

**ANALYSIS OF PROPOSED AGREEMENT CONTAINING CONSENT
ORDER TO AID PUBLIC COMMENT**

In the Matter of Dan L. Duncan, et al, File No. 051-0108

The Federal Trade Commission, subject to its final approval, has accepted for public comment an Agreement Containing Consent Order (“Consent Agreement”) with Dan L. Duncan, EPCO, Inc., Texas Eastern Products Pipeline Company, LLC, and TEPPCO Partners, L.P. (collectively “Duncan”). The Consent Agreement remedies the anticompetitive effects that otherwise would be likely to result from the acquisition described herein. The terms of the Consent Agreement require Duncan to divest its interests in the Mont Belvieu Storage Partners natural gas liquids storage facility and related pipeline, land, and other assets to a buyer approved by the Commission.

The proposed Consent Agreement has been placed on the public record for thirty (30) days to solicit comments from interested people. Comments received during this period will become part of the public record. After thirty (30) days, the Commission again will review the proposed Consent Agreement and the comments received, and will decide whether it should withdraw the proposed Consent Agreement or make it final.

On February 24, 2005, EPCO, Inc., through DFI GP Holdings, L.P., acquired from Duke Energy Field Services, LLC: (1) TEPPCO’s general partner, Texas Eastern Products Pipeline Company, LLC, for \$1.1 billion, and (2) 2.5 million limited partnership units of TEPPCO Partners, L.P., at an estimated value of \$100 million (collectively “the acquisition”). The acquisition was not reportable under the Hart-Scott-Rodino Act. Both EPCO and TEPPCO are leading providers of salt dome storage for natural gas liquids (“NGLs”) in Mont Belvieu, Texas. EPCO operates the Enterprise NGL storage facility in Mont Belvieu. TEPPCO operates the Mont Belvieu Storage Partners NGL storage facility in Mont Belvieu. As a result of this acquisition, two of the four commercial storage providers for NGLs were placed under Enterprise’s control.

I. The Parties

Enterprise Products Partners L.P. (“Enterprise”) is one of the largest publicly traded midstream energy partnerships in the United States, with an enterprise value of approximately \$15 billion. Enterprise’s services include NGL fractionation, transportation, import/export terminaling, and storage. Enterprise owns the largest and most liquid NGL storage facility in Mont Belvieu, along with several pipelines into and out of Mont Belvieu, and substantial brine handling capacity in Mont Belvieu. Enterprise also markets NGLs in Mont Belvieu. Dan L. Duncan ultimately controls Enterprise and EPCO, Inc. (“EPCO”), the general partner of Enterprise.

TEPPCO Partners, L.P. (“TEPPCO”) is a publicly traded master limited partnership. TEPPCO’s general partner is Texas Eastern Products Pipeline Company, LLC (“Texas Eastern”),

which, post-acquisition, ultimately is controlled by EPCO and Dan L. Duncan. Through various subsidiaries, TEPPCO owns and operates NGL transportation and storage assets. TEPPCO's Mont Belvieu NGL storage assets are owned by Mont Belvieu Storage Partners, a 50/50 joint venture between TEPPCO and Louis Dreyfus Energy Services L.P. TEPPCO controlled, and continues to control, the day-to-day operations of the Mont Belvieu Storage Partners NGL storage facility, through its wholly-owned subsidiary, TE Products Pipeline Company, Limited Partnership. TEPPCO also owns and operates the TE Products Pipeline, the primary source of propane to the northeastern United States and an important outlet for NGLs stored at the Mont Belvieu Storage Partners facility.

Since the acquisition, the general partners of Enterprise and TEPPCO have maintained separate boards of directors and management teams. The practical result of the acquisition, however, is that Dan L. Duncan ultimately owns and controls both entities.

II. Salt Dome Storage for Natural Gas Liquids in Mont Belvieu, Texas

The relevant market in which to analyze the effects of the acquisition is the market for salt dome storage for natural gas liquids ("NGLs") in Mont Belvieu, Texas. NGLs are a group of light hydrocarbons—including ethane, propane, normal butane, isobutane, and natural gasoline—which are used, among other uses, as feedstocks in the production of ethylene and propylene, as fuel for heating or industrial processes, and in blending components for motor gasoline. NGLs primarily are stored in large underground wells formed out of geological salt domes under the Earth's surface until they are delivered to end-users, usually via pipeline. Mont Belvieu, Texas, comprises the largest NGL storage system in the world and pipeline connections that allow NGL marketers to reach the broadest array of end use markets. There are no viable competitive alternatives to salt dome storage for NGLs in Mont Belvieu.

