipeline System, which was placed in service during January 2007.

Operating costs and expenses were $208.7 million for the third quarter of 2007 compared to $219.4 million for the third quarter of 2006. The $10.7 million quarter-to-quarter decrease in operating costs and expenses is primarily due to a decrease in the cost of sales associated with our natural gas marketing activities. The cost of sales of our natural gas marketing activities decreased $15.7 million quarter-to-quarter primarily due to lower natural gas prices. General and administrative costs were $1.1 million for the third quarter of 2007 compared to $0.7 million for the third quarter of 2006. Equity earnings from Evangeline decreased $0.3 million quarter-to-quarter.

Changes in our revenues and costs and expenses quarter-to-quarter are explained in part by changes in energy commodity prices. In general, lower natural gas prices result in a decrease in our revenues attributable to the sale of natural gas by Acadian Gas; however, these same commodity prices also decrease the associated cost of sales as purchase prices decline. The market price of natural gas (as measured at Henry Hub) averaged $6.16 per MMBtu for the third quarter of 2007 versus $6.58 per MMBtu for the third quarter of 2006.

To a lesser extent, changes in our revenues and costs and expenses are attributable to demand for NGL and petrochemical storage services. Demand for storage services affects the reservation, excess storage and throughput fee revenues earned by our NGL and petrochemical storage business. Demand for our storage services is driven by factors such as demand for petrochemical feedstocks by the petrochemical industry and the quantity of NGLs extracted from natural gas streams at regional gas processing facilities.

Operating income for the third quarter of 2007 was $10.8 million compared to $16.5 million for the third quarter of 2006. Collectively, the changes in revenues, costs and expenses and equity earnings described above contributed to the $5.7 million decrease in operating income quarter-to-quarter. Interest expense increased $3.2 million quarter-to-quarter attributable to debt we borrowed at the time of our initial public offering. The third quarter of 2007 also includes $3.2 million of expense for "Parent interest in income of subsidiaries," which represents EPO's current 34% ownership interest in each of our operating subsidiaries.

As a result of the items noted in the previous paragraphs, our net income decreased $12.0 million quarter-to-quarter to $4.5 million for the third quarter of 2007 compared to $16.5 million for the third quarter of 2006.

The following information highlights significant quarter-to-quarter variances in gross operating margin by business segment.

NGL & Petrochemical Storage Services. Gross operating margin from this business segment was $7.7 million for the third quarter of 2007 compared to $6.2 million for the third quarter of 2006. Revenues from this business segment increased $3.0 million quarter-to-quarter attributable to higher storage fee revenues. Operating costs and expenses increased $1.5 million quarter-to-quarter primarily due to higher maintenance and integrity management costs during the third quarter of 2007 relative to the third quarter of 2006.

Storage fee revenues for the third quarter of 2007 were $3.0 million higher than the third quarter of 2006 primarily as a result of contracts executed in connection with our initial public offering, which increased certain storage fees charged to EPO. Historically, such intercompany charges had been below market and eliminated in the consolidated revenues and costs and expenses of Enterprise Products Partners. The changes in these contracts resulted in a $2.9 million increase in storage revenues for the third quarter of 2007 compared to the third quarter of 2006. In addition, our storage revenues increased $0.1 million quarter-to-quarter primarily due to higher contracted storage volumes and fees, which increased reservation, excess storage and throughput revenues.

Natural Gas Pipelines & Services. Gross operating margin from this business segment was $3.3 million for the third quarter of 2007 compared to $6.2 million for the third quarter of 2006. Natural gas throughput volumes increased to 761 BBtu/d during the third quarter of 2007 from 743 BBtu/d during the third quarter of 2006. The quarter-to-quarter decrease in segment gross operating margin is primarily due to lower natural gas sales margins resulting from higher operating costs in the third quarter of 2007 relative to the third quarter of 2006. Also, equity earnings from our investment in Evangeline decreased $0.3 million quarter-to-quarter.

Petrochemical Pipeline Services. Gross operating margin from this business segment was $3.0 million for the third quarter of 2007 compared to $10.1 million for the third quarter of 2006. Petrochemical transportation volumes were 39 MBPD for the third quarter of 2007 compared to 38 MBPD during the third quarter of 2006. Transportation revenues decreased $6.1 million quarter-to-quarter primarily due to lower transportation tariffs put in place at the time of our initial public offering. Historically, EPO was the shipper of record on our petrochemical pipelines, and we charged EPO the maximum tariff rate for using these assets. EPO contracted with third parties to ship volumes on our pipelines under product exchange agreements. In general, the revenues recognized by EPO in connection with these exchange agreements were lower than the maximum tariff rate it paid us. In connection with our initial public offering, EPO assigned its third party product exchange agreements to us. Accordingly, the transportation fees we currently receive for use of our Lou-Tex Propylene and Sabine Propylene Pipelines are less than the fees we received from EPO prior to February 2007.

