ENTERPRISE PRODUCTS PARTNERS L P
Form 10-Q
August 06, 2009

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

FORM 10-Q

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

For the quarterly period ended June 30, 2009

OR

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

For the transition period from ___ to ___.

Commission file number: 1-14323

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes þ No ¨

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

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

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

Yes o No þ

There were 460,221,747 common units, including 2,907,950 restricted common units, of Enterprise Products Partners L.P. outstanding at August 1, 2009. These common units trade on the New York Stock Exchange under the ticker symbol "EPD."

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PART I. FINANCIAL INFORMATION.

Item 1. Financial Statements.

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

ASSETS	June 30, 2009	December 31, 2008
Current assets:		
Cash and cash equivalents	$65.0	$35.4
Restricted cash	184.4	203.8
Accounts and notes receivable – trade, net of allowance for doubtful accounts of $14.7 at June 30, 2009 and $15.1 at December 31, 2008	1,232.2	1,185.5
Accounts receivable – related parties	47.4	61.6
Inventories (see Note 5)	965.8	362.8
Derivative assets (see Note 4)	229.3	202.8
Prepaid and other current assets	144.8	111.8
Total current assets	2,868.9	2,163.7
Property, plant and equipment, net	13,582.0	13,154.8
Investments in unconsolidated affiliates	901.4	949.5
Intangible assets, net of accumulated amortization of $472.0 at June 30, 2009 and $429.9 at December 31, 2008	813.5	855.4
Goodwill	706.9	706.9
Deferred tax asset	1.1	0.4
Other assets	148.7	126.8
Total assets	$19,022.5	$17,957.5
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt	$181.4	$--
Accounts payable – trade	278.2	300.5
Accounts payable – related parties	96.0	39.6
Accrued product payables	1,526.2	1,142.4
Accrued interest payable	169.4	151.9
Other accrued expenses	32.3	48.8
Derivative liabilities (see Note 4)	337.0	287.2
Other current liabilities	191.1	252.7
Total current liabilities	2,811.6	2,223.1
Long-term debt: (see Note 9)		
Senior debt obligations – principal	7,950.1	7,813.4
Junior subordinated notes – principal	1,232.7	1,232.7
Other	41.5	62.3
Total long-term debt	9,224.3	9,108.4
Deferred tax liabilities	68.8	66.1
Other long-term liabilities	98.9	81.3
Commitments and contingencies		

Equity: (see Note 10)		
Enterprise Products Partners L.P. partners' equity:		
Limited Partners:		
Common units (457,313,797 units outstanding at June 30, 2009 and 439,354,731 units outstanding at December 31, 2008)	6,278.7	6,036.9
Restricted common units (2,935,450 units outstanding at June 30, 2009 and 2,080,600 units outstanding at December 31, 2008)	32.1	26.2
General partner	128.6	123.6
Accumulated other comprehensive loss	(130.9)	(97.2)
Total Enterprise Products Partners L.P. partners' equity	6,308.5	6,089.5
Noncontrolling interest	510.4	389.1
Total equity	6,818.9	6,478.6
Total liabilities and equity	$19,022.5	$17,957.5

See Notes to Unaudited Condensed Consolidated Financial Statements.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
Revenues:				
Third parties	$3,382.8	$6,116.9	$6,561.4	$11,500.7
Related parties	125.1	222.8	369.6	523.5
Total revenues (see Note 11)	3,507.9	6,339.7	6,931.0	12,024.2
Costs and expenses:				
Operating costs and expenses:				
Third parties	2,925.3	5,824.7	5,756.9	10,959.3
Related parties	208.9	135.3	418.6	311.9
Total operating costs and expenses	3,134.2	5,960.0	6,175.5	11,271.2
General and administrative costs:				
Third parties	11.2	10.5	16.4	14.0
Related parties	16.6	13.5	34.4	31.2
Total general and administrative costs	27.8	24.0	50.8	45.2
Total costs and expenses	3,162.0	5,984.0	6,226.3	11,316.4
Equity in income (loss) of unconsolidated affiliates	(17.6)	18.6	(4.2)	33.2
Operating income	328.3	374.3	700.5	741.0
Other income (expense):				
Interest expense	(126.2)	(95.8)	(246.6)	(187.7)
Interest income	0.6	1.0	1.2	2.6
Other, net	(0.4)	(0.3)	(0.3)	(1.0)
Total other expense, net	(126.0)	(95.1)	(245.7)	(186.1)
Income before provision for income taxes	202.3	279.2	454.8	554.9
Provision for income taxes	(2.2)	(6.9)	(17.4)	(10.6)
Net income	200.1	272.3	437.4	544.3
Net income attributable to noncontrolling interest	(13.5)	(9.0)	(25.5)	(21.4)
Net income attributable to Enterprise Products Partners L.P.	$186.6	$263.3	$411.9	$522.9
Net income allocated to:				
Limited partners	$147.0	$227.7	$333.3	$452.9
General partner	$39.6	$35.6	$78.6	$70.0
Basic and diluted earnings per unit (see Note 13)	$0.32	$0.52	$0.73	$1.03

See Notes to Unaudited Condensed Consolidated Financial Statements.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
Net income	$200.1	$272.3	$437.4	$544.3
Other comprehensive income (loss):				
Cash flow hedges:				
Commodity derivative instrument gains (losses) during period	(76.6)	31.1	(138.6)	119.9
Reclassification adjustment for (gains) losses included in net income related to commodity derivative instruments	66.3	(16.9)	98.5	(12.7)
Interest rate derivative instrument gains (losses) during period	15.8	4.2	15.1	(21.8)
Reclassification adjustment for (gains) losses included in net income related to interest rate derivative instruments	1.1	(0.8)	2.0	(2.4)
Foreign currency derivative gains (losses)	0.1	(0.1)	(10.5)	(1.3)
Total cash flow hedges	6.7	17.5	(33.5)	81.7
Foreign currency translation adjustment	1.0	0.5	0.6	0.1
Change in funded status of pension and postretirement plans, net of tax	--	--	--	(0.3)
Total other comprehensive income (loss)	7.7	18.0	(32.9)	81.5
Comprehensive income	207.8	290.3	404.5	625.8
Comprehensive income attributable to noncontrolling interest	(13.7)	(12.5)	(26.3)	(21.1)
Comprehensive income attributable to Enterprise Products Partners L.P.	$194.1	$277.8	$378.2	$604.7

See Notes to Unaudited Condensed Consolidated Financial Statements.

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

	For the Six Months Ended June 30, 2009	For the Six Months Ended June 30, 2008
Operating activities:		
Net income	$437.4	$544.3
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion	312.9	274.3
Equity in (income) loss of unconsolidated affiliates	4.2	(33.2)
Distributions received from unconsolidated affiliates	38.5	56.0
Operating lease expense paid by EPCO, Inc.	0.3	1.0
Gain from asset sales and related transactions	(0.4)	(0.8)
Deferred income tax expense	1.8	2.5
Changes in fair market value of derivative instruments	(11.7)	9.6
Effect of pension settlement recognition	(0.1)	(0.1)
Net effect of changes in operating accounts (see Note 16)	(345.2)	(156.9)
Net cash flows provided by operating activities	437.7	696.7
Investing activities:		
Capital expenditures	(640.0)	(1,091.2)
Contributions in aid of construction costs	10.3	17.8
Decrease in restricted cash	19.4	71.0
Cash used for business combinations	(23.7)	--
Acquisition of intangible assets	--	(5.1)
Investments in unconsolidated affiliates	(12.5)	(25.0)
Other proceeds from investing activities	4.3	0.5
Cash used in investing activities	(642.2)	(1,032.0)
Financing activities:		
Borrowings under debt agreements	2,785.1	3,914.7
Repayments of debt	(2,471.2)	(3,063.0)
Debt issuance costs	(5.4)	(8.6)
Distributions paid to partners	(566.4)	(509.0)
Distributions paid to noncontrolling interest (see Note 10)	(27.8)	(29.1)
Net proceeds from issuance of common units	398.8	38.0
Contributions from noncontrolling interest (see Note 10)	123.2	--
Acquisition of treasury units	--	(0.7)
Monetization of interest rate derivative instruments	--	(22.1)
Cash provided by financing activities	236.3	320.2
Effect of exchange rate changes on cash	(2.2)	0.1
Net change in cash and cash equivalents	31.8	(15.1)
Cash and cash equivalents, January 1	35.4	39.7
Cash and cash equivalents, June 30	$65.0	$24.7

See Notes to Unaudited Condensed Consolidated Financial Statements.

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

	Enterprise Products Partners L.P.				
	Limited Partners	General Partner	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
Balance, December 31, 2008	$6,063.1	$123.6	$ (97.2)	$ 389.1	$6,478.6
Net income	333.3	78.6	--	25.5	437.4
Operating leases paid by EPCO, Inc.	0.3	--	--	--	0.3
Cash distributions to partners	(484.4)	(81.7)	--	--	(566.1)
Unit option reimbursements to EPCO, Inc.	(0.3)	--	--	--	(0.3)
Distributions paid to noncontrolling interest (see Note 10)	--	--	--	(27.8)	(27.8)
Net proceeds from issuance of common units	390.6	8.0	--	--	398.6
Proceeds from exercise of unit options	0.2	--	--	--	0.2
Contributions from noncontrolling interest (see Note 10)	--	--	--	122.8	122.8
Amortization of equity awards	8.0	0.1	--	--	8.1
Foreign currency translation adjustment	--	--	0.6	--	0.6
Cash flow hedges	--	--	(34.3)	0.8	(33.5)
Balance, June 30, 2009	$6,310.8	$128.6	$ (130.9)	$ 510.4	$6,818.9

	Enterprise Products Partners L.P.				
	Limited Partners	General Partner	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total
Balance, December 31, 2007	$5,992.9	$122.3	$ 19.1	$ 427.8	$6,562.1
Net income	452.9	70.0	--	21.4	544.3
Operating leases paid by EPCO, Inc.	1.0	--	--	--	1.0
Cash distributions to partners	(438.8)	(69.7)	--	--	(508.5)
Unit option reimbursements to EPCO, Inc.	(0.5)	--	--	--	(0.5)
Distributions paid to noncontrolling interest (see Note 10)	--	--	--	(29.1)	(29.1)
Net proceeds from issuance of common units	36.7	0.7	--	--	37.4
Proceeds from exercise of unit options	0.6	--	--	--	0.6
Amortization of equity awards	5.3	0.1	--	--	5.4
Acquisition of treasury units	(0.7)	--	--	--	(0.7)
Foreign currency translation adjustment	--	--	0.1	--	0.1
Change in funded status of pension and postretirement plans	--	--	(0.3)	--	(0.3)

Cash flow hedges	--	--	81.9	(0.2)	81.7
Balance, June 30, 2008	$6,049.4	$123.4	$ 100.8	$ 419.9	$6,693.5

See Notes to Unaudited Condensed Consolidated Financial Statements.

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

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

Note 1. Partnership Organization

Partnership Organization

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

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

References to "TEPPCO" mean TEPPCO Partners, L.P., a publicly traded limited partnership, the common units of which are listed on the NYSE under the ticker symbol "TPP." References to "TEPPCO GP" refer to Texas Eastern Products Pipeline Company, LLC, which is the general partner of TEPPCO and is wholly owned by Enterprise GP Holdings. On June 28, 2009, we and TEPPCO (including TEPPCO GP) entered into definitive agreements to merge. See Note 12 for additional information regarding the merger agreements.

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

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

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

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

Basis of Presentation

Effective January 1, 2009, we adopted the provisions of Statement of Financial Accounting Standards ("SFAS") 160 (Accounting Standards Codification ("ASC") 810), Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51. SFAS 160 established accounting and reporting standards for noncontrolling interests, which were previously identified as minority interest in our financial statements. This new standard requires, among other things, that (i) noncontrolling interests be presented as a component of equity on our consolidated balance sheet (i.e., elimination of the "mezzanine" presentation previously used for minority interest); (ii) elimination of minority interest amounts as a deduction in deriving net income or loss and, as a result, that net income or loss be allocated between controlling and noncontrolling interests; and (iii) comprehensive income or loss be allocated between controlling and noncontrolling interest. Earnings per unit amounts are not affected by these changes. See Note 10 for additional information regarding noncontrolling interest.

The consolidated financial statements included in this Quarterly Report have been retrospectively adjusted to reflect the changes required by SFAS 160. As a result, net income reported for the three and six months ended June 30, 2008 in these financial statements is higher than that disclosed previously; however, the allocation of such net income results in our unitholders, general partner and noncontrolling interests (i.e., the former minority interest) receiving the same amounts as they did previously.

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

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

In our opinion, the accompanying Unaudited Condensed Consolidated Financial Statements include all adjustments consisting of normal recurring accruals necessary for fair presentation. Although we believe the disclosures in these financial statements are adequate to make the information presented not misleading, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). These Unaudited Condensed Consolidated Financial Statements and Notes thereto should be read in conjunction with the Audited Consolidated Financial Statements and Notes thereto included in our Current Report on Form 8-K dated July 8, 2009 (the "Recast Form 8-K"), which retrospectively adjusted portions of our Annual Report on Form 10-K for the year ended December 31, 2008 to reflect our adoption of SFAS 160 and Emerging Issues Task Force ("EITF") 07-4 (ASC 260), Application of the Two Class Method Under FASB Statement No. 128 to Master Limited Partnerships, and the resulting change in presentation and disclosure requirements.

Note 2. General Accounting Matters

Estimates

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

Fair Value Information

Cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, and other current liabilities are carried at amounts which reasonably approximate their fair values due to their short-

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term nature. The estimated fair values of our fixed rate debt are based on quoted market prices for such debt or debt of similar terms and maturities. The carrying amounts of our variable rate debt obligations reasonably approximate their fair values due to their variable interest rates. See Note 4 for fair value information associated with our derivative instruments. The following table presents the estimated fair values of our financial instruments at the dates indicated:

	June 30, 2009		December 31, 2008	
Financial Instruments	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Cash and cash equivalents, including restricted cash	$249.4	$249.4	$239.2	$239.2
Accounts receivable	1,279.6	1,279.6	1,247.1	1,247.1
Financial liabilities:				
Accounts payable and accrued expenses	2,102.1	2,102.1	1,683.2	1,683.2
Other current liabilities	191.1	191.1	252.7	252.7
Fixed-rate debt (principal amount)	7,986.7	7,760.9	7,704.3	6,639.0
Variable-rate debt	1,377.5	1,377.5	1,341.8	1,341.8

Recent Accounting Developments

The following information summarizes recently issued accounting guidance since those reported in our Recast Form 8-K that will or may affect our future financial statements.

In April 2009, the Financial Accounting Standards Board ("FASB") issued new guidance in the form of FASB Staff Positions ("FSPs") in an effort to clarify certain fair value accounting rules. FSP FAS 157-4 (ASC 820), Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly, establishes a process to determine whether a market is not active and a transaction is not distressed. FSP FAS 157-4 states that companies should look at several factors and use judgment to ascertain if a formerly active market has become inactive. When estimating fair value, FSP FAS 157-4 requires companies to place more weight on observable transactions determined to be orderly and less weight on transactions for which there is insufficient information to determine whether the transaction is orderly (entities do not have to incur undue cost and effort in making this determination). The FASB also issued FSP FAS 107-1 and APB 28-1 (ASC 825), Interim Disclosures About Fair Value of Financial Instruments. This FSP requires that companies provide qualitative and quantitative information about fair value estimates for all financial instruments not measured on the balance sheet at fair value in each interim report. Previously, this was only an annual requirement. We adopted these FSPs on June 30, 2009. Our adoption of this new guidance did not have a material impact on our financial statements or related disclosures.

In May 2009, the FASB issued SFAS 165 (ASC 855), Subsequent Events, which establishes general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. We adopted SFAS 165 on June 30, 2009. Our adoption of this guidance did not have any impact on our financial position, results of operations or cash flows.

In June 2009, the FASB issued SFAS 167 (ASC 810), Amendments to FASB Interpretation No. 46(R), which amended consolidation guidance for variable interest entities ("VIEs") under FASB Interpretation ("FIN") No. 46(R)

(ASC 810-10), Consolidation of Variable Interest Entities. VIEs are entities whose equity investors do not have sufficient equity capital at risk such that the entity cannot finance its own activities. When a business has a controlling financial interest in a VIE, the assets, liabilities and profit or loss of that entity must be included in consolidation. A business enterprise must consolidate a VIE when that enterprise has a variable interest that will cover most of the entity's expected losses and/or receive most of the entity's anticipated residual return. SFAS 167, among other things, eliminates the scope exception for qualifying special-purpose entities, amends certain guidance for determining whether an entity is a VIE, expands the list of events that trigger reconsideration of whether an entity is a VIE, requires a qualitative rather than a quantitative analysis to determine the primary beneficiary of a VIE, requires continuous assessments of whether a company is the primary beneficiary of a VIE and requires enhanced disclosures about a company's involvement with a VIE. SFAS 167 is effective for us on January 1, 2010. At June 30, 2009, we did not have any VIEs; therefore, our adoption of this new guidance is not expected to have a material impact on our consolidated financial statements.

In June 2009, the FASB also issued SFAS 168 (ASC 105), The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162, which establishes the ASC as the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. The ASC is a reorganization of current GAAP into a topical format that eliminates the current GAAP hierarchy and establishes two levels of guidance – authoritative and nonauthoritative. All guidance contained in the ASC carries an equal level of authority. Rules and interpretive releases of the SEC under federal securities laws are also sources of authoritative GAAP for SEC registrants. SFAS 168 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP. We will adopt SFAS 168 on September 30, 2009. Our adoption of this guidance is not expected to have any impact on our financial position, results of operations or cash flows. References to specific GAAP in our consolidated financial statements after our adoption of SFAS 168 will refer exclusively to the ASC. We have elected to provide references to the ASC parenthetically in this Quarterly Report.

Restricted Cash

Restricted cash represents amounts held in connection with our commodity derivative instruments portfolio and New York Mercantile Exchange ("NYMEX") physical natural gas purchases. Additional cash may be restricted to maintain our positions as commodity prices fluctuate or deposit requirements change. At June 30, 2009 and December 31, 2008, our restricted cash amounts were $184.4 million and $203.8 million, respectively. See Note 4 for additional information regarding derivative instruments and hedging activities.

Subsequent Events

We have evaluated subsequent events through August 6, 2009, which is the date our Unaudited Condensed Consolidated Financial Statements and Notes are being issued.

Note 3. Accounting for Equity Awards

We account for equity awards in accordance with SFAS 123(R) (ASC 505 and 718), Share-Based Payment. Such awards were not material to our consolidated financial position, results of operations or cash flows for all periods presented. The amount of equity-based compensation allocable to our businesses was $5.3 million and $3.5 million for the three months ended June 30, 2009 and 2008, respectively. For the six months ended June 30, 2009 and 2008, the amount of equity-based compensation allocable to our businesses was $8.2 million and $6.3 million, respectively.

Certain key employees of EPCO participate in long-term incentive compensation plans managed by EPCO. The compensation expense we record related to equity awards is based on an allocation of the total cost of such incentive plans to EPCO. We record our pro rata share of such costs based on the percentage of time each employee spends on our consolidated business activities.

EPCO 1998 Long-Term Incentive Plan

The EPCO 1998 Long-Term Incentive Plan ("EPCO 1998 Plan") provides for the issuance of up to 7,000,000 of our common units. After giving effect to the issuance or forfeiture of option awards and restricted unit awards through June 30, 2009, a total of 301,600 additional common units could be issued under the EPCO 1998 Plan.

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

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

	Number of Units	Weighted-Average Strike Price (dollars/unit)	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (1)
Outstanding at December 31, 2008	2,168,500	$ 26.32		
Granted (2)	30,000	20.08		
Exercised	(25,000)	13.16		
Forfeited	(365,000)	26.38		
Outstanding at June 30, 2009	1,808,500	26.39	4.8	$ 1.5
Options exercisable at June 30, 2009	403,500	21.33	3.9	$ 1.5

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

The total intrinsic value of option awards exercised during the three months ended June 30, 2009 and 2008 was $0.2 million and $0.4 million, respectively. For the six months ended June 30, 2009 and 2008, the total intrinsic value of option awards exercised was $0.3 million and $0.5 million, respectively. At June 30, 2009, the estimated total unrecognized compensation cost related to nonvested unit option awards granted under the EPCO 1998 Plan was $1.3 million. We will recognize our share of these costs in accordance with the EPCO administrative services agreement (the "ASA") (see Note 12) over a weighted-average period of 2.0 years.

During the six months ended June 30, 2009 and 2008, we received cash of $0.2 million and $0.6 million, respectively, from the exercise of option awards granted under the EPCO 1998 Plan. Conversely, our option-related reimbursements to EPCO during each of these periods were $0.3 million and $0.5 million, respectively.

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

	Number of Units	Weighted-Average Grant Date Fair Value per Unit (1)
Restricted units at December 31, 2008	2,080,600	
Granted (2)	1,011,350	$ 20.63
Vested	(12,500)	27.59
Forfeited	(144,000)	29.41
Restricted units at June 30, 2009	2,935,450	

(1) Determined by dividing the aggregate grant date fair value of awards by the number of awards issued. The weighted-average grant date fair value per unit for forfeited and vested awards is determined before an allowance for forfeitures.
(2) Aggregate grant date fair value of restricted unit awards issued during 2009 was $20.9 million based on grant date market prices of our common units ranging from $20.08 to $24.92 per unit and an estimated forfeiture rate ranging between 4.6% and 17%.

The total fair value of restricted unit awards that vested during the six months ended June 30, 2009 was $0.3 million. Such amount was immaterial for the three months ended June 30, 2009. At June 30, 2009, the estimated total unrecognized compensation cost related to nonvested restricted unit awards granted under the EPCO 1998 Plan was $44.2 million. We expect to recognize our share of this cost over a weighted-average period of 2.5 years in accordance with the ASA.

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

Enterprise Products 2008 Long-Term Incentive Plan

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

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

	Number of Units	Weighted-Average Strike Price (dollars/unit)	Weighted-Average Remaining Contractual Term (in years)
Outstanding at December 31, 2008	795,000	$ 30.93	
Granted (1)	1,430,000	23.53	
Forfeited	(90,000)	30.93	
Outstanding at June 30, 2009 (2)	2,135,000	25.97	5.2

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

At June 30, 2009, the estimated total unrecognized compensation cost related to nonvested unit option awards granted under the EPD 2008 LTIP was $7.1 million. We expect to recognize our share of this cost over a weighted-average period of 3.6 years in accordance with the ASA.

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

Employee Partnerships

As of June 30, 2009, the estimated total unrecognized compensation cost related to the five Employee Partnerships was $39.9 million. We will recognize our share of these costs in accordance with the ASA over a weighted-average period of 4.5 years.

DEP GP Unit Appreciation Rights

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

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Note 4. Derivative Instruments and Hedging Activities

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

SFAS 133 (ASC 815), Accounting for Derivative Instruments and Hedging Activities, requires companies to recognize derivative instruments at fair value as either assets or liabilities on the balance sheet. While the standard requires that all derivatives be reported at fair value on the balance sheet, changes in fair value of the derivative instruments will be reported in different ways depending on the nature and effectiveness of the hedging activities to which they are related. After meeting specified conditions, a qualified derivative may be specifically designated as a total or partial hedge of:

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

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

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

An effective hedge is one in which the change in fair value of a derivative instrument can be expected to offset 80% to 125% of changes in the fair value of a hedged item at inception and throughout the life of the hedging relationship. The effective portion of a hedge is the amount by which the derivative instrument exactly offsets the change in fair value of the hedged item during the reporting period. Conversely, ineffectiveness represents the change in the fair value of the derivative instrument that does not exactly offset the change in the fair value of the hedged item. Any ineffectiveness associated with a hedge is recognized in earnings immediately. Ineffectiveness can be caused by, among other things, changes in the timing of forecasted transactions or a mismatch of terms between the derivative instrument and the hedged item.

On January 1, 2009, we adopted the disclosure requirements of SFAS 161 (ASC 815), Disclosures About Derivative Financial Instruments and Hedging Activities. SFAS 161 requires enhanced qualitative and quantitative disclosure requirements regarding derivative instruments. This footnote reflects the new disclosure standard.

Interest Rate Derivative Instruments

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

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The following table summarizes our interest rate derivative instruments outstanding at June 30, 2009, all of which were designated as hedging instruments under SFAS 133:

Hedged Transaction	Number and Type of Derivative Employed	Notional Amount	Period of Hedge	Rate Swap	Accounting Treatment
Enterprise Products Partners:					
Senior Notes C	1 fixed-to-floating swap	$100.0	1/04 to 2/13	6.4% to 3.5%	Fair value hedge
Senior Notes G	3 fixed-to-floating swaps	$300.0	10/04 to 10/14	5.6% to 2.6%	Fair value hedge
Senior Notes P	6 fixed-to-floating swaps	$350.0	6/09 to 8/12	4.6% to 2.8%	Fair value hedge
Duncan Energy Partners:					
Variable-interest rate borrowings	3 floating-to-fixed swaps	$175.0	9/07 to 9/10	0.6% to 4.6%	Cash flow hedge

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

In the first quarter of 2009, we entered into two forward starting interest rate swaps to hedge the underlying benchmark interest payments related to the forecasted issuances of debt.

Hedged Transaction	Number and Type of Derivative Employed	Notional Amount	Period of Hedge	Average Rate Locked	Accounting Treatment
Enterprise Products Partners:					
Future debt offering	1 forward starting swap	$50.0	6/10 to 6/20	3.293%	Cash flow hedge
Future debt offering	1 forward starting swap	$150.0	2/11 to 2/21	3.4615%	Cash flow hedge

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

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Commodity Derivative Instruments

The prices of natural gas, NGLs and certain petrochemical products are subject to fluctuations in response to changes in supply, demand, general market uncertainty and a variety of additional factors that are beyond our control. In order to manage the price risk associated with such products, we enter into commodity derivative instruments such as forwards, basis swaps and futures contracts. The following table summarizes our commodity derivative instruments outstanding at June 30, 2009: