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

OR

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

FOR THE QUARTER ENDED SEPTEMBER 30, 1997

COMMISSION FILE NO. 1-10403

TEPPCO PARTNERS, L.P.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	76-0291058
(STATE OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

2929 ALLEN PARKWAY
P.O. BOX 2521
HOUSTON, TEXAS 77252-2521
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES, INCLUDING ZIP CODE)

(713) 759-3636
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

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

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TEPPCO PARTNERS, L.P.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	SEPTEMBER 30, 1997 (UNAUDITED)	DECEMBER 31, 1996
ASSETS		
Current assets:		
Cash and cash equivalents	$ 27,731	$ 34,047
Short-term investments	8,176	24,085
Accounts receivable, trade	15,481	18,326
Inventories	18,989	18,914
Other	5,820	3,371
Total current assets	76,197	98,743
Property, plant and equipment, at cost (Net of accumulated depreciation and amortization of $166,828 and $149,597)	565,339	561,068
Investments	8,736	6,936
Other assets	4,953	4,494
Total assets	$ 655,225	$ 671,241
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Current maturities, First Mortgage Notes	$ 17,000	$ 13,000
Accounts payable and accrued liabilities	8,120	8,300
Accounts payable, general partner	3,418	3,007
Accrued interest	2,304	10,930
Other accrued taxes	6,035	5,455
Other	5,564	6,861
Total current liabilities	42,441	47,553
First Mortgage Notes	309,512	326,512
Other liabilities and deferred credits	3,597	3,902
Minority interest	3,028	2,963
Partners' capital:		
General partner's interest	5,311	4,616
Limited partners' interests	291,336	285,695
Total partners' capital	296,647	290,311
Total liabilities and partners' capital	$ 655,225	$ 671,241

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

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

	THREE MONTHS ENDED SEPTEMBER 30, 1997	THREE MONTHS ENDED SEPTEMBER 30, 1996	NINE MONTHS ENDED SEPTEMBER 30, 1997	NINE MONTHS ENDED SEPTEMBER 30, 1996
Operating revenues:				
Transportation - Refined products	$ 28,359	$ 26,691	$ 81,020	$ 74,913
Transportation - LPGs	14,843	14,759	52,587	54,342
Gain on sale of inventory	191	44	2,247	3,616
Mont Belvieu operations	3,765	2,741	9,385	8,359
Other	6,147	5,293	16,140	16,093
Total operating revenues	53,305	49,528	161,379	157,323
Costs and expenses:				
Operating, general and administrative	25,530	24,340	71,550	70,610
Depreciation and amortization	6,039	5,912	17,740	17,805
Taxes - other than income taxes	2,299	1,827	7,191	6,426
Total costs and expenses	33,868	32,079	96,481	94,841
Operating income	19,437	17,449	64,898	62,482
Interest expense, First Mortgage Notes	(8,368)	(8,685)	(25,339)	(26,237)
Interest costs capitalized	214	323	1,186	703
Other income - net	277	1,410	2,051	4,290
Income before minority interest	11,560	10,497	42,796	41,238
Minority interest	(116)	(105)	(432)	(416)
Net income	$ 11,444	$ 10,392	$ 42,364	$ 40,822
Net income per Unit	$ 0.71	$ 0.65	$ 2.70	$ 2.64

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

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

	NINE MONTHS ENDED SEPTEMBER 30, 1997	NINE MONTHS ENDED SEPTEMBER 30, 1996
Cash flows from operating activities:		
Net income	$ 42,364	$ 40,822
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	17,740	17,805
Decrease in accounts receivable, trade	2,845	5,741
Decrease (increase) in inventories	(75)	2,838
Increase in other current assets	(2,449)	(960)
Decrease in accounts payable and accrued expenses	(9,112)	(12,935)
Other	(269)	878
Net cash provided by operating activities	51,044	54,189
Cash flows from investing activities:		
Proceeds from investments	17,970	10,879
Purchases of investments	(3,906)	(14,436)
Insurance proceeds related to damaged asset	1,046	--
Proceeds from the sale of property, plant and equipment	1,377	--
Restricted investments designated for property additions	--	10,553
Capital expenditures	(24,549)	(29,424)
Net cash used in investing activities	(8,062)	(22,428)
Cash flows from financing activities:		
Principal payment, First Mortgage Notes	(13,000)	(10,000)
Distributions	(36,298)	(33,397)
Net cash used in financing activities	(49,298)	(43,397)
Net decrease in cash and cash equivalents	(6,316)	(11,636)
Cash and cash equivalents at beginning of period	34,047	39,663
Cash and cash equivalents at end of period	$ 27,731	$ 28,027
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS:		
Interest paid during the period (net of capitalized interest)	$ 32,376	$ 33,963

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1. ORGANIZATION AND BASIS OF PRESENTATION

TEPPCO Partners, L.P. is a Delaware limited partnership which operates through TE Products Pipeline Company, Limited Partnership, a Delaware limited partnership (collectively the "Partnership"), in which TEPPCO Partners, L.P. holds a 99% interest as the sole limited partner. Texas Eastern Products Pipeline Company, (the "Company") is the general partner of the Partnership and has agreed not to voluntarily withdraw as the general partner of the Partnership, subject to certain limited exceptions, prior to January 1, 2000. On June 18, 1997, PanEnergy Corp and Duke Power Company completed a previously announced merger. At closing, the combined companies became Duke Energy Corporation ("Duke Energy"). The Company, previously a wholly-owned subsidiary of PanEnergy Corp, became an indirect wholly-owned subsidiary of Duke Energy on the date of the merger.

The accompanying unaudited consolidated financial statements reflect all adjustments, which are, in the opinion of management, of a normal and recurring nature and necessary for a fair statement of the financial position of the Partnership as of September 30, 1997, and the results of operations and cash flows for the periods presented. The results of operations for the nine months ended September 30, 1997, are not necessarily indicative of results of operations for the full year 1997. The interim financial statements should be read in conjunction with the Partnership's consolidated financial statements and notes thereto presented in the TEPPCO Partners, L.P. Annual Report on Form 10-K for the year ended December 31, 1996.

Net income per Unit is computed by dividing net income, after deduction of the general partner's interest, by the weighted average number of Units outstanding (a total of 14,500,000 Units as of September 30, 1997). The general partner's percentage interest in net income is based on its percentage of cash distributions from Available Cash for each period (see Note 6). The general partner was allocated 7.73% and 6.35% of net income for the nine months ended September 30, 1997 and 1996, respectively.

NOTE 2. ACCOUNTING POLICY CHANGE

In February 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") 128, "Earnings per Share." This statement establishes standards for computing and presenting net income per Unit and requires, among other things, dual presentation of basic and diluted net income per Unit on the face of the consolidated statements of income. This statement is effective for financial statements for periods ending after December 15, 1997. The Partnership will adopt SFAS 128 by December 31, 1997, and does not expect the adoption to have a material impact on its calculation of net income per Unit.

In June 1997, the FASB issued SFAS 130, "Reporting Comprehensive Income." This statement establishes standards for reporting and display of comprehensive income and its components in a full set of financial statements. In June 1997, the FASB also issued SFAS 131, "Disclosures about Segments of an Enterprise and Related Information." This statement establishes standards for reporting information about operating segments in annual financial statements and requires that enterprises report selected information about operating segments in interim reports issued to shareholders. Both of these statements are effective for financial statements for periods beginning after December 15, 1997. As both SFAS 130 and 131 establish standards for reporting and display, the Partnership does not expect the adoption of these statements to have a material impact on its financial condition or results of operations.

NOTE 3. INVESTMENTS

SHORT-TERM INVESTMENTS

The Partnership routinely invests cash in liquid short-term investments as part of its cash management program. Investments with maturities at date of purchase of 90 days or less are considered cash and cash equivalents. At September 30, 1997, short-term investments included $8.2 million of investment-grade medium-term corporate debt securities, which mature within one year. All short-term investments are stated at amortized cost, which approximates the aggregate fair value at September 30, 1997, and are classified as held-to-maturity securities.

LONG-TERM INVESTMENTS

At September 30, 1997, the Partnership had $8.7 million invested in investment-grade medium-term corporate debt securities, which have varying maturities from 1999 through 2001. These securities are classified as held-to-maturity securities and are stated at amortized cost. At September 30, 1997, the aggregate fair value and unrealized gain for these securities was $8.8 million and $0.1 million, respectively. Such investments included a $0.9 million investment in Duke Power Company corporate notes as of September 30, 1997.

NOTE 4. FIRST MORTGAGE NOTES

In connection with its formation, TE Products Pipeline Company, Limited Partnership issued 9.60% Series A First Mortgage Notes, due 2000, and 10.20% Series B First Mortgage Notes, due 2010 (collectively the "First Mortgage Notes"). The First Mortgage Notes, which are secured by a mortgage on substantially all property, plant and equipment of the Partnership, have mandatory annual prepayments at par through March 7, 2010. Interest is payable semiannually on each March 7 and September 7 until retirement of the First Mortgage Notes. On March 7, 1997, the Partnership paid $13.0 million for current maturities due on the First Mortgage Notes. At September 30, 1997, the current maturities of the First Mortgage Notes were $17.0 million, which are payable on March 6, 1998.

The agreements relating to the First Mortgage Notes contain certain covenant restrictions, including limitations on cash distributions and on the amount of future indebtedness, none of which is expected to have a material adverse effect on the Partnership's operations.

NOTE 5. INVENTORIES

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

NOTE 6. CASH DISTRIBUTIONS

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

On August 8, 1997, the Partnership paid the second quarter cash distribution of $0.80 per Unit to Unitholders of record on July 31, 1997. Additionally, on October 17, 1997, the Partnership declared a cash distribution of $0.80 per Unit for the quarter ended September 30, 1997. The third quarter distribution was paid on November 7, 1997, to Unitholders of record on October 31, 1997.

The Company receives incremental incentive distributions of 15%, 25% and 50% on quarterly distributions of Available Cash that exceed $0.55, $0.65 and $0.90 per Unit, respectively. During the nine months ended September 30, 1997 and 1996, incentive distributions paid to the Company totaled $2.3 million and $1.6 million, respectively.

NOTE 7. COMMITMENTS AND CONTINGENCIES

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

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

The Partnership and the Indiana Department of Environmental Management ("IDEM") have entered into an Agreed Order that will ultimately result in a remediation program for any on-site and off-site groundwater contamination attributable to the Partnership's operations at the Seymour, Indiana, terminal. As part of the Agreed Order, the Partnership has completed the remedial investigation sampling for groundwater contamination. In November 1997, IDEM approved the final remedial investigation report for the Seymour terminal. The Partnership is currently negotiating with IDEM the clean-up levels to be attained at the Seymour terminal. In the opinion of the general partner, the completion of the remediation program to be proposed by the Partnership, if such program is approved by IDEM, will not have a material adverse impact on the Partnership.

Substantially all of the petroleum products transported and stored by the Partnership are owned by the Partnership's customers. At September 30, 1997, The Partnership had approximately 20.8 million barrels of products in its custody owned by customers. The Partnership is obligated for the transportation, storage and delivery of such products on behalf of its customers. The Partnership maintains insurance adequate to cover product losses through circumstances beyond its control.

TEPPCO PARTNERS, L.P.

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

NOTE 8. SUBSEQUENT EVENT

On October 22, 1997, TE Products Pipeline Company, Limited Partnership filed a Registration Statement on Form S-3 under the Securities Act of 1933 for the registration of $150 million principal amount of Senior Notes due 2007 and $240 million principal amount of Senior Notes due 2027 (collectively the "Notes"). The net proceeds from the sale of the Notes, estimated to be approximately $387 million, will be used to repay the First Mortgage Notes of approximately $327 million, together with a redemption premium thereon currently estimated at approximately $60 million. The precise amount of the redemption premium will depend upon U. S. Treasury interest rates in effect on the day prior to the redemption of the First Mortgage Notes. The closing of the Notes and the redemption of the First Mortgage Notes are expected to occur simultaneously.

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

GENERAL

The Partnership's operations consist of the transportation, storage and terminaling of refined petroleum products and liquefied petroleum gases ("LPGs"). Operations are somewhat seasonal with higher revenues generally realized during the first and fourth quarters of each year. Refined products volumes are generally higher during the second and third quarters because of greater demand for gasolines during the spring and summer driving seasons. LPGs volumes are generally higher from November through March due to higher demand in the Northeast for propane, a major fuel for residential heating.

The Partnership's revenues are derived from the transportation of refined products and LPGs, the storage and short-haul shuttle transportation of LPGs at the Mont Belvieu, Texas complex, sale of product inventory and other ancillary services. Labor and electric power costs comprise the two largest operating expense items of the Partnership.

The following information is provided to facilitate increased understanding of the 1997 and 1996 interim consolidated financial statements and accompanying notes presented in Item 1. Material period-to-period variances in the consolidated statements of income are discussed under "Results of Operations." The "Financial Condition and Liquidity" section analyzes cash flows and financial position. Discussion included in "Other Matters" addresses key trends, future plans and contingencies. Throughout these discussions, management addresses items that are reasonably likely to materially affect future liquidity or earnings.

RESULTS OF OPERATIONS

Net income for the quarter ended September 30, 1997 was $11.4 million, compared with net income of $10.4 million for the 1996 third quarter. The increase in net income resulted from a $3.8 million increase in operating revenues and a $0.3 million decrease in interest expense. These increases were partially offset by a $1.8 million increase in costs and expenses and a $1.1 million decrease in other income.

Net income for the nine months ended September 30, 1997 increased $1.6 million to $42.4 million, compared with net income of $40.8 million for the nine months ended September 30, 1996, due primarily to a $4.1 million increase in operating revenues, a $0.9 million decrease in interest expense and a $0.5 million increase in interest costs capitalized, partially offset by a $1.6 million increase in costs and expenses and a $2.2 million decrease in other income. See discussion below of factors affecting net income for the comparative periods.

See volume and average tariff information below:

	QUARTER ENDED SEPTEMBER 30,		PERCENTAGE INCREASE	NINE MONTHS ENDED SEPTEMBER 30,		PERCENTAGE INCREASE
	1997	1996	(DECREASE)	1997	1996	(DECREASE)
VOLUMES DELIVERED (in thousands of barrels)						
Refined products	31,226	30,646	2%	90,820	87,187	4%
LPGs	9,041	8,712	4%	29,052	28,866	1%
Mont Belvieu operations	7,782	5,778	35%	20,601	17,124	20%
Total	48,049	45,136	6%	140,473	133,177	5%
AVERAGE TARIFF PER BARREL						
Refined products	$ 0.91	$ 0.87	5%	$ 0.89	$ 0.86	3%
LPGs	1.64	1.69	(3%)	1.81	1.88	(4%)
Mont Belvieu operations	0.14	0.14	--	0.14	0.16	(13%)
Average system Tariff per barrel	$ 0.92	$ 0.94	(2%)	$ 0.97	$ 0.99	(2%)

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

RESULTS OF OPERATIONS - (CONTINUED)

Refined products transportation revenues increased $1.7 million for the quarter ended September 30, 1997, compared with the prior year quarter, as a result of higher deliveries of natural gasoline and methyl tertiary butyl ether ("MTBE"), higher tariff rates on the Ark-La-Tex system and higher tariff rates on barrels originating from the pipeline connection with Colonial Pipeline Company's ("Colonial") pipeline at Beaumont, Texas. The increase in natural gasoline deliveries was attributable to higher feedstock and blending demand in the Midwest due to increased gasoline production in that region. The increase in MTBE deliveries was due primarily to higher short-haul deliveries at the Partnership's marine terminal near Beaumont, Texas. Additionally, approximately $0.2 million of revenue was recognized on previously deferred deficit transportation payments for MTBE deliveries in the Midwest. Deliveries of motor fuel decreased, as compared to the third quarter of 1996, as a result of increased refinery utilization rates in the Midwest, refinery production problems along the upper Texas Gulf Coast and more favorable economics for Gulf Coast produced gasoline to be transported to other regions of the United States not supplied by the Partnership's pipeline system. The increase in tariff rates on the Ark-La-Tex system was due to new tariff structures for volumes transported on the expanded portion between Shreveport, Louisiana, and El Dorado, Arkansas, which was placed in service on March 31, 1997.

LPGs transportation revenues increased slightly during the 1997 third quarter, compared with the prior year third quarter, as a result of higher butane deliveries due primarily to a Northeast area refinery, which was shut down throughout 1996, resuming operations during the second quarter of 1997, and increased demand for propane in the Midwest. These increases were partially offset by lower propane deliveries in the Northeast due to higher amounts of Canadian imports in that market area. The decrease in the LPGs transportation average tariff rate per barrel resulted from the lower percentage of long-haul propane deliveries.

For the nine months ended September 30, 1997, refined products transportation revenues increased $6.1 million, compared with the corresponding period in 1996, due to a 4% increase in volumes delivered and a 3% increase in the refined products average tariff per barrel. The increase in refined products transportation volumes was attributable to increased feedstock and blending demand for natural gasoline in the Midwest, the full period impact in 1997 of the pipeline connection at the Little Rock Air Force Base, which was completed in June 1996, and increased MTBE deliveries at the marine terminal near Beaumont, Texas. Additionally, higher revenues were generated from the Ark-La-Tex system expansion and the pipeline connection with Colonial. These increases were partially offset by lower motor fuel and distillate deliveries due to higher refinery utilization rates in the Midwest during 1997.

LPGs transportation revenues decreased $1.8 million during the nine months ended September 30, 1997, compared with the same period in 1996, due to a 4% decrease in the LPGs average tariff per barrel, partially offset by a 1% increase in LPGs volumes delivered. Long-haul propane deliveries were lower than the prior year because of warmer winter weather in the Northeast during the first quarter of 1997. Increased Canadian imports of propane in the Northeast and butane in the Midwest market areas also resulted in decreased volumes delivered in 1997. These decreases were partially offset by stronger demand for butane and isobutane as a refinery feedstock due to the resumption during the second quarter of 1997 of operations at a Northeast refinery that was shut down throughout 1996. Increased propane demand along the upper Texas Gulf Coast resulted in a 33% increase in short-haul propane deliveries. The 4% decrease in the LPGs average tariff per barrel resulted from the higher percentage of short-haul propane deliveries during 1997.

Revenues generated from Mont Belvieu operations increased $1.0 million during the quarter and nine months ended September 30, 1997, compared with the corresponding periods in 1996, due primarily to higher terminaling fees on butane received into the system, increased propane dehydration fees and higher petrochemical demand for LPGs along the upper Texas Gulf Coast. The decrease in the Mont Belvieu operations average tariff per barrel for the nine months ended September 30, 1997, compared with the prior year, was due to a higher percentage of contract deliveries in 1997, which generally carry lower tariffs.

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

RESULTS OF OPERATIONS - (CONTINUED)

Gains on the sale of inventory decreased $1.4 million during the nine months ended September 30, 1997, compared with the corresponding period in 1996, as a result of lower volumes of gasoline being sold during 1997.

Other operating revenues increased $0.9 million during the 1997 third quarter, as compared to the same period in 1996, due primarily to revenue recognition of deficiency volumes on butane storage contracts and increased terminaling revenues, partially offset by lower refined products storage revenue.

During the nine months ended September 30, 1997, other operating revenues increased slightly due to the factors noted above, being offset by write downs of product inventory recorded during the second quarter of 1997 and lower propane imports received at the marine terminal at Providence, Rhode Island, during the first quarter of 1997.

Costs and expenses increased $1.8 million during the third quarter of 1997, compared with the prior year, due primarily to a $1.2 million increase in operating, general and administrative expenses and a $0.5 million increase in taxes - other than income taxes. The increase in operating, general and administrative expenses resulted primarily from increased throughput-related power costs, expenses recorded for environmental remediation at the Partnership's Seymour, Indiana, terminal, rental expense associated with the capacity lease with Colonial, which began in May 1997, and increased labor and benefits costs. These increases were partially offset by a reduction of expense related to the settlement of insurance claims for previously incurred environmental litigation costs. The increase in taxes - other than income taxes resulted from a credit recorded during the third quarter of 1996 due to 1995 ad valorem taxes being lower than estimated.

Costs and expenses increased $1.6 million during the first nine months of 1997, compared with the same period in 1996, due primarily to a $0.9 million increase in operating, general and administrative expenses and a $0.8 million increase in taxes - other than income taxes. The increase in operating, general and administrative expenses was primarily attributable to throughput-related expenses and rental expense of the Colonial capacity lease, partially offset by the insurance settlement during the third quarter of 1997, lower outside service costs for system maintenance and lower product measurement losses. The increase in taxes - other than income taxes was due to higher ad valorem tax assessments in 1997 and the credit for ad valorem taxes recorded during the third quarter of 1996.

Interest expense decreased during both the quarter and nine-month periods in 1997, compared with the same periods in 1996, due to principal payments on the First Mortgage Notes of $10.0 million and $13.0 million in March 1996 and 1997, respectively. Capitalized interest increased $0.5 million during the nine month period ended September 30, 1997, compared with the same period in 1996, as a result of higher construction balances related to capital projects, which commenced during 1996 and were completed during 1997.

Other income - net decreased during both the quarter and nine months ended September 30, 1997, compared with the corresponding periods in 1996, due primarily to lower interest income attributable to lower cash balances during 1997. Additionally, during the third quarter of 1997, a loss of $0.5 million was recorded on the sale of the Partnership's Arkansas City, Arkansas, terminal.

FINANCIAL CONDITION AND LIQUIDITY

Net cash from operations totaled $51.0 million for the nine-month period ended September 30, 1997, compared with $54.2 million for the corresponding period in 1996. The decrease resulted from a $4.6 million increase in working capital uses of cash, partially offset by a $1.5 million increase in income before charges for depreciation and amortization. The increase in working capital uses of cash resulted primarily from a receivable

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

FINANCIAL CONDITION AND LIQUIDITY - (CONTINUED)

related to insurance claims settled in September 1997, lower trade accounts receivable balances during 1997 and lower inventory sales during 1997, which were partially offset by lower cash payments for accrued expenses during 1997. Additionally, net cash from operations for the nine months ended September 30, 1997 and 1996 reflect semi-annual interest payments related to the First Mortgage Notes of $33.6 million and $34.7 million, respectively.

Cash flows used in investing activities during the first nine months of 1997 included $24.5 million of capital expenditures and $3.9 million of additional cash investments, partially offset by $18.0 million from investment maturities, $1.0 million of insurance proceeds related to the replacement value of a 20-inch diameter auxiliary pipeline at the Red River in central Louisiana, which was damaged in 1994 and subsequently removed from service and $1.4 million from the proceeds of the sale of the Arkansas City terminal. Cash flows used in investing activities during the first nine months of 1996 included $29.4 million of capital expenditures and additional investments of $14.4 million, partially offset by matured investments of $10.9 million. Capital expenditures are expected to total approximately $34 million for the full year of 1997. The Partnership revises capital spending periodically in response to changes in cash flows and operations. Interest income earned on all investments is included in cash from operations.

The Partnership paid cash distributions of $36.3 million during the nine months ended September 30, 1997. Additionally, on October 17, 1997, the Partnership declared a cash distribution of $0.80 per Unit for the three months ended September 30, 1997. The third quarter cash distribution was paid on November 7, 1997 to Unitholders of record on October 31, 1997.

The First Mortgage Notes, which are secured by a mortgage on substantially all property, plant and equipment of the Partnership, require annual principal payments through March 2010. Interest is payable semi-annually on March 7 and September 7. Cash and cash equivalents were reduced by the $13.0 million principal payment related to the First Mortgage Notes on March 7, 1997. At September 30, 1997, the current maturities of the First Mortgage Notes were $17.0 million. The note agreement relating to the First Mortgage Notes limits the amount of cash distributions that can be made by TE Products Pipeline Company, Limited Partnership to TEPPCO Partners, L.P. Such restriction is not anticipated to preclude the Partnership from making quarterly distributions to Unitholders of at least $0.80 per Unit during the remainder of 1997.

OTHER MATTERS

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

The Partnership and the Indiana Department of Environmental Management ("IDEM") have entered into an Agreed Order that will ultimately result in a remediation program for any on-site and off-site environmental groundwater contamination attributable to the Partnership's operations at the Seymour, Indiana, terminal. As part of the Agreed Order, the Partnership has completed the remedial investigation sampling for groundwater contamination. In November 1997, IDEM approved the final remedial investigation report for the Seymour

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

OTHER MATTERS - (CONTINUED)

terminal. The Partnership is currently negotiating with IDEM the clean-up levels to be attained at the Seymour terminal. In the opinion of the general partner, the completion of the remediation program to be proposed by the Partnership, if such program is approved by IDEM, will not have a material adverse impact on the Partnership.

During June 1997, the Partnership filed rate increases on selective refined products tariffs and LPGs tariffs, averaging 1.7%. These rate increases became effective July 1, 1997 without suspension or refund obligation.

On October 22, 1997, TE Products Pipeline Company, Limited Partnership filed a Registration Statement on Form S-3 under the Securities Act of 1933 for the registration of $150 million principal amount of Senior Notes due 2007 and $240 million principal amount of Senior Notes due 2027 (collectively the "Notes"). The net proceeds from the sale of the Notes, estimated to be approximately $387 million, will be used to repay the First Mortgage Notes of approximately $327 million, together with a redemption premium thereon currently estimated at approximately $60 million. The precise amount of the redemption premium will depend upon U. S. Treasury interest rates in effect on the day prior to the redemption of the First Mortgage Notes. The closing of the Notes and the redemption of the First Mortgage Notes are expected to occur simultaneously.

The matters discussed herein include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 based on current management expectations that involve risk and uncertainties which could cause actual results to differ materially from those anticipated. For additional discussion of such risks and uncertainties, see the Partnership's 1996 Annual Report on Form 10-K.

PART II. OTHER INFORMATION

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

(a) Exhibits:

Exhibit Number	Description
10	Texas Eastern Products Pipeline Company 1997 Employee Incentive Compensation Plan amended and restated on July 14, 1997.
27	Financial Data Schedule as of and for the nine months ended September 30, 1997.

(b) Reports on Form 8-K: None

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

SIGNATURE

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

TEPPCO Partners, L.P.
(Registrant)

By: Texas Eastern Products Pipeline Company,
General Partner

CHARLES H. LEONARD

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

Date: November 13, 1997

EXHIBIT INDEX

Exhibit Number	Description
10	Texas Eastern Products Pipeline Company 1997 Employee Incentive Compensation Plan amended and restated on July 14, 1997.
27	Financial Data Schedule as of and for the nine months ended September 30, 1997.

EXHIBIT 10

TEXAS EASTERN PRODUCTS PIPELINE COMPANY
AMENDED AND RESTATED
1997 EMPLOYEE INCENTIVE COMPENSATION PLAN

Texas Eastern Products Pipeline Company ("TEPPCO") hereby establishes, effective as of January 1, 1997, the Texas Eastern Products Pipeline Company 1997 Employee Incentive Compensation Plan providing as follows:

I. PURPOSE

The Plan is intended to provide a method whereby eligible employees of TEPPCO may be motivated through personal financial gain linked to the performance of TEPPCO Partners, L.P. (the "Partnership"), to strive to further enhance the Partnership's financial performance.

II. DEFINITIONS

Unless the meaning is clearly different when used in context, these terms shall have the meanings set forth below. Wherever applicable, the masculine pronoun as used herein shall be deemed to mean the feminine, the feminine pronoun the masculine, the singular the plural and the plural the singular.

A. "Attainable Earnings Level" shall mean the earnings level, expressed in terms of net income, that the Committee determines, for purposes of this Plan, that the Partnership might expect for its fiscal year coinciding with a particular Plan Year, assuming current business activity, expected new projects, and some growth or other improvement.

B. "Award Amount" shall have the meaning set forth in Article V.B. of this Plan.

C. "Board" shall mean the Board of Directors of TEPPCO.

D. "Eligible Employee" shall mean a person who is a regular, full-time employee of TEPPCO and performs services on a full-time basis for TEPPCO and/or the Partnership, but who is not eligible to participate in the TEPPCO MICP and who is not a member of the Committee identified in Article III.

E. "L.P. Unit" shall mean a single unit representing a limited partnership interest in TEPPCO Partners, L.P.

F. "Incentive Unit" shall mean an award unit attributable to a specified earnings level as set forth in Article V, but shall not represent or be construed in any way as being a L.P. Unit.

G. "Net Income" shall mean the Partnership's year end net income as set forth in the Partnership's publicly reported consolidated financial statements for the Partnership's fiscal year, except, that the Committee, in its sole discretion, may adjust net income to disregard any financial item that it determines to be inappropriate for Plan purposes and may utilize such adjusted net income as net income for all Plan purposes.

H. "PanEnergy" shall mean PanEnergy Corp. and its Subsidiaries.

I. "Plan" shall mean the Texas Eastern Products Pipeline Company 1997 Employee Incentive Compensation Plan.

J. "Plan Year" shall mean each 12-month period beginning on January 1 and ending on December 31, with the initial Plan Year beginning January 1, 1997.

K. "Stretch Earnings Level" shall mean the earnings level, expressed in terms of net income, that the Committee determines, for purposes of the Plan, that the Partnership might expect for its fiscal year coinciding with a particular Plan year, assuming better than anticipated operating conditions, growth or other earnings improvement.

L. "Subsidiary" shall mean any corporation in which PanEnergy directly or indirectly owns more than 50% of the issued and outstanding voting stock.

M. "Sustainable Earnings Level" shall mean the earnings level, expressed in terms of net income, that the Committee determines, for purposes of this Plan, that the Partnership might expect for its fiscal year coinciding with a particular Plan Year, assuming continuation of base business and normal operating conditions.

N. "TEPPCO MICP" shall mean the Texas Eastern Products Pipeline Company Management Incentive Compensation Plan.

III. ADMINISTRATION AND INTERPRETATION

A. The Plan shall be administered by a committee of the Board consisting of not less than three members appointed by the Board and serving at the Board's pleasure (the "Committee"). Each member of the Committee shall be a member of the Board and no Committee member shall be eligible to participate in the Plan. Any vacancy occurring in the membership of the Committee shall be filled by appointment by the Board.

B. The Committee shall, in its discretion, have full authority to administer and interpret the Plan and to make all determinations under the Plan, and may prescribe, amend, and rescind rules and procedures and take such other action as it deems necessary or advisable for the administration of the Plan, except as otherwise expressly reserved to the Board in the Plan. Any interpretation, determination or other action made or taken by the Committee shall be final, binding and conclusive upon all parties.

C. The Committee may authorize persons other than its members to carry out its duties, including the authority to approve an individual's becoming a Participant, subject to the limitations and guidelines set by the Committee. Subject to the provisions of the Plan, any person to whom such authority is delegated may continue to be a Participant provided that any non-ministerial determination with respect to such person's participation in the Plan shall be made directly by the Committee and independent of such delegation.

IV. ELIGIBLE EMPLOYEES

A. Each individual who is an Eligible Employee on January 1, 1997, shall become a Participant for the 1997 Plan Year.

B. An individual who is an Eligible Employee on the first day of any subsequent Plan Year shall become a Participant for such Plan Year.

C. Except as otherwise provided in Section A above, in the case of an individual who is an Eligible Employee during a Plan Year, but not on the first day of such Plan year, the individual shall become a Participant for such Plan Year only with the approval of the Committee or its authorized representative.

V. AWARDS

A. During April of the 1997 Plan Year, and during January of each subsequent Plan Year, the Committee shall determine the sustainable Earnings Level, the Attainable Earnings Level and the Stretch Earnings Level, each with a corresponding number of Incentive Units, that shall apply to each Participant for such Plan Year, and shall cause such information to be communicated to such Participants. Following the end of a Plan Year and the public announcement of the Partnership's net income for the Partnership's fiscal year coinciding with the Plan Year, the Committee shall credit each Participant for the Plan Year who is an Eligible Employee as of the last day of such Plan Year with the appropriate number of Incentive Units, determined on the basis of which one, if any, of the Sustainable, Attainable or Stretch Earnings Levels has been achieved by such net income. For purposes of the preceding sentence, a Participant who ceases to be an Eligible Employee on account of death, disability or retirement under a retirement plan in which TEPPCO participates, nevertheless, shall be deemed to be an Eligible Employee as of the last day of such Plan Year.

B. The Committee shall credit each Participant for a Plan Year with an Award Amount for the Plan Year equal to the dollar amount produced by multiplying the total number of Incentive Units credited to such participant for such Plan Year times the total quarterly cash distributions paid by the Partnership on one (1) L.P. Unit with respect to the Partnership's fiscal quarters covered by such Plan Year. It is intended that the resulting monetary amount will be substantially equivalent to the total distributions that would have been paid by the Partnership to the Participant had the Participant been the owner during the respective period of a number of L.P. Units equal to the number of Incentive Units credited to the Participant for the Plan Year. Notwithstanding the foregoing, in the case of a Participant who is not an Eligible Employee for any portion of a Partnership fiscal quarter covered by a Plan Year (other than on account of termination after TEPPCO employment by reason of death, disability or retirement under a retirement plan in which TEPPCO participates), such Participant shall not receive credit for any distributions paid by the Partnership with respect to such fiscal quarter.

C. For the Plan Year 1997, the Committee, in its sole discretion, may add a premium to the Award Amount (as determined pursuant to the provisions of Article V.B. directly above) equal to not less than ten percent (10%) nor more than thirty percent (30%) of the 1997 Award Amount, provided attainment of the following goals for Plan Year 1997, is meet:

1. Safety: Achieve a total OSHA accident frequency of 1.10 or less;

2. Product Quality: Hold costs of correcting product quality incidents to $200,000 or less, and

3. Leaks, Spills and Releases: Reduce the number of leaks, spills and releases recorded in 1996 by 10 percent to 48 or fewer;

The term "Award Amount," as used hereafter, shall include any added premium amount. The provisions of this Article V.C., shall apply only to Plan Year 1997.

VI. PAYMENT OF AWARDED AMOUNT

A. A Participant's Award Amount for a Plan Year shall be paid in a cash lump sum, subject to withholding for taxes and other lawful purposes, as of February 15 following the close of the Plan Year (except that if February 15 is not a business day, the first succeeding business day).

B. If a Participant dies before payment of an unforfeited Award Amount, such unpaid Award Amount shall be paid to the Participant's surviving spouse, or if no surviving spouse exists, to the Participant's estate or legal representative.

VII. LIMITATIONS

A. No Participant or any other person shall have any interest in TEPPCO, the Partnership, TE Products Pipeline Company, Limited Partnership, or PanEnergy, any fund or in any specific asset or assets of TEPPCO, the Partnership, TE Products Pipeline Company, Limited Partnership, or PanEnergy by reason of participation in the Plan. No Participant shall have the right to assign, pledge or otherwise dispose of or otherwise encumber any Plan benefit, nor shall such Participant's contingent interest in such benefit be subject to garnishment, attachment, transfer by operation of law, or any legal process.

B. Participation in the Plan does not confer any right of continued TEPPCO employment or any right to receive any payment under the Plan.

C. Any unpaid Award Amount credited to a Participant shall be forfeited in the following circumstances (unless the Committee, in its sole discretion, determines otherwise):

1. The Participant engages in willful, deliberate or gross misconduct during TEPPCO employment; or

2. If the Participant engages in activities competitive with, or activities otherwise to the detriment of, TEPPCO, the Partnership or PanEnergy, following termination of TEPPCO employment.

VIII. NATURE OF PLAN

The obligation to make cash payments under the Plan shall be a general, unsecured obligation of TEPPCO payable solely from the general assets of TEPPCO, and no Participant shall have any interest in any assets of TEPPCO by virtue of this Plan. Nothing in this Article VIII shall be construed to prevent TEPPCO from implementing or setting aside funds in a grantor trust subject to the claims of TEPPCO's creditors. The establishment and operation of the Plan or the setting aside of any funds shall not be deemed to create a trust. Legal and equitable title to any funds set aside for the purposes of the Plan, other than any grantor trust subject to the claims of TEPPCO's creditors, shall remain in TEPPCO and shall remain subject to the general creditors of TEPPCO, present and future.

IX. AMENDMENT, SUSPENSION OR TERMINATION OF THE PLAN

The Board may at any time amend, suspend or terminate the Plan, in whole or in part, except that no amendment, suspension or termination shall reduce any Award Amount credited to a Participant prior to the date of such amendment, suspension or termination. The Texas Eastern Products Pipeline Company 1995 Employee Incentive Compensation Plan shall terminate as of the 1997 Plan Year, except for any awards to be made thereunder.

X. SUCCESSORS AND ASSIGNS

The provisions of the Plan shall be binding upon TEPPCO and its successors and assigns and upon the Participant, his or her surviving spouse, estate (including heirs, legatees, executors and administrators) or other legal representative.

XI. GOVERNING LAW

The Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of Texas applicable to transactions that take place entirely within the State of Texas, and, where applicable, the laws of the United States of America.

IN WITNESS WHEREOF, the undersigned have executed this Plan this 14th day of July, 1997.

TEXAS EASTERN PRODUCTS PIPELINE COMPANY

ATTEST:

/s/ JAMES RUTH By: /s/ W.L. THACKER

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