Operating costs and expenses increased $1.0 million quarter-to-quarter primarily due to the timing of accruals for property taxes associated with the Lou-Tex Propylene Pipeline. During 2006, we successfully negotiated a lower property tax rate with the Louisiana state taxing authority, which provided an annualized benefit of approximately $1.9 million. The third quarter of 2006 includes a benefit of $1.0 million to reduce expense accruals made during the first half of 2006 at the higher property tax rate.

NGL Pipeline Services. Gross operating margin from this business segment was $5.1 million for the third quarter of 2007. NGL transportation volumes were 73 MBPD during the third quarter of 2007. Results from this business segment are attributable to the DEP South Texas NGL Pipeline System, which was placed in service during January 2007.

Comparison of Nine months Ended September 30, 2007 with Nine months Ended September 30, 2006

Amounts referenced below for the 2007 period reflect the combined results of Duncan Energy Partners Predecessor for January 2007 and the consolidated results of the Partnership for the eight months ended September 30, 2007. Likewise, amounts referenced below for the first nine months of 2006 reflect the combined results of Duncan Energy Partners Predecessor.

Revenues were $658.0 million for the first nine months of 2007 compared to $740.1 million for the first nine months of 2006. The $82.1 million decrease period-to-period is primarily due to lower revenues associated with our natural gas marketing activities. Revenues from the sale of natural gas decreased $92.5 million period-to-period due to lower natural gas sales volumes and prices. Revenues from our NGL and petrochemical storage business increased $8.8 million period-to-period primarily due to higher storage fee revenues. Revenues from propylene transportation decreased $14.6 million period-to-period primarily due to lower transportation tariffs put in place at the time of our initial public offering. In addition, the first nine months of 2007 include $16.4 million of revenues from the DEP South Texas NGL Pipeline System.

Operating costs and expenses were $617.0 million for the first nine months of 2007 compared to $698.0 million for the first nine months of 2006. The $81.0 million decrease period-to-period in combined operating costs and expenses is primarily due to a decrease in the cost of sales associated with our natural gas marketing activities. The cost of sales of our natural gas marketing activities decreased $88.9 million period-to-period attributable to a decrease in natural gas sales volumes and prices. General and administrative costs were $3.0 million for the first nine months of 2007 compared to $2.5 million for the first nine months of 2006. Equity earnings from Evangeline decreased $0.4 million period-to-period.

Changes in our revenues and costs and expenses period-to-period are explained in part by changes in energy commodity prices. The Henry Hub market price of natural gas averaged $6.83 per MMBtu for the first nine months of 2007 versus $7.47 per MMBtu for the first nine months of 2006. To a lesser extent, changes in our revenues and costs and expenses are attributable to demand for NGL and petrochemical storage services, which affects the reservation, excess storage and throughput fee revenues earned by our NGL and petrochemical storage business.

Operating income for the first nine months of 2007 was $38.2 million compared to $40.3 million for the first nine months of 2006. Collectively, the aforementioned changes in revenues, costs and expenses and equity earnings contributed to the $2.1 million decrease in operating income period-to-period. Interest expense increased $6.7 million period-to-period attributable to debt we borrowed at the time of our initial public offering. In addition, the first nine months of 2007 include $13.8 million of expense for "Parent interest in income of subsidiaries."

As a result of the items noted in the previous paragraphs, our net income decreased $22.3 million period-to-period to $18.0 million for the first nine months of 2007 compared to $40.3 million for the first nine months of 2006. Net income for the first nine months of 2006 includes the recognition of non-cash amounts related to a cumulative effect of change in accounting principle. For additional information regarding the cumulative effect of change in accounting principle we recorded in 2006, see "Other Items" below.

The following information highlights significant period-to-period variances in gross operating margin by business segment.

NGL & Petrochemical Storage Services. Gross operating margin from this business segment was $26.8 million for the first nine months of 2007 compared to $15.1 million for the first nine months of 2006. Revenues increased $9.3 million period-to-period primarily due to higher storage fee revenues. Operating costs and expenses decreased $2.7 million period-to-period attributable to reduced measurement losses, which were partially offset by higher maintenance and integrity management costs during the first nine months of 2007 relative to the first nine months of 2006.

Storage fee revenues for the first nine months of 2007 were $8.8 million higher than the first nine months of 2006 primarily as a result of contracts executed in connection with our initial public offering, which increased certain storage fees charged to EPO. The changes in these contracts resulted in a $6.9 million increase in storage revenues for the first nine months of 2007 compared to the first nine months of 2006. In addition, our storage revenues increased $1.9 million period-to-period primarily due to higher contracted storage volumes and fees, which increased reservation, excess storage and throughput revenues.

Natural Gas Pipelines & Services. Gross operating margin from this business segment was $9.0 million for the first nine months of 2007 compared to $17.1 million for the first nine months of 2006, an $8.1 million decrease period-to-period. Natural gas throughput volumes decreased to 718 BBtu/d during the first nine months of 2007 from 773 BBtu/d during the first nine months of 2006. Segment gross operating margin decreased $2.6 million period-to-period attributable to our collection of a contingent asset during the first nine months of 2006 that related to a prior business acquisition. The remainder of the period-to-period decrease in segment gross operating margin is primarily due to (i) lower natural gas sales margins, (ii) lower natural gas sales volumes and (iii) higher maintenance costs in the first nine months of 2007 relative to the first nine months of 2006. Equity earnings from our investment in Evangeline decreased $0.4 million period-to-period due to lower natural gas sales margins higher maintenance costs during the first nine months of 2007 relative to the first nine months of 2006.

Petrochemical Pipeline Services. Gross operating margin from this business segment was $11.3 million for the first nine months of 2007 compared to $26.1 million for the first nine months of 2006.

Petrochemical transportation volumes increased to 37 MBPD during the first nine months of 2007 from 36 MBPD during the first nine months of 2006. Transportation revenues decreased $14.6 million period-to-period as a result of EPO assigning its third party product exchange agreements to us in connection with our initial public offering. Accordingly, the transportation fees we currently receive for use of our Lou-Tex Propylene and Sabine Propylene Pipelines are less than the fees we received from EPO prior to February 2007. Operating costs and expenses increased $0.2 million period-to-period.

<u>*NGL Pipeline Services*</u>. Gross operating margin from this business segment was $15.3 million for the first nine months of 2007. NGL transportation volumes were 72 MBPD during the first nine months of 2007. Results from this business segment are attributable to the DEP South Texas NGL Pipeline System, which became operational during January 2007.

Liquidity and Capital Resources

At September 30, 2007, we had $3.8 million of unrestricted cash on hand and approximately $83.9 million of available credit under our $300 million revolving credit facility. We had $215.0 million in principal and $1.1 million of letters of credit outstanding under this credit facility at September 30, 2007. Our revolving credit facility requires us to maintain certain financial and other customary covenants. We were in compliance with the covenants of our credit facility and believe that we will continue to have adequate liquidity to fund future recurring operating and investing activities.

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

Registration Statements

We may issue equity or debt securities to assist us in meeting our liquidity and capital spending requirements. At present, we do not have any registration statements on file with the U.S. Securities and Exchange Commission.

Cash Flows from Operating, Investing and Financing Activities

This discussion of our cash flows addresses the eight-month period since our initial public offering in February 2007. Due to the factors affecting comparability of our financial statements with those of Duncan Energy Partners Predecessor (see page 35), we do not believe that a discussion of cash flow variances between the pre- and post-February 1, 2007 periods is meaningful or relevant to investors. The following table summarizes our operating, investing and financing cash flows for the eight months ended September 30, 2007 (dollars in thousands). For information regarding the individual components of our cash flow amounts, see the Unaudited Condensed Statements of Consolidated Cash Flows included under Item 1 of this quarterly report.

	Eight Months Ended September 30, 2007
Net cash flows provided by operating activities	$ 86,981
Cash used in investing activities	(128,553)
Cash provided by financing activities	45,362

Operating activities. Net cash flows provided by operating activities were $87.0 million for the eight months ended September 30, 2007. These cash flows are primarily influenced by earnings and the timing of cash receipts from sales and cash payments for purchases and other expenses between periods. For information regarding our earnings, please see “Results of Operations” included within this Item 2.

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

Investing activities. Cash used in investing activities was $128.6 million for the eight months ended September 30, 2007 primarily due to $131.4 million of net capital expenditures for property, plant and equipment partially offset by proceeds from the sale of assets to a related party of $3.2 million. The following table summarizes our cash basis capital spending by activity (on a 100% basis) for the eight months ended September 30, 2007 (dollars in thousands):

Capital spending for property, plant and equipment, net: (1)	
Growth capital projects: (2)	
DEP South Texas NGL Pipeline System – Phase I (3)	$ 8,188
DEP South Texas NGL Pipeline System – Phase II (4)	22,512
Mont Belvieu Caverns’ Brine-Related Projects (5)	21,331
Other	69,049
Total growth capital projects	121,080
Sustaining capital projects: (6)	
Acadian Gas projects	5,367
Mont Belvieu Caverns’ projects	4,463
Other	515
Total sustaining capital projects	10,345
Total	131,425
Capital spending attributable to unconsolidated affiliates:	
Investments in and advances to unconsolidated affiliate (7)	384
Total capital spending	$ 131,809

(1) On certain of our capital projects, third parties are obligated to reimburse us for all or a portion of project expenditures. Such contributions in aid of construction costs were $0.4 million for the eight months ended September 30, 2007.
(2) Growth capital projects either (i) result in additional revenue streams from existing assets or (ii) expand our asset base through construction of new facilities that will generate additional revenue streams.
(3) Including amounts spent by Duncan Energy Partners Predecessor, total spending for this project through September 30, 2007 was $129.6 million compared to a forecast cost of $135.4 million.
(4) Including amounts spent by Duncan Energy Partners Predecessor, total spending for this project through September 30, 2007 was $26.1 million compared to a revised forecast cost of $46.3 million. EPO will fund all amounts in excess of the original forecast cost of $28.6 million in accordance with the Omnibus Agreement.
(5) Including amounts spent by Duncan Energy Partners Predecessor, total final spending for these projects was $79.3 million
(6) Sustaining capital expenditures are capital expenditures (as defined by GAAP) resulting from improvements to and major renewals of existing assets. Such expenditures serve to maintain existing operations but do not generate additional revenues. Expenditures primarily represent costs associated with pipeline and mechanical integrity projects.
(7) Reflects nominal contributions to Evangeline.

We completed Phase I of our 286-mile DEP South Texas NGL Pipeline System project in January 2007 and placed the asset into service. Amounts noted in the preceding table relate to final payments to vendors for this phase of the work. During Phase II, we are constructing 22 miles of pipeline to replace certain sections of the pipeline, including an 11-mile section that we lease from TEPPCO. The Phase II upgrade will provide a significant increase in pipeline capacity and is expected to be operational during the first quarter of 2008.

During 2005 and 2006, we began construction of additional brine production capacity and above-ground storage reservoirs in Mont Belvieu, Texas. These growth projects were placed into service during the second quarter of 2007.

Based on information currently available, we estimate our capital spending for the fourth quarter of 2007 (net of reimbursements to us under the Omnibus Agreement with EPO) will approximate $28.1 million, which includes estimated expenditures of approximately $21.1 million for growth capital projects and $7.0 million for sustaining capital expenditures. See Note 12 of the Notes to Unaudited Condensed Consolidated Financial Statements for information regarding the Omnibus Agreement with EPO. Our forecast of consolidated capital expenditures is based on our strategic operating and growth plans, which are dependent upon our ability to generate the required funds from either operating cash flows or from other means, including borrowings under our debt agreement. Our forecast of capital expenditures may change due to factors beyond our control, such as weather related issues, changes in supplier prices, changes in our estimates or adverse economic conditions. Furthermore, our forecast may change as a result of decisions made by management at a later date. We believe our access to capital resources is sufficient to meet the demands of our current and future operating growth needs, and although we currently intend to make the forecasted expenditures discussed above, we may adjust the timing and amounts of projected expenditures in response to unexpected changes.

In September 2007, Enterprise Texas Pipeline LLC, a wholly owned subsidiary of EPO, purchased certain parcels of land and regulatory permits from Mont Belvieu Caverns for $3.2 million. Due to common control considerations, the approximate $3.2 million excess of the proceeds received from EPO over the carrying value of assets sold was recorded as a general contribution by Mont Belvieu Caverns. The parent company has reflected its share of the excess amount, or $2.1 million, as an increase in partners' equity. The remaining $1.1 million is included in parent interest in subsidiaries on our consolidated balance sheet. We used proceeds from this transaction to temporarily reduce principal outstanding under our revolving credit facility.

Financing activities. Cash provided by financing activities was $45.4 million for the eight months ended September 30, 2007. At the time of our initial public offering, we used $260.6 million of net proceeds from our initial public offering and $198.9 million in borrowings under our revolving credit facility to make a $459.5 million distribution to EPO as consideration for assets contributed to us and reimbursements for capital expenditures related to these assets. In total, our initial public offering generated net proceeds of $290.5 million, of which $29.9 million was retained to fund our share of estimated post-February 1, 2007 capital spending.

Since our initial public offering, cash provided by financing activities includes $16.1 million of net borrowings and $13.3 million of contributions by EPO related to the capital spending requirements of our consolidated subsidiaries partially offset by $13.3 million of distributions to our partners.

Other Items

Contractual Obligations

With the exception of borrowings under our credit facility, there have been no significant changes in our contractual obligations since those reported in our annual report on Form 10-K for the year ended December 31, 2006. See Note 8 of the Notes to Unaudited Condensed Consolidated Financial Statements included under Item 1 of this quarterly report for additional information regarding our credit facility.

Off-Balance Sheet Arrangements

There have been no significant changes with regards to our off-balance sheet arrangements since those reported in our annual report on Form 10-K for the year ended December 31, 2006.

Summary of Related Party Transactions

The following table summarizes our related party transactions for the three months ended September 30, 2007 and 2006 (dollars in thousands):

	Duncan Energy Partners	Duncan Energy Partners Predecessor
	For the Three Months Ended September 30, 2007	For the Three Months Ended September 30, 2006
Revenues:		
EPO	$ 20,982	$ 34,554
Evangeline	83,021	81,604
Total	$ 104,003	$ 116,158
Operating costs and expenses:		
EPCO	$ 4,436	$ 9,196
EPO	8,304	8,162
TEPPCO	27	--
Evangeline	18	--
Other	6	--
Total	$ 12,791	$ 17,358
General and administrative costs:		
EPCO	$ 747	$ 685

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

	Duncan Energy Partners	Duncan Energy Partners Predecessor	
	For the Eight Months Ended September 30, 2007	For the One Month Ended January 31, 2007	For the Nine Months Ended September 30, 2006
Revenues:			
EPO	$ 49,173	$ 8,602	$ 90,463
Evangeline	180,540	15,415	232,986
Total	$ 229,713	$ 24,017	$ 323,449
Operating costs and expenses:			
EPCO	$ 12,081	$ 2,487	$ 25,809
EPO	17,323	654	16,199
TEPPCO	99	--	--
Evangeline	19	8	--
Other	6	--	--
Total	$ 29,528	$ 3,149	$ 42,008
General and administrative costs:			
EPCO	$ 1,517	$ 455	$ 2,388

For additional information regarding our related party transactions, see Note 12 of the Notes to Unaudited Condensed Consolidated Financial Statements included under Item 1 of this quarterly report.

We have an extensive and ongoing relationship with EPCO and its affiliates, including TEPPCO. Our relationship with EPO includes various storage contracts, transportation agreements and partnership interests held by EPO in us. Our relationship with TEPPCO involves the short-term lease of a pipeline segment that is currently used by our DEP South Texas NGL Pipeline System. Our relationship with EPCO includes the provision of employees to us and other arrangements, all as governed by the EPCO administrative services agreement.

In the third quarter of 2007, we sold certain parcels of land and regulatory permits to a wholly owned subsidiary of EPO for $3.2 million.

Non-GAAP reconciliations

A reconciliation of our measurement of total gross operating margin to operating income and further to income before the cumulative effect of a change in accounting principle for the three months ended September 30, 2007 and 2006 follows (dollars in thousands):

	Duncan Energy Partners	Duncan Energy Partners Predecessor
	For the Three Months Ended September 30, 2007	For the Three Months Ended September 30, 2006
Total segment gross operating margin	$ 19,142	$ 22,503
Adjustments to reconcile total non-GAAP segment gross operating margin to operating income:		
Depreciation, amortization and accretion in operating costs and expenses	(7,249)	(5,319)
Gain on sale of assets in operating costs and expenses	17	4
General and administrative costs	(1,146)	(734)
Operating income	10,764	16,454
Other income (expense), net	(3,050)	2
Provision for income taxes	(32)	--
Parent interest in income of subsidiaries	(3,188)	--
Income before the cumulative effect of a change in accounting principle	$ 4,494	$ 16,456

A reconciliation of our measurement of total gross operating margin to operating income and further to income before the cumulative effect of a change in accounting principle for the periods indicated follows (dollars in thousands):

	Duncan Energy Partners	Duncan Energy Partners Predecessor	
	For the Eight Months Ended September 30, 2007	For the One Month Ended January 31, 2007	For the Nine Months Ended September 30, 2006
Total segment gross operating margin	$ 54,646	$ 7,721	$ 58,198
Adjustments to reconcile total non-GAAP segment gross operating margin to operating income:			
Depreciation, amortization and accretion in operating costs and expenses	(18,967)	(2,209)	(15,468)
Gain on sale of assets in operating costs and expenses	19	--	17
General and administrative costs	(2,529)	(477)	(2,469)
Operating income	33,169	5,035	40,278
Other income (expense), net	(6,218)	--	6
Provision for income taxes	(146)	--	(21)
Parent interest in income of subsidiaries	(13,840)	--	--
Income before the cumulative effect of a change in accounting principle	$ 12,965	$ 5,035	$ 40,263

Cumulative effect of a change in accounting principle

We recognized, as a nominal benefit, the cumulative effect of a change in accounting principle of $9 thousand in January 2006 due to the implementation of Statement of Financial Accounting Standards ("SFAS") 123(R), "Share-Based Payment."

Recent Accounting Pronouncements

See discussion of new accounting pronouncements in Note 2 of the Notes to Unaudited Condensed Consolidated Financial Statements included under Item 1 of this quarterly report.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk*.

We are exposed to financial market risks, including changes in commodity prices and interest rates. We may use financial instruments (i.e. futures, forwards, swaps, options and other financial instruments with similar characteristics) to mitigate the risks of certain identifiable and anticipated transactions. As a matter of policy, we do not use financial instruments for speculative (or "trading") purposes.

Interest Rate Risk Hedging Program

In September 2007, we executed three floating-to-fixed interest rate swaps having a combined notional value of $175 million. The purpose of these financial instruments, which are accounted for as cash flow hedges, is to reduce the sensitivity of our earnings to variable interest rates charged under our revolving credit facility. In September 2007, we recognized a $0.1 million benefit from these swaps in interest expense.

At September 30, 2007, the aggregate fair value of these interest rate swaps was a liability of $77 thousand. If the interest rates identified in these swaps were to increase by 10%, the fair value of these instruments would increase to a $2.0 million asset. Conversely, if the rates were to decrease by 10%, the fair value would decrease to a $2.1 million liability. Any increase or decrease in fair value would be recorded through other comprehensive income.

Commodity Risk Hedging Program

In addition to its natural gas transportation business, Acadian Gas engages in the purchase and sale of natural gas to third party customers in the Louisiana area. The price of natural gas fluctuates in response to changes in supply, market uncertainty, and a variety of additional factors that are beyond our control. We may use commodity financial instruments such as futures, swaps and forward contracts to mitigate such risks. In general, the types of risks we attempt to hedge are those related to the variability of future earnings and cash flows resulting from changes in applicable commodity prices. The commodity financial instruments we utilize may be settled in cash or with another financial instrument.

Acadian Gas also enters into a small number of cash flow hedges in connection with its purchase of natural gas held-for-sale to third parties. In addition, Acadian Gas enters into a limited number of offsetting financial instruments that effectively fix the price of natural gas for certain of its customers.

Historically, the use of commodity financial instruments by Acadian Gas was governed by policies established by the general partner of Enterprise Products Partners. Our general partner now monitors the hedging strategies associated with the physical and financial risks of Acadian Gas, approves specific activities subject to the policy (including authorized products, instruments and markets) and establishes specific guidelines and procedures for implementing and ensuring compliance with the policy.

The fair value of our commodity financial instrument portfolio was an asset of $11 thousand at September 30, 2007 and a negligible amount at December 31, 2006. We recorded losses of $0.6 million and a gain of $12 thousand related to our commodity financial instruments during the three months ended September 30, 2007 and 2006, respectively. We also recorded losses of $0.6 million, $0.4 million and $0.3 million for the eight months ended September 30, 2007, for the month of January 2007 and for the nine months ended September 30, 2006, respectively.

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

Scenario	Resulting Classification	Commodity Financial Instrument Portfolio FV September 30, 2007	October 29, 2007
FV assuming no change in underlying commodity prices	*Asset (Liability)*	$ 11	$ 9
FV assuming 10% increase in underlying commodity prices	*Asset (Liability)*	11	9
FV assuming 10% decrease in underlying commodity prices	*Asset (Liability)*	11	9

Product purchase commitments

Acadian Gas has a long-term natural gas purchase contract with a third party. This purchase agreement expires in January 2013. Our purchase price under this contract approximates the market price of natural gas at the time we take delivery of the volumes. For additional information regarding our commitments, see Note 14 of the Notes to Unaudited Condensed Consolidated Financial Statements included under Item 1 of this quarterly report.

Item 4. *Controls and Procedures*.

Our management, with the participation of the chief executive officer ("CEO") and chief financial officer ("CFO") of DEP Holdings, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on their evaluation, the CEO and CFO of DEP Holdings have concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e)) are effective at a reasonable assurance level.

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

Disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, including to ensure that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosures. Our management does not expect that our disclosure controls and procedures will prevent all errors and all fraud. Based on the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

The certifications of our general partner's CEO and CFO required under Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 have been included as exhibits to this quarterly report on Form 10-Q.

PART II. OTHER INFORMATION.

Item 1. *Legal Proceedings*.

See Part I, Item 1, Financial Statements, Note 14, “Commitments and Contingencies – Litigation,” of the Notes to Unaudited Condensed Consolidated Financial Statements included under Item 1 of this quarterly report, which is incorporated herein by reference.

Item 1A. *Risk Factors*.

In general, there have been no significant changes in our risk factors since December 31, 2006. For a detailed discussion of our risk factors, please read, Item 1A “Risk Factors,” in our annual report on Form 10-K for 2006.

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

On February 5, 2007, we completed our initial public offering. See “Overview of Business – Recent Developments” included under Part I, Item 2 for information regarding the net proceeds generated by this offering and the subsequent use of proceeds. We did not repurchase any of our common units during the three and eight months ended September 30, 2007.

Item 3. *Defaults Upon Senior Securities*.

None.

Item 4. *Submission of Matters to a Vote of Unit Holders*.

None.

Item 5. *Other Information*.

None.

Item 6. *Exhibits*.

Exhibit Number	Exhibit *
3.1	Certificate of Limited Partnership of Duncan Energy Partners L.P. (incorporated by reference to Exhibit 3.1 to Form S-1 Registration Statement (Reg. No. 333-138371) filed November 2, 2006).
3.2	Amended and Restated Agreement of Limited Partnership of Duncan Energy Partners L.P., dated February 5, 2007 (incorporated by reference to Exhibit 3.1 to Form 8-K filed February 5, 2007).
3.3	Certificate of Formation of DEP Holdings, LLC (incorporated by reference to Exhibit 3.3 to Form S-1 Registration Statement (Reg. No. 333-138371) filed November 2, 2006).
3.4	Second Amended and Restated Limited Liability Company Agreement of DEP Holdings, LLC, dated May 3, 2007. (incorporated by reference to Exhibit 3.4 to Form 10-Q for the period ended March 31, 2007, filed on May 4, 2007).
3.5	Certificate of Formation of DEP OLPGP, LLC (incorporated by reference to Exhibit 3.5 to Form S-1 Registration Statement (Reg. No. 333-138371**)** filed November 2, 2006).
3.6	Amended and Restated Limited Liability Company Agreement of DEP OLPGP, LLC, dated January 19, 2007 (incorporated by reference to Exhibit 3.6 to Amendment No. 3 to Form S-1 Registration Statement (Reg. No. 333-138371) filed January 22, 2007).
3.7	Certificate of Limited Partnership of DEP Operating Partnership, L.P. (incorporated by reference to Exhibit 3.7 to Form S-1 Registration Statement (Reg. No. 333-138371**)** filed November 2, 2006).
3.8	Agreement of Limited Partnership of DEP Operating Partnership, L.P., dated September 29, 2006 (incorporated by reference to Exhibit 3.8 to Amendment No. 1 to Form S-1 Registration Statement (Reg. No. 333-138371) filed December 15, 2006).
4.1	Revolving Credit Agreement, dated as of January 5, 2007, among Duncan Energy Partners L.P., as borrower, Wachovia Bank, National Association, as Administrative Agent, The Bank of Nova Scotia and Citibank, N.A., as Co-Syndication Agents, JPMorgan Chase Bank, N.A. and Mizuho Corporate Bank, Ltd., as Co-Documentation Agents, and Wachovia Capital Markets, LLC, The Bank of Nova Scotia and Citigroup Global Markets Inc., as Joint Lead Arrangers and Joint Book Runners (incorporated by reference to Exhibit 10.20 to Amendment No. 2 to Form S-1 Registration Statement (Reg. No. 333-138371) filed January 12, 2007).
4.2	First Amendment to Revolving Credit Agreement, dated as of June 30, 2007, among Duncan Energy Partners L.P., as borrower, Wachovia Bank, National Association, as Administrative Agent, The Bank of Nova Scotia and Citibank, N.A., as Co-Syndication Agents, JPMorgan Chase Bank, N.A. and Mizuho Corporate Bank, Ltd., as Co-Documentation Agents, and Wachovia Capital Markets, LLC, The Bank of Nova Scotia and Citigroup Global Markets Inc., as Joint Lead Arrangers and Joint Book Runners (incorporated by reference to Exhibit 4.2 to the Form 10-Q filed on August 8, 2007).
31.1#	Sarbanes-Oxley Section 302 certification of Richard H. Bachmann for Duncan Energy Partners L.P. for the September 30, 2007 quarterly report on Form 10-Q.
31.2#	Sarbanes-Oxley Section 302 certification of W. Randall Fowler for Duncan Energy Partners L.P. for the September 30, 2007 quarterly report on Form 10-Q.
32.1#	Section 1350 certification of Richard H. Bachmann for the September 30, 2007 quarterly report on Form 10-Q.
32.2#	Section 1350 certification of W. Randall Fowler for the September 30, 2007 quarterly report on Form 10-Q.

* With respect to exhibits incorporated by reference to Exchange Act filings, the Commission file number for Enterprise Products Partners L.P. is 1-14323; Enterprise GP Holdings L.P., 1-32610; and Duncan Energy Partners L.P., 1-33266.

\# Filed with this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this quarterly report on Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized, in the City of Houston, State of Texas on November 9, 2007.

DUNCAN ENERGY PARTNERS L.P.
(A Delaware Limited Partnership)

By: DEP Holdings, LLC,
as General Partner

By: /s/ Michael J. Knesek
Name: Michael J. Knesek
Title: Senior Vice President, Controller
and Principal Accounting Officer
of the General Partner

CERTIFICATIONS

I, Richard H. Bachmann, certify that:

1. I have reviewed this quarterly report on Form 10–Q of Duncan Energy Partners L.P.;

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

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

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

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

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

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

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

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

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

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

Date: November 9, 2007

/s/ Richard H. Bachmann
Name: Richard H. Bachmann
Title: Principal Executive Officer of our General Partner, DEP Holdings, LLC

EXHIBIT 31.2

CERTIFICATIONS

I, W. Randall Fowler, certify that:

1. I have reviewed this quarterly report on Form 10–Q of Duncan Energy Partners L.P.;

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

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

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

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

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

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

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

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

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

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

Date: November 9, 2007

/s/ W. Randall Fowler
Name: W. Randall Fowler
Title: Principal Financial Officer of our General Partner, DEP Holdings, LLC

EXHIBIT 32.1

SARBANES-OXLEY SECTION 906 CERTIFICATION

CERTIFICATION OF RICHARD H. BACHMANN, CHIEF EXECUTIVE OFFICER OF DEP HOLDINGS, LLC, THE GENERAL PARTNER OF DUNCAN ENERGY PARTNERS L.P.

In connection with this quarterly report of Duncan Energy Partners L.P. (the "Registrant") on Form 10-Q for the quarterly period ended September 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard H. Bachmann, Chief Executive Officer of DEP Holdings, LLC, the general partner of the Registrant, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

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

/s/ Richard H. Bachmann

Name: Richard H. Bachmann

Title: Chief Executive Officer of DEP Holdings, LLC
on behalf of Duncan Energy Partners L.P.

Date: November 9, 2007

EXHIBIT 32.2

SARBANES-OXLEY SECTION 906 CERTIFICATION

CERTIFICATION OF W. RANDALL FOWLER, CHIEF FINANCIAL OFFICER
OF DEP HOLDINGS, LLC, THE GENERAL PARTNER OF
DUNCAN ENERGY PARTNERS L.P.

In connection with this quarterly report of Duncan Energy Partners L.P. (the “Registrant”) on Form 10-K for the quarterly period ended September 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, W. Randall Fowler, Chief Financial Officer of DEP Holdings, LLC, the general partner of the Registrant, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

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

/s/ W. Randall Fowler
Name: W. Randall Fowler
Title: Chief Financial Officer of DEP Holdings, LLC
on behalf of Duncan Energy Partners L.P.

Date: November 9, 2007