The market for salt dome storage for NGLs in Mont Belvieu, Texas, is highly concentrated, with Enterprise and TEPPCO as the two largest suppliers based on storage volumes, and two of the three largest suppliers based on permitted storage volume. Together the two account for about 70% of storage volume in Mont Belvieu. Targa Resources, Inc. and Valero Energy Corporation are the two other competitors that account for the remaining volume.

Storage wells are differentiated by their connectivity, both to pipelines bringing product into the wells from fractionators, and to pipelines taking product out of storage to the major product pipelines that transport NGLs to markets throughout the United States. Mont Belvieu's attraction as a storage hub for NGLs stems from the flexibility it provides to owners to move their product to various markets. Storage customers evaluate wells on the basis of the flexibility they provide in receiving and moving product.

Prior to the acquisition, Enterprise and TEPPCO directly competed for storage volumes in Mont Belvieu based on price and service levels. Both Enterprise and TEPPCO are connected to the Dixie Pipeline and competed for storage volumes for customers wishing to ship product,

primarily propane, into the Southeastern United States. In addition, Enterprise and TEPPCO, along with Targa Resources, Inc., competed for storage customers' marginal volumes. Many customers must store minimum volumes at certain facilities due to pipeline connections or other restrictions. Finally, Enterprise and TEPPCO competed for trading volumes. Because Enterprise and TEPPCO are the two most liquid storage providers, many trading customers ranked them as their first and second choice for storage.

The acquisition significantly increased concentration in the Mont Belvieu market for salt dome storage for NGLs, leaving EPCO controlling a dominant share of storage volume and capacity. A combined Enterprise/TEPPCO would have an enhanced ability unilaterally to exercise market power in the market because many customers view the two suppliers as first and second choices and the handful of other viable suppliers are incapable of replacing the competition lost as a result of the merger. Reducing the already small number of competitors also increases the likelihood of coordinated interaction after the merger. Thus, eliminating competition between the two leading suppliers likely would result in higher prices and lower levels of service for storage customers.

III. Entry

Entry into the Mont Belvieu storage market is unlikely to deter or counteract the likely anticompetitive effects. Entry is difficult and time-consuming and potential entrants would face substantial barriers in the form of permit requirements and land use restrictions.

IV. Terms of the Proposed Consent Agreement

The proposed Consent Agreement effectively remedies the acquisition's alleged anticompetitive effects by requiring TEPPCO to divest its interests in Mont Belvieu Storage Partners and certain related pipeline, land, and other assets (collectively the "divested assets"). The Commission's purposes with respect to the divestiture are: (1) to ensure the continuation of the divested assets as a going concern in the same manner as of the date the Consent Agreement was signed, and (2) to remedy the lessening of competition resulting from the acquisition as alleged in the Commission's Complaint.

In order to achieve these purposes, Paragraph II of the proposed Consent Agreement directs Duncan to sell TEPPCO's interests in certain Mont Belvieu NGL storage assets and related pipeline, land, and other assets to a Commission-approved buyer no later than December 31, 2006, and in a manner approved by the Commission, subject to the Commission's final approval. If Duncan is unable to divest this set of assets to a Commission-approved buyer within this timeframe, Paragraph III of the proposed Consent Agreement contains the standard divestiture trustee provisions pursuant to which the Commission may appoint a trustee to divest the assets to a Commission-approved buyer.

Paragraph IV.A of the proposed Consent Agreement requires Duncan to provide prior notice to the Commission of its planned acquisitions, operatorships, or management of any NGL storage facility in Mont Belvieu, Texas, for a period of ten (10) years. Paragraph IV.C requires Duncan to send copies of all new NGL storage leases with third party NGL storage facilities in Mont Belvieu within the earlier of fifteen (15) days of being signed or becoming effective. These provisions ensure that subsequent acquisitions or leases do not adversely impact competition in the market at issue and undermine the remedial goals of the proposed Consent Agreement.

In order to achieve successfully the Commission's purposes, Paragraph II of the proposed Consent Agreement contains provisions that ensure that the acquirer receives all resources necessary to operate the divested assets. First, Paragraph II requires Duncan to give the acquirer the opportunity to interview and hire employees who spend more than ten percent (10%) of their time working on the divested assets, and prevents Duncan from offering these employees incentives to decline the acquirer's offer of employment. This will ensure that the acquirer has access to staff who are familiar with the NGL storage, pipelines, and other related assets. Second, Paragraph II requires Duncan to convey to the acquirer licensed intangible property necessary for the operation of the divested assets to ensure that the acquirer has the software and other assets necessary to operate the divested assets in the same manner as of the day the parties signed the Consent Agreement.

To maintain the competitive viability of the divested assets, including TEPPCO's interest in Mont Belvieu Storage Partners, in the same manner as of the date the Consent Agreement was signed, the proposed Consent Agreement contains several provisions relating to the operation of TEPPCO's TE Products Pipeline. TEPPCO provides "open stock" service to propane shippers from Mont Belvieu Storage Partners, a service whereby shippers who ship on the pipeline and who have adequate inventory in the TEPPCO system, given certain inventory and availability requirements, can take delivery of propane at any of TEPPCO's terminals along the pipeline without having to wait for the pipeline transit time it would take to move the product physically from origin to destination. The open stock service allows TEPPCO to transfer product from any origination point along the pipeline it chooses to meet shippers' needs, irrespective of the storage facility in which the shipper actually has inventory. EPCO's plans to build a pipeline connecting its Mont Belvieu storage facility to the TEPPCO pipeline raises several concerns regarding its ability to disadvantage any prospective acquiror of TEPPCO's interest in Mont Belvieu Storage Partners. First, TEPPCO could decline to offer the open stock service at Mont Belvieu Storage Partners, or offer the service there at less advantageous terms than at EPCO's Mont Belvieu facility. Second, TEPPCO could impede Mont Belvieu Storage Partners' ability to market its storage capacity by allocating product from other storage facilities along the pipeline to meet shipper's needs, keeping Mont Belvieu Storage Partners' capacity occupied disproportionately. The proposed Consent Agreement contains provisions addressing these concerns.

First, the proposed Consent Agreement requires TEPPCO to continue to operate the TE Products Pipeline on open stock service for propane. Second, if Duncan builds a pipeline, referred to in the proposed Consent Agreement as the "New Pipeline," connecting the TE

Products Pipeline to any NGL storage facility it owns in Mont Belvieu, Texas, the proposed Consent Agreement requires Duncan to (1) connect the new pipeline to the Mont Belvieu Storage Partners NGL storage facility at its own cost, (2) operate the TE Products Pipeline for propane on an open stock basis for shippers who ship from Mont Belvieu Storage Partners on terms and conditions that are no less advantageous than those for shippers who ship propane from an NGL storage facility in Mont Belvieu owned by Duncan, and (3) operate the TE Products Pipeline for products other than propane on terms and conditions that are no less advantageous than those for shippers who ship products other than propane from an NGL storage facility in Mont Belvieu owned by Duncan.

Third, the proposed Consent Agreement contains provisions relating to the implementation of new allocation procedures for the TE Products Pipeline. Paragraph IV.B requires TEPPCO to provide advance written notice to the Commission of any new allocation procedures relating to the movements of NGLs on the TE Products Pipeline originating in Mont Belvieu, Texas. Paragraph VI requires any new allocation procedures to include a requirement that shippers originating product movements on the pipeline from the Mont Belvieu Storage Partners NGL storage facility nominate that movement to both TEPPCO and Mont Belvieu Storage Partners and also provides that such new allocation procedures shall allow shippers who ship product originating at Mont Belvieu Storage Partners' facility to ship on terms and conditions that are no less advantageous than those given to shippers who ship from an NGL storage facility owned by Duncan.

The purpose of the provisions relating to the operation of the TE Products Pipeline is to maintain the competitive viability of the Mont Belvieu Storage Partners NGL storage facility in the same manner as of the date the Consent Agreement was signed by ensuring that Duncan cannot disadvantage shippers who originate product movements from the Mont Belvieu Storage Partners' facility in favor of shippers who originate product movements from its own storage facility in the event that Duncan interconnects an NGL storage facility it owns in Mont Belvieu, Texas, to the TE Products Pipeline.

V. Opportunity for Public Comment

By accepting the proposed Consent Agreement, subject to final approval, the Commission anticipates that the competitive problems alleged in the Complaint will be resolved. The purpose of this analysis is to invite public comment on the proposed Consent Agreement, including the proposed divestitures, to aid the Commission in its determination of whether it should make final the proposed Consent Agreement contained in the agreement. This analysis is not intended to constitute an official interpretation of the proposed Consent Agreement or modify the terms of the proposed Consent Agreement in any way. Further, the proposed Consent Agreement has been entered into for settlement purposes only and does not constitute an admission by Dan L. Duncan, EPCO, Texas Eastern, or TEPPCO that it violated the law or that the facts alleged in the Complaint, other than jurisdictional facts, are true.