SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

COMMISSION FILE NUMBER 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)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Limited Partner Units representing Limited Partner Interests	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

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 twelve 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 [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

At March 6, 2000 the aggregate market value of the registrant's Limited Partner Units held by non-affiliates was $611,739,230, which was computed using the average of the high and low sales prices of the Limited Partner Units on March 6, 2000.

Limited Partner Units outstanding as of March 6, 2000: 29,000,000.

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GENERAL

TEPPCO Partners, L.P. (the "Partnership"), a Delaware limited partnership, was formed in March 1990. The Partnership operates through TE Products Pipeline Company, Limited Partnership (the "Products OLP") and TCTM, L.P. (the "Crude Oil OLP"). Collectively the Products OLP and the Crude Oil OLP are referred to as "the Operating Partnerships." The Partnership owns a 99% interest as the sole limited partner interest in both the Products OLP and the Crude Oil OLP. Texas Eastern Products Pipeline Company (the "Company" or "General Partner") owns a 1% general partner interest in the Partnership and 1% general partner interest in each Operating Partnership. The General Partner performs all management and operating functions required for the Partnership and the Operating Partnerships.

The Partnership operates in two industry segments - refined products and liquefied petroleum gases ("LPGs") transportation; and crude oil and natural gas liquids ("NGLs") transportation and marketing. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 15 of the Notes to Consolidated Financial Statements contained elsewhere herein for additional segment information.

In June 1997, Duke Energy Corporation ("Duke Energy") was formed through a merger between PanEnergy Corp ("PanEnergy") and Duke Power Company. The Company, previously a wholly-owned subsidiary of PanEnergy, became an indirect wholly-owned subsidiary of Duke Energy on the date of the merger.

At December 31, 1999, the Partnership had outstanding 29,000,000 Limited Partnership Units and 3,916,547 Class B Limited Partnership Units ("Class B Units"). All of the Class B Units were issued to Duke Energy in connection with an acquisition of assets in 1998. The Class B Units are substantially identical to the 29,000,000 Limited Partner Units, but they are not listed on the New York Stock Exchange. The Class B Units may be converted into Limited Partner Units upon approval by the Limited Partner Unitholders. The Company has the option to seek approval for the conversion of the Class B Units into Limited Partnership Units; however, if such conversion is denied, the holder of the Class B Units will have the right to sell them to the Partnership at 95.5% of the market price of the Limited Partner Units at the time of sale. As a result of such option, the Class B Units were not included in partners' capital at December 31, 1999. Collectively, the Limited Partner Units and Class B Units are referred to as "Units." The acquisition of assets was accounted for under the purchase method of accounting. Accordingly, the results of the acquisition are included in the consolidated statements of income for periods from November 1, 1998.

REFINED PRODUCTS AND LPGS TRANSPORTATION

Operations

The operations of the refined products and LPGs transportation segment are conducted through the Products OLP. The Products OLP conducts business and owns properties located in 13 states. Operations consist of interstate transportation, storage and terminaling of petroleum products; short-haul shuttle transportation of LPGs at the Mont Belvieu, Texas complex; sale of product inventory; fractionation of natural gas liquids and other ancillary services.

The Products OLP is one of the largest pipeline common carriers of refined petroleum products and LPGs in the United States. The Products OLP owns and operates an approximate 4,300-mile pipeline system (together with the receiving, storage and terminaling facilities mentioned below, the "Pipeline System" or "Pipeline" or "System") extending from southeast Texas through the central and midwestern United States to the northeastern United States. The Pipeline System includes delivery terminals for outloading product to other pipelines, tank trucks, rail cars or barges, as well as substantial storage capacity at Mont Belvieu, Texas, the largest LPGs storage complex in the United States, and at other locations. The Products OLP also owns two marine receiving terminals, one near Beaumont, Texas, and the other at Providence, Rhode Island. The Providence terminal is not physically connected to the Pipeline. As an interstate common carrier, the Pipeline System offers interstate transportation services, pursuant to tariffs filed with the Federal Energy Regulatory Commission ("FERC"), to any shipper of refined petroleum products and LPGs who requests such services, provided that the products tendered for transportation satisfy the conditions and specifications contained in the applicable tariff. In addition to the revenues received by the Pipeline System from its interstate tariffs, it also receives revenues from the shuttling of LPGs between refinery and petrochemical facilities on the upper Texas Gulf Coast and ancillary transportation, storage and marketing services at key points along the System. Substantially all the petroleum products transported and stored in the Pipeline System are owned by the Partnership's customers. Petroleum products are received at terminals located principally on the southern end of the Pipeline System, stored, scheduled into the Pipeline in accordance with customer nominations and shipped to delivery terminals for ultimate delivery to the final distributor (e.g., gas stations and retail propane distribution centers) or to other pipelines. Pipelines are generally the lowest cost method for intermediate and long-haul overland transportation of petroleum products. The Pipeline System is the only pipeline that transports LPGs to the Northeast.

The Products OLP's business depends in large part on (i) the level of demand for refined petroleum products and LPGs in the geographic locations served by it and (ii) the ability and willingness of customers having access to the Pipeline System to supply such demand by deliveries through the System. The Partnership cannot predict the impact of future fuel conservation measures, alternate fuel requirements, governmental regulation, technological advances in fuel economy and energy-generation devices, all of which could reduce the demand for refined petroleum products and LPGs in the areas served by the Partnership.

Products are transported in liquid form from the upper Texas Gulf Coast through two parallel underground pipelines that extend to Seymour, Indiana. From Seymour, segments of the Pipeline System extend to the Chicago, Illinois; Lima, Ohio; Selkirk, New York; and Philadelphia, Pennsylvania, areas. The Pipeline System east of Todhunter, Ohio, is dedicated solely to LPGs transportation and storage services.

The Pipeline System includes 30 storage facilities with an aggregate storage capacity of 13 million barrels of refined petroleum products and 38 million barrels of LPGs, including storage capacity leased to outside parties. The Pipeline System makes deliveries to customers at 53 locations including 18 Partnership owned truck racks, rail car facilities and marine facilities. Deliveries to other pipelines occur at various facilities owned by the Partnership or by third parties.

Pipeline System

The Pipeline System is comprised of a 20-inch diameter line extending in a generally northeasterly direction from Baytown, Texas (located approximately 30 miles east of Houston), to a point in southwest Ohio near Lebanon and Todhunter. A second line, which also originates at Baytown, is 16 inches in diameter until it reaches Beaumont, Texas, at which point it reduces to a 14-inch diameter line. This second line extends along the same path as the 20-inch diameter line to the Pipeline System's terminal in El Dorado, Arkansas, before continuing as a 16-inch diameter line to Seymour, Indiana. The Pipeline System also has smaller diameter lines that extend laterally from El Dorado to Helena and Arkansas City, Arkansas, from Tyler, Texas, to El Dorado and from McRae, Arkansas, to West Memphis, Arkansas. The lines from El Dorado to Helena and Arkansas City have 10-inch diameters. The line from Tyler to El Dorado varies in diameter from 8 inches to 10 inches. The line from McRae to West Memphis has a 12-inch diameter. The Pipeline System also includes a 14-inch diameter line from Seymour, Indiana, to Chicago, Illinois, and a 10-inch diameter line running from Lebanon to Lima, Ohio. This 10-inch diameter pipeline connects to the Buckeye Pipe Line Company system that serves, among others, markets in Michigan and eastern Ohio. Also, the Pipeline System has a 6-inch diameter pipeline connection to the Greater Cincinnati/Northern Kentucky International Airport and a 8-inch diameter pipeline connection to the George Bush Intercontinental Airport, Houston. In addition, there are numerous smaller diameter lines associated with the gathering and distribution system.

The Pipeline System continues eastward from Todhunter, Ohio, to Greensburg, Pennsylvania, at which point it branches into two segments, one ending in Selkirk, New York (near Albany), and the other ending at Marcus Hook, Pennsylvania (near Philadelphia). The Pipeline east of Todhunter and ending in Selkirk is an 8-inch diameter line, whereas the line starting at Greensburg and ending at Marcus Hook varies in diameter from 6 inches to 8 inches. East of Todhunter, Ohio, the Partnership transports only LPGs through the Pipeline.

The Pipeline System has been constructed and is in general compliance with applicable federal, state and local laws and regulations, and accepted industry standards and practices. The Partnership performs regular maintenance on all the facilities of the Pipeline System and has an ongoing process of inspecting segments of the Pipeline System and making repairs and replacements when necessary or appropriate. In addition, the Partnership conducts periodic air patrols of the Pipeline System to monitor pipeline integrity and third-party right of way encroachments.

Major Business Sector Markets

The Pipeline System's major operations are the transportation, storage and terminaling of refined petroleum products and LPGs along its mainline system, and the storage and short-haul transportation of LPGs associated with its Mont Belvieu operations. Product deliveries, in millions of barrels (MMBbls) on a regional basis, over the last three years were as follows:

	PRODUCT DELIVERIES (MMBBLS) YEARS ENDED DECEMBER 31,		
	1999	1998	1997
Refined Products Transportation:			
Central (1)	67.7	71.5	69.4
Midwest (2)	37.9	34.8	29.9
Ohio and Kentucky	27.0	24.2	20.7
Subtotal	132.6	130.5	120.0
LPGs Mainline Transportation:			
Central, Midwest and Kentucky (1)(2)	22.9	18.5	23.8
Ohio and Northeast (3)	14.7	13.5	18.2
Subtotal	37.6	32.0	42.0
Mont Belvieu Operations:			
LPGs	28.5	25.1	27.8
Total Product Deliveries	198.7	187.6	189.8

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(1) Arkansas, Louisiana, Missouri and Texas.

(2) Illinois and Indiana.

(3) New York and Pennsylvania.

The mix of products delivered varies seasonally, with gasoline demand generally stronger in the spring and summer months and LPGs demand generally stronger in the fall and winter months. Weather and economic conditions in the geographic areas served by the Pipeline System also affect the demand for and the mix of the products delivered.

Refined products and LPGs deliveries over the last three years were as follows:

	PRODUCT DELIVERIES (MMBbls) YEARS ENDED DECEMBER 31,		
	1999	1998	1997
Refined Products Transportation:			
Gasoline.......................	71.6	74.0	66.8
Jet Fuels......................	26.9	23.8	22.4
Middle Distillates (1).........	28.4	26.1	24.0
MTBE/Toluene...................	5.7	6.6	6.8
Subtotal...................	132.6	130.5	120.0
LPGs Mainline Transportation:			
Propane........................	30.8	25.5	34.7
Butanes........................	6.8	6.5	7.3
Subtotal...................	37.6	32.0	42.0
Mont Belvieu Operations:			
LPGs...........................	28.5	25.1	27.8
Total Product Deliveries...	198.7	187.6	189.8

(1) Primarily diesel fuel, heating oil and other middle distillates.

Refined Petroleum Products Transportation

The Pipeline System transports refined petroleum products from the upper Texas Gulf Coast, eastern Texas and southern Arkansas to the Central and Midwest regions of the United States with deliveries in Texas, Louisiana, Arkansas, Missouri, Illinois, Kentucky, Indiana and Ohio. At these points, refined petroleum products are delivered to Partnership-owned terminals, connecting pipelines and customer-owned terminals. The volume of refined petroleum products transported by the Pipeline System is directly affected by the demand for such products in the geographic regions the System serves. Such market demand varies based upon the different end uses to which the refined products deliveries are applied. Demand for gasoline, which accounts for a substantial portion of the volume of refined products transported through the Pipeline System, depends upon price, prevailing economic conditions and demographic changes in the markets served. Demand for refined products used in agricultural operations is affected by weather conditions, government policy and crop prices. Demand for jet fuel depends upon prevailing economic conditions and military usage.

Effective January 1, 1996, the Clean Air Act Amendments of 1990 mandated the use of reformulated gasolines in nine metropolitan areas of the United States, including the Houston and Chicago areas served by the System. A portion of the reformulated and oxygenated gasolines includes methyl tertiary butyl ether ("MTBE") as a major blending component. Effective July 1, 1999, the Products OLP canceled its tariff for deliveries of MTBE into the Chicago market area due to reduced demand for transportation of MTBE into such area. The MTBE tariffs were canceled with the consent of MTBE shippers and resulted in increased pipeline capacity and tankage available for other products. The Partnership continues to transport MTBE to its marine terminal near Beaumont, Texas.

LPGs Mainline Transportation

The Pipeline System transports LPGs from the upper Texas Gulf Coast to the Central, Midwest and Northeast regions of the United States. The Pipeline System east of Todhunter, Ohio, is devoted solely to the transportation of LPGs. Since LPGs demand is generally stronger in the winter months, the Pipeline System often operates at or near capacity during such time. Propane deliveries are generally sensitive to the weather and meaningful year-to-year variations have occurred and will likely continue to occur.

The Products OLP's ability to serve markets in the Northeast is enhanced by its propane import terminal at Providence, Rhode Island. This facility includes a 400,000-barrel refrigerated storage tank along with ship unloading and truck loading facilities. Although the terminal is operated by the Products OLP, the utilization of the terminal is committed by contract to a major propane marketer through May 2001.

Mont Belvieu LPGs Storage and Pipeline Shuttle

A key aspect of the Pipeline System's LPGs business is its storage and pipeline asset base in the Mont Belvieu, Texas, complex serving the fractionation, refining and petrochemical industries. The complex is the largest of its kind in the United States and provides substantial capacity and flexibility in the transportation, terminaling and storage of natural gas liquids, LPGs, petrochemicals and olefins.

The Products OLP has approximately 33 million barrels of LPGs storage capacity, including storage capacity leased to outside parties, at the Mont Belvieu complex. The Products OLP's Mont Belvieu short-haul transportation shuttle system, consisting of a complex system of pipelines and interconnects, ties Mont Belvieu to virtually every refinery and petrochemical facility on the upper Texas Gulf Coast.

Product Sales and Other

The Products OLP also derives revenue from the sale of product inventory, terminaling activities and other ancillary services associated with the transportation and storage of refined petroleum products and LPGs. Since March 31, 1998, operations also include fractionation of NGLs.

Customers

The Pipeline System's customers for the transportation of refined petroleum products include major integrated oil companies, independent oil companies and wholesalers. End markets for these deliveries are primarily (i) retail service stations, (ii) truck stops, (iii) agricultural enterprises, (iv) refineries, and (v) military and commercial jet fuel users.

Propane shippers include wholesalers and retailers who, in turn, sell to commercial, industrial, agricultural and residential heating customers, as well as utilities who use propane as a fuel source. Refineries constitute the Partnership's major customers for butane and isobutane, which are used as a blend stock for gasolines and as a feed stock for alkylation units, respectively.

At December 31, 1999, the Products OLP had approximately 140 customers. Transportation revenues (and percentage of total revenues) attributable to the top 10 shippers were $105 million (46%), $90 million (42%), and $85 million (38%) for the years ended December 31, 1999, 1998 and 1997, respectively. During 1999 and 1998, billings to Marathon Ashland, LLC, a major integrated oil company, accounted for approximately 10% of the Products OLP's revenues. During 1997, no single customer accounted for 10% or greater of the Products OLP's total revenues. Loss of a business relationship with a significant customer could have an adverse affect on the consolidated financial position, results of operations and liquidity of the Partnership.

Competition

The Pipeline System conducts operations without the benefit of exclusive franchises from government entities. Interstate common carrier transportation services are provided through the System pursuant to tariffs filed with the FERC.

Because pipelines are generally the lowest cost method for intermediate and long-haul overland movement of refined petroleum products and LPGs, the Pipeline System's most significant competitors (other than indigenous production in its markets) are pipelines in the areas where the Pipeline System delivers products. Competition among common carrier pipelines is based primarily on transportation charges, quality of customer service and proximity to end users. The General Partner believes the Products OLP is competitive with other pipelines serving the same markets; however, comparison of different pipelines is difficult due to varying product mix and operations.

Trucks, barges and railroads competitively deliver products in some of the areas served by the Pipeline System. Trucking costs, however, render that mode of transportation less competitive for longer hauls or larger volumes. Barge fees for the transportation of refined products are generally lower than the Partnership's tariffs. The Partnership faces competition from rail movements of LPGs in several geographic areas. The most significant area is the Northeast, where rail movements of propane from Sarnia, Canada, compete with propane moved on the Pipeline System.

CRUDE OIL AND NGLS TRANSPORTATION AND MARKETING

Operations

The Crude Oil OLP, through its wholly-owned subsidiary TEPPCO Crude Oil, LLC ("TCO"), gathers, stores, transports and markets crude oil, NGLs, lube oils and specialty chemicals, principally in Oklahoma, Texas and the Rocky Mountain region. The assets of TCO were acquired by the Partnership from a subsidiary of Duke Energy, on November 1, 1998.

TCO generally utilizes its asset base to aggregate crude oil and provide transportation and specialized services to its regional customers. TCO generally purchases crude oil at prevailing prices from producers at the wellhead, aggregates such crude oil into its equity owned pipelines or third party owned pipelines utilizing its truck fleet, and transports the crude oil for ultimate sale to or exchange with its customers. TCO's margins from its gathering, transportation and marketing operations are generated by the difference between the price of crude oil at the point of purchase and the price of crude oil at the point of sale, minus the associated costs of aggregation and transportation.

Generally, as the Crude Oil OLP purchases crude oil, it simultaneously establishes a margin by selling crude oil for physical delivery to third party users or by entering into a future delivery obligation with respect to futures contracts on the New York Mercantile Exchange. The Partnership seeks to maintain a balanced position until it makes physical delivery of the crude oil, thereby minimizing or eliminating exposure to price fluctuations occurring after the initial purchase. However, certain basis risks (the risk that price relationships between delivery points, classes of products or delivery periods will change) cannot be completely hedged or eliminated. It is the Partnership's policy not to acquire crude oil, futures contracts or other derivative products for the purpose of speculating on price changes. Risk management policies have been established by the Risk Management Committee to monitor and control these market risks. The Risk Management Committee is comprised of senior executives of the Partnership. Market risks associated with commodity derivatives were not material at December 31, 1999.

Volume information for the year ended December 31, 1999 and the two month period ended December 31, 1998 is presented below:

	YEAR ENDED DECEMBER 31, 1999	TWO MONTHS ENDED DECEMBER 31, 1998
Barrels per day:		
Crude oil transportation.........	91,143	90,963
Crude oil marketing..............	263,703	278,176
NGL transportation...............	12,548	11,919
Lubricants and chemicals (total gallons):...	8,891,056	1,140,000

Properties

The Crude Oil OLP is based in Oklahoma City. It operates crude oil gathering and trunkline pipelines principally in Oklahoma and Texas, and two NGL trunkline pipelines in South Texas. The Crude Oil OLP's crude oil pipelines include two major systems and various smaller systems. The Red River System, located on the Texas-Oklahoma border, is the larger system, with 975 miles of pipeline and 780,000 barrels of storage. The majority of this pipeline's crude oil is delivered to Cushing, Oklahoma via connecting pipelines or to two local refineries. The South Texas System, located west of Houston, consists of 670 miles of pipeline and 630,000 barrels of storage. The majority of the crude oil on this system is delivered on a tariff basis to Houston area refineries. Other crude oil assets, located primarily in Texas and Louisiana, consist of 310 miles of pipeline and 240,000 barrels of storage.

The NGL pipelines are located along the Texas Gulf Coast. The Dean NGL Pipeline consists of 338 miles of pipeline originating in South Texas and terminating at Mont Belvieu, Texas, and has a capacity of 20,000 barrels per day. The Dean NGL Pipeline is currently supported by a 17,000 barrel per day volume commitment through 2002. The Wilcox NGL Pipeline is 90 miles long, has a capacity of 5,000 barrels per day and currently transports NGLs for Duke Energy Field Services ("DEFS") from two of their natural gas processing plants. The Wilcox NGL Pipeline is currently supported by demand fees that are paid by DEFS through 2005.

Through its wholly-owned subsidiary Lubrication Services, LLC ("LSI"), the Crude Oil OLP distributes lube oils and specialty chemicals to natural gas pipelines, gas processors, and industrial and commercial accounts. LSI's distribution networks are located in Colorado, Oklahoma, Southwest Kansas, East Texas, and Northwest Louisiana.

Customers

The Crude Oil OLP purchases crude oil primarily from major integrated oil companies and independent oil producers. Crude oil sales are primarily to major integrated oil companies and independent refiners. The loss of any single customer would not have a material adverse effect on the consolidated financial position, results of operations and liquidity of the Partnership.

Competition

The Crude Oil OLP's most significant competitors in its pipeline operations are primarily common carrier and proprietary pipelines owned and operated by major oil companies, large independent pipeline companies and other companies in the areas where its pipeline systems deliver crude oil and NGLs. Competition among common carrier pipelines is based primarily on posted tariffs, quality of customer service, knowledge of products and markets, and proximity to refineries and connecting pipelines. The crude oil gathering and marketing business is characterized by thin margins and intense competition for supplies of lease crude oil. A decline in domestic crude oil production has intensified competition among gatherers and marketers. Within the past few years, the number of companies involved in the gathering of crude oil in the United States has decreased as a result of business consolidations.

Credit

As crude oil or lube oils are marketed, the Partnership must determine the amount, if any, of credit to be extended to any given customer. Due to the nature of individual sales transactions, risk of non-payment and non-performance by customers is a major consideration in the Crude Oil OLP's business. The Crude Oil OLP manages its exposure to credit risk through credit analysis, credit approvals, credit limits and monitoring procedures. The Crude Oil OLP utilizes letters of credit and guarantees for certain of its receivables.

The Crude Oil OLP's credit standing is a major consideration for parties with whom the Crude Oil OLP does business. In connection with the Crude Oil OLP's acquisition of this business, Duke Capital, an affiliate of

Duke Energy, agreed to provide up to $100 million of guarantee credit to the Crude Oil OLP through November 2001.

TITLE TO PROPERTIES

The Partnership believes it has satisfactory title to all of its assets. Such properties are subject to liabilities in certain cases, such as customary interests generally contracted in connection with acquisition of the properties, liens for taxes not yet due, easements, restrictions, and other minor encumbrances. The Partnership believes none of these liabilities materially affects the value of such properties or the Partnership's interest therein or will materially interfere with their use in the operation of the Partnership's business.

CAPITAL EXPENDITURES

Capital expenditures by the Partnership totaled $77.4 million for the year ended December 31, 1999. This amount includes capitalized interest of $2.1 million. Approximately $43.8 million of spending was used for on-going construction of three new pipelines between the Partnership's terminal in Mont Belvieu, Texas and Port Arthur, Texas. The project includes three 12-inch diameter common-carrier pipelines and associated facilities. Each pipeline will be approximately 70 miles in length. Upon completion, the new pipelines will transport ethylene, propylene and natural gasoline. The cost of this project is expected to total approximately $75 million. The Partnership has entered into an agreement for turnkey construction of the pipelines and related facilities and has separately entered into agreements for guaranteed throughput commitments. The anticipated commencement date is the fourth quarter of 2000. Of the remaining capital expenditures during 1999, $23.4 million related to the Products OLP and $8.1 million related to the Crude Oil OLP. Approximately $24.9 million of capital expenditures related to life-cycle replacements and upgrading current facilities, and approximately $6.6 million of capital expenditures related to other pipeline expansion projects and revenue-generating projects.

The Partnership estimates that capital expenditures for 2000 will be approximately $82 million (which includes $4 million of capitalized interest). Approximately $31 million is expected to be used to complete construction of the three new pipelines between Mont Belvieu and Port Arthur and approximately $10 million will be used to replace seven pipelines under the Houston Ship Channel as required by the United States Army Corp of Engineers for the deepening of the channel. Approximately $14 million of the remaining amount is expected to be used for the Products OLP and $23 million is expected to be used for the Crude Oil OLP. Substantially all remaining expenditures related to the Products OLP are expected to be used for life-cycle replacements and upgrading current facilities. Approximately $17 million of planned expenditures of the Crude Oil OLP are expected to be used in revenue-generating projects, with the remaining $6 million being used for life-cycle replacements and upgrading current facilities.

REGULATION

The Partnership's interstate common carrier pipeline operations are subject to rate regulation by the FERC under the Interstate Commerce Act ("ICA"), the Energy Policy Act of 1992 ("Act") and rules and orders promulgated pursuant thereto. FERC regulation requires that interstate oil pipeline rates be posted publicly and that these rates be "just and reasonable" and nondiscriminatory.

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

In May 1999, the Products OLP filed an application with the FERC to charge Market Based Rates for substantially all refined products transportation tariffs. Such application is currently under review by the FERC. The FERC approved a request of the Products OLP waiving the requirement to adjust refined products transportation tariffs pursuant to the PPI Index while its Market Based Rates application is under review. Under the PPI Index, refined products transportation rates in effect on June 30, 1999 would have been reduced by approximately 1.83% effective July 1, 1999. If any portion of the Market Based Rates application is denied by the FERC, the Products OLP has agreed to refund, with interest, amounts collected after June 30, 1999, under the tariff rates in excess of the PPI Index. As a result of the refund obligation potential, the Partnership has deferred all revenue recognition of rates charged in excess of the PPI Index. At December 31, 1999, the amount deferred for possible rate refunds, including interest, totaled approximately $0.8 million.

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

Effective July 1, 1999, the Products OLP established Settlement Rates with certain shippers of LPGs under which the rates in effect on June 30, 1999, would not be adjusted for a period of either two or three years. Other LPGs transportation tariff rates were reduced pursuant to the PPI Index (approximately 1.83%), effective July 1, 1999.

In a 1995 decision involving an unrelated oil pipeline limited partnership, the FERC partially disallowed the inclusion of income taxes in that partnership's cost of service. In another FERC proceeding involving a different oil pipeline limited partnership, the FERC held that the oil pipeline limited partnership may not claim an income tax allowance for income attributable to non-corporate limited partners, both individuals and other entities. These FERC decisions do not effect the Partnership's current rates and rate structure because the Partnership does not use the cost of service methodology to support its rates. However, the FERC decisions might become relevant to the Partnership should it (i) elect in the future to use the cost-of-service methodology or (ii) be required to use such methodology to defend its indexed rates against a shipper protest alleging that an indexed rate increase substantially exceeds actual cost increases. Should such circumstances arise, there can be no assurance with respect to the effect of such precedents on the Partnership's rates in view of the uncertainties involved in this issue.

ENVIRONMENTAL 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 its operations 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 its operations, could result in substantial costs and liabilities to the Partnership.

Water

The Federal Water Pollution Control Act of 1972, as renamed and amended as the Clean Water Act ("CWA"), imposes strict controls against the discharge of oil and its derivatives into navigable waters. The CWA provides penalties for any discharges of petroleum products in reportable quantities and imposes substantial potential liability for the costs of removing an oil or hazardous substance spill. State laws for the control of water pollution also provide varying civil and criminal penalties and liabilities in the case of a release of petroleum or its derivatives in surface waters or into the groundwater. Spill prevention control and countermeasure requirements of federal laws require appropriate containment berms and similar structures to help prevent the contamination of navigable waters in the event of a petroleum tank spill, rupture or leak.

Contamination resulting from spills or release of refined petroleum products is an inherent risk within the petroleum pipeline industry. To the extent that groundwater contamination requiring remediation exists along the Pipeline System as a result of past operations, the Partnership believes any such contamination could be controlled or remedied without having a material adverse effect on the financial condition of the Partnership, but such costs are site specific, and there can be no assurance that the effect will not be material in the aggregate.

The primary federal law for oil spill liability is the Oil Pollution Act of 1990 ("OPA"), which addresses three principal areas of oil pollution -- prevention, containment and cleanup, and liability. It applies to vessels, offshore platforms, and onshore facilities, including terminals, pipelines and transfer facilities. In order to handle, store or transport oil, shore facilities are required to file oil spill response plans with the appropriate agency being either the United States Coast Guard, the United States Department of Transportation Office of Pipeline Safety ("OPS") or the Environmental Protection Agency ("EPA"). Numerous states have enacted laws similar to OPA. Under OPA and similar state laws, responsible parties for a regulated facility from which oil is discharged may be liable for removal costs and natural resources damages. The General Partner believes that the Partnership is in material compliance with regulations pursuant to OPA and similar state laws.

The EPA has adopted regulations that require the Partnership to have permits in order to discharge certain storm water run-off. Storm water discharge permits may also be required by certain states in which the Partnership operates. Such permits may require the Partnership to monitor and sample the effluent. The General Partner believes that the Partnership is in material compliance with effluent limitations at existing facilities.

Air Emissions

The operations of the Partnership are subject to the federal Clean Air Act and comparable state and local statutes. The Clean Air Act Amendments of 1990 (the "Clean Air Act") will require most industrial operations in the United States to incur future capital expenditures in order to meet the air emission control standards that are to be developed and implemented by the EPA and state environmental agencies during the next decade. Pursuant to the Clean Air Act, any Partnership facilities that emit volatile organic compounds or nitrogen oxides and are located in ozone non-attainment areas will face increasingly stringent regulations, including requirements that certain sources install the reasonably available control technology. The EPA is also required to promulgate new regulations governing the emissions of hazardous air pollutants. Some of the Partnership's facilities are included within the categories of hazardous air pollutant sources which will be affected by these regulations. The Partnership does not anticipate that changes currently required by the Clean Air Act hazardous air pollutant regulations will have a material adverse effect on the Partnership.

The Clean Air Act also introduced the new concept of federal operating permits for major sources of air emissions. Under this program, one federal operating permit (a "Title V" permit) is issued. The permit acts as an umbrella that includes all other federal, state and local preconstruction and/or operating permit provisions, emission standards, grandfathered rates, and record keeping, reporting, and monitoring requirements in a single document. The federal operating permit is the tool that the public and regulatory agencies use to review and enforce a site's compliance with all aspects of clean air regulation at the federal, state and local level. The Partnership has completed applications for all twelve facilities for which such regulations apply, and has received the final permit for eight facilities.

Solid Waste

The Partnership generates hazardous and non-hazardous solid wastes that are subject to requirements of the federal Resource Conservation and Recovery Act ("RCRA") and comparable state statutes. Amendments to RCRA require the EPA to promulgate regulations banning the land disposal of all hazardous wastes unless the wastes meet certain treatment standards or the land-disposal method meets certain waste containment criteria. In 1990, the EPA issued the Toxicity Characteristic Leaching Procedure, which substantially expanded the number of materials defined as hazardous waste. Certain wastewater and other wastes generated from the Partnership's business activities previously classified as nonhazardous are now classified as hazardous due to the presence of dissolved aromatic compounds. The Partnership utilizes waste minimization and recycling processes and has installed pre-treatment facilities to reduce the volume of its hazardous waste. The Partnership currently has three permitted on-site waste water treatment facilities. Operating expenses of these facilities have not had a material adverse effect on the financial position or results of operations of the Partnership.

Superfund

The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also known as "Superfund," imposes liability, without regard to fault or the legality of the original act, on certain classes of persons who contributed to the release of a "hazardous substance" into the environment. These persons include the owner or operator of a facility and companies that disposed or arranged for the disposal of the hazardous substances found at a facility. CERCLA also authorizes the EPA and, in some instances, third parties to take actions in response to threats to the public health or the environment and to seek to recover from the responsible classes of persons the costs they incur. In the course of its ordinary operations, the Pipeline System generates wastes that may fall within CERCLA's definition of a "hazardous substance." Should a disposal facility previously used by the Partnership require clean up in the future, the Partnership may be responsible under CERCLA for all or part of the costs required to clean up sites at which such wastes have been disposed.

The Company was notified by the EPA in the fall of 1998 that it might have potential liability for waste material allegedly disposed by the Company at the Casmalia Disposal Site in Santa Barbara County, California. The EPA has offered the Company a de minimus settlement offer of $0.3 million to settle liability associated with the Company's alleged involvement. The Company believes based on the information furnished by the EPA that it has been erroneously named as an entity that disposed of waste material at the Casmalia Disposal Site. The Company intends to continue to vigorously pursue dismissal from this matter.

In December 1999, the Company was notified by EPA of potential liability for alleged waste disposal at Container Recycling, Inc., located in Kansas City, Kansas. The Company was also asked to respond to an EPA Information Request. The Company's response has been filed with the EPA Region VII office. Based on information the Company has received from the EPA, as well as through its internal investigations, the Company intends to pursue dismissal from this matter.

Other Environmental Proceedings

The Partnership and the Indiana Department of Environmental Management ("IDEM") have entered into an Agreed Order that will ultimately result in a remediation program for any on-site and off-site groundwater contamination attributable to the Partnership's operations at the Seymour, Indiana, terminal. A Feasibility Study, which includes the Partnership's proposed remediation program, has been approved by IDEM. IDEM is expected to issue a Record of Decision formally approving the remediation program. After the Record of Decision has been issued, the Partnership will enter into an Agreed Order for the continued operation and maintenance of the program. The Partnership has accrued $0.8 million at December 31, 1999 for future costs of the remediation program for the Seymour terminal. In the opinion of the Company, the completion of the remediation program will not have a material adverse impact on the Partnership's financial condition, results of operations or liquidity.

The Partnership received a compliance order from the Louisiana Department of Environmental Quality ("DEQ") during 1994 relative to potential environmental contamination at the Partnership's Arcadia, Louisiana facility, which may be attributable to the operations of the Partnership and adjacent petroleum terminals of other companies. The Partnership and all adjacent terminals have been assigned to the Groundwater Division of DEQ, in which a consolidated plan will be developed. The Partnership has finalized a negotiated Compliance Order with DEQ that will allow the Partnership to continue with a remediation plan similar to the one previously agreed to by DEQ and implemented by the Company. In the opinion of the General Partner, the completion of the remediation program being proposed by the Partnership will not have a future material adverse impact on the Partnership.

SAFETY REGULATION

The Partnership is subject to regulation by the United States Department of Transportation ("DOT") under the Hazardous Liquid Pipeline Safety Act of 1979 ("HLPSA") and comparable state statutes relating to the design, installation, testing, construction, operation, replacement and management of its pipeline facilities. HLPSA covers petroleum and petroleum products and requires any entity that owns or operates pipeline facilities to comply with such regulations, to permit access to and copying of records and to make certain reports and provide information as required by the Secretary of Transportation. The Partnership believes it is in material compliance with HLPSA requirements.

The Partnership is also subject to the requirements of the federal Occupational Safety and Health Act ("OSHA") and comparable state statutes. The Partnership believes it is in material compliance with OSHA and state requirements, including general industry standards, record keeping requirements and monitoring of occupational exposures.

The OSHA hazard communication standard, the EPA community right-to-know regulations under Title III of the federal Superfund Amendment and Reauthorization Act, and comparable state statutes require the Partnership to organize and disclose information about the hazardous materials used in its operations. Certain parts of this information must be reported to employees, state and local governmental authorities, and local citizens upon request. In general, the Partnership expects to increase its expenditures during the next decade to comply with higher industry and regulatory safety standards such as those described above. Such expenditures cannot be accurately estimated at this time, although the General Partner does not believe that they will have a future material adverse impact on the Partnership.

The Partnership is subject to OSHA Process Safety Management ("PSM") regulations which are designed to prevent or minimize the consequences of catastrophic releases of toxic, reactive, flammable, or explosive chemicals. These regulations apply to any process which involves a chemical at or above the specified thresholds; or any process which involves a flammable liquid or gas, as defined in the regulations, stored on site in one location, in a quantity of 10,000 pounds or more. The Partnership utilizes certain covered processes and maintains storage of LPGs in pressurized tanks, caverns and wells in excess of 10,000 pounds at various locations. Flammable liquids stored in atmospheric tanks below their normal boiling point without benefit of chilling or refrigeration are exempt. The Partnership believes it is in material compliance with the PSM regulations.

EMPLOYEES

The Partnership does not have any employees, officers or directors. The General Partner is responsible for the management of the Partnership and Operating Partnerships. As of December 31, 1999, the General Partner had 757 employees.

ITEM 3. LEGAL PROCEEDINGS

TOXIC TORT LITIGATION - SEYMOUR, INDIANA

In the fall of 1999, the Company and the Partnership became involved in a lawsuit in Jackson County Circuit Court, Jackson County, Indiana. In Ryan E. McCleery and Marcia S. McCleery, et al. v. Texas Eastern Corporation, et al. (including the Company and Partnership), plaintiffs contend, among other things, that the Company and other defendants stored and disposed of toxic and hazardous substances and hazardous wastes in such a manner which caused the materials to be released into the air, soil and water. They further contend that such release caused damages to the plaintiffs. In their Complaint, the plaintiffs allege strict liability for both personal injury and property damage together with gross negligence, continuing nuisance, trespass, criminal mischief and loss of consortium. Furthermore, the plaintiffs are seeking compensatory, punitive and treble damages. The Company has filed an Answer to the Complaint, denying the allegations, as well as various other motions. This case is in the early stages of discovery and is not covered by insurance. The Company is defending itself vigorously against this lawsuit. The Partnership cannot estimate the loss, if any, associated with this pending lawsuit.

OTHER LITIGATION

In addition to the litigation discussed above, the Partnership has been, in the ordinary course of business, a defendant in various lawsuits and a party to various other legal proceedings, some of which are covered in whole or in part by insurance. The General Partner believes that the outcome of such lawsuits and other proceedings will not individually or in the aggregate have a material adverse effect on the Partnership's financial condition, operations or cash flows.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

NONE

PART II

ITEM 5. MARKET FOR REGISTRANT'S UNITS AND RELATED UNITHOLDER MATTERS

On July 21, 1998, the Partnership announced a two-for-one split of the Partnership's outstanding Limited Partner Units. The Limited Partner Unit split entitled Unitholders of record at the close of business on August 10, 1998 to receive one additional Limited Partner Unit for each Limited Partner Unit held. All references to the number of Units and per Unit amounts have been adjusted to reflect the two-for-one split for all periods presented.

The Limited Partner Units of the Partnership are listed and traded on the New York Stock Exchange under the symbol TPP. The high and low trading prices of the Limited Partner Units in 1999 and 1998, respectively, as reported in The Wall Street Journal, were as follows:

	1999		1998	
QUARTER	HIGH	LOW	HIGH	LOW
First	$ 26.1875	$ 22.3750	$ 30.3750	$ 25.0000
Second	28.2500	22.9375	30.6875	25.5000
Third	26.4375	20.0000	29.4375	25.5000
Fourth	23.8750	17.1250	30.5625	23.2500

Based on the information received from its transfer agent and from brokers/nominees, the Company estimates the number of beneficial Unitholders of Limited Partner Units of the Partnership as of March 6, 2000 to be approximately 21,000.

The quarterly cash distributions applicable to 1998 and 1999 were as follows:

RECORD DATE	PAYMENT DATE	AMOUNT PER UNIT
April 30, 1998	May 8, 1998	$ 0.425
July 31, 1998	August 7, 1998	0.450
October 30, 1998	November 6, 1998	0.450
January 29, 1999	February 5, 1999	0.450
April 30, 1999	May 7, 1999	$ 0.450
July 30, 1999	August 6, 1999	0.475
October 29, 1999	November 5, 1999	0.475
January 31, 2000	February 4, 2000	0.475

The Partnership makes quarterly cash distributions of its Available Cash, as defined by the Partnership Agreements. Available Cash consists generally of all cash receipts less cash disbursements and cash reserves necessary for working capital, anticipated capital expenditures and contingencies the General Partner deems appropriate and necessary.

The Partnership is a publicly traded master limited partnership that is not subject to federal income tax. Instead, Unitholders are required to report their allocable share of the Partnership's income, gain, loss, deduction and credit, regardless of whether the Partnership makes distributions.

Distributions of cash by the Partnership to a Unitholder will not result in taxable gain or income except to the extent the aggregate amount distributed exceeds the tax basis of the Units held by the Unitholder.

ITEM 6. SELECTED FINANCIAL DATA

The following tables set forth, for the periods and at the dates indicated, selected consolidated financial and operating data for the Partnership. The financial data was derived from the consolidated financial statements of the Partnership and should be read in conjunction with the Partnership's audited consolidated financial statements included in the Index to Financial Statements on page F-1 of this report. See also Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	YEARS ENDED DECEMBER 31,				
	1999	1998 (1)	1997	1996	1995
	(IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)				
INCOME STATEMENT DATA:					
Operating revenues:					
Sales of crude oil and petroleum products	$1,692,767	$214,463	$ --	$ --	$ --
Transportation -- refined products	123,004	119,854	107,304	98,641	96,190
Transportation -- LPGs	67,701	60,902	79,371	80,219	70,576
Transportation -- crude oil and NGLs	11,846	3,392	--	--	--
Mont Belvieu operations	12,849	10,880	12,815	11,811	13,570
Other	26,716	20,147	22,603	25,354	23,380
Total operating revenues	1,934,883	429,638	222,093	216,025	203,716
Purchases of crude oil and petroleum products	1,666,042	212,371	--	--	--
Operating expenses	136,095	110,363	106,771	105,182	103,938
Depreciation and amortization	32,656	26,938	23,772	23,409	23,286
Operating income	100,090	79,966	91,550	87,434	76,492
Interest expense -- net	(29,430)	(28,989)	(32,229)	(33,534)	(34,987)
Other income -- net	1,460	2,364	1,979	4,748	5,212
Income before extraordinary item	72,120	53,341	61,300	58,648	46,717
Extraordinary loss on debt extinguishment, net of minority interest (2)	--	(72,767)	--	--	--
Net income (loss)	$ 72,120	$(19,426)	$ 61,300	$ 58,648	$ 46,717
Basic and diluted income per Unit: (3)					
Before extraordinary item	$ 1.91	$ 1.61	$ 1.95	$ 1.89	$ 1.54
Extraordinary loss on debt extinguishment (2)	--	(2.21)	--	--	--
Net income (loss) per Unit	$ 1.91	$ (0.60)	$ 1.95	$ 1.89	$ 1.54
BALANCE SHEET DATA (AT PERIOD END):					
Property, plant and equipment -- net	$ 720,919	$671,611	$ 567,681	$ 561,068	$ 533,470
Total assets	1,041,373	916,919	673,909	671,241	669,915
Long-term debt (net of current maturities)	455,753	427,722	309,512	326,512	339,512
Class B Units	105,859	105,036	--	--	--
Partners' capital	229,767	227,186	302,967	290,311	276,381
CASH FLOW DATA:					
Net cash from operations	$ 103,070	$ 93,215	$ 83,604	$ 86,121	$ 78,456
Capital expenditures	(77,431)	(23,432)	(32,931)	(51,264)	(25,967)
Cash investments -- net	3,040	2,357	18,860	4,148	6,527
Distributions	(69,259)	(56,774)	(49,042)	(45,174)	(40,342)

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(1) Data reflects the operations of the fractionator assets effective March 31, 1998, and the operations of the crude oil and NGL assets purchased effective November 1, 1998.

(2) Extraordinary item reflects the loss related to the early extinguishment of the First Mortgage Notes on January 27, 1998.

(3) Per Unit amounts for all periods have been adjusted to reflect the two-for-one split on August 10, 1998. Per Unit calculation includes 3,916,547 Class B Units issued for the acquisition of the crude oil and NGL assets, effective November 1, 1998.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The following information is provided to facilitate increased understanding of the 1999, 1998 and 1997 consolidated financial statements and accompanying notes of the Partnership included in the Index to Financial Statements on page F-1 of this report. 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.

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

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

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

RESULTS OF OPERATIONS

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

	YEARS ENDED DECEMBER 31, 1999	1998	1997
Operating revenues:			
Refined Products and LPGs Transportation	$ 230,270	$ 211,783	$ 222,093
Crude Oil and NGLs Transportation and Marketing.....	1,704,613	217,855	--
Total operating revenues	1,934,883	429,638	222,093
Operating income:			
Refined Products and LPGs Transportation	89,393	78,641	91,550
Crude Oil and NGLs Transportation and Marketing......	10,697	1,325	--
Total operating income	100,090	79,966	91,550
Income before extraordinary item:			
Refined Products and LPGs Transportation	61,227	52,002	61,300
Crude Oil and NGLs Transportation and Marketing.....	10,893	1,339	--
Total income before extraordinary item	$ 72,120	$ 53,341	$ 61,300

For the year ended December 31, 1999, the Partnership reported net income of $72.1 million, compared with a net loss of $19.4 million for year ended December 31, 1998. The net loss in 1998 included an extraordinary charge of $72.8 million for early extinguishment of debt, net of $0.7 million allocated to minority interest. Excluding the extraordinary loss, net income for the year would have been $53.3 million for year ended December 31, 1998. The $18.8 million increase in income before the loss on debt extinguishment resulted from a $9.6 million increase in income provided by the crude oil and NGLs transportation and marketing segment, which was acquired effective November 1, 1998, and a $9.2 million increase in income provided by the refined products and LPGs transportation segment. The increase in income provided by the refined products and LPGs transportation segment resulted primarily from a $18.5 million increase in operating revenues, partially offset by a $7.7 million increase in costs and expenses and a $1.2 million decrease in other income - net.

For the year ended December 31, 1998, the Partnership reported a net loss of $19.4 million, which included the extraordinary loss for early extinguishment of debt of $72.8 million. Excluding the extraordinary loss, net income for the year would have been $53.3 million, compared with net income of $61.3 million for 1997. The $8.0 million decrease in income before loss on debt extinguishment resulted from a $9.3 million decrease in income provided by the refined products and LPGs transportation segment, partially offset by $1.3 million in income provided by the crude oil and NGLs transportation and marketing segment, which was acquired effective November 1, 1998. The decrease in income provided by the refined products and LPGs transportation segment resulted primarily from a $10.3 million decrease in operating revenues and a $2.6 million increase in costs and expenses, partially offset by a $3.9 million decrease in interest expense. See discussion below of factors affecting net income for the comparative periods by business segment.

REFINED PRODUCTS AND LPGS TRANSPORTATION SEGMENT

Volume and average tariff information for 1999, 1998 and 1997 is presented below:

	YEARS ENDED DECEMBER 31,			PERCENTAGE INCREASE (DECREASE)	
	1999	1998	1997	1999	1998
	(IN THOUSANDS, EXCEPT TARIFF INFORMATION)				
Volumes Delivered					
Refined products	132,642	130,467	119,971	2%	9%
LPGs	37,575	32,048	41,991	17%	(24%)
Mont Belvieu operations	28,535	25,072	27,869	14%	(10%)
Total	198,752	187,587	189,831	6%	(1%)
Average Tariff per Barrel					
Refined products	$ 0.93	$ 0.92	$ 0.89	1%	3%
LPGs	1.80	1.90	1.89	(5%)	1%
Mont Belvieu operations	0.16	0.16	0.15	--	7%
Average system tariff per barrel	$ 0.98	$ 0.98	$ 1.00	--	(2%)

1999 Compared to 1998

Operating revenues for the year ended 1999 increased 9% to $230.3 million from $211.8 million for the year ended 1998. This $18.5 million increase resulted from a $3.1 million increase in refined products transportation revenues, a $6.8 million increase in LPGs transportation revenues, a $2.0 million increase in revenues generated from Mont Belvieu operations and a $6.6 million increase in other operating revenues.

Refined products transportation revenues increased $3.1 million for the year ended December 31, 1999, compared with the prior year, as a result of a 2% increase in total refined products volumes delivered and a 1% increase in the refined products average tariff per barrel. Strong economic demand coupled with lower refinery production resulted in a 3.1 million barrel increase in jet fuel volumes delivered and a 2.3 million barrel increase in distillate volumes delivered. Jet fuel volumes delivered also benefited as a result of new military supply agreements that became effective in the fourth quarter of 1998. These increases were partially offset by a 1.8 million barrel decrease in motor fuel volumes delivered due to unfavorable Midwest price differentials and reduced refinery production received into the Ark-La-Tex system and a 0.6 million barrel decrease in natural gasoline volumes delivered attributable to lower feed stock and blending demand. Additionally, MTBE volumes delivered decreased 0.9 million barrels as a result of the Partnership canceling its tariffs to Midwest destinations, effective July 1, 1999. This action was taken with the consent of MTBE shippers as a result of lower demand for MTBE transportation caused by changing blending economics, and resulted in increased pipeline capacity and tankage available for other products. The 1% increase in the refined products average tariff per barrel was primarily attributable to a higher percentage of long-haul distillate volumes delivered in the Midwest, partially offset by the 1.83% general tariff reduction pursuant to the Producer Price Index for finished goods less 1% ("PPI Index"), effective July 1, 1999. The Partnership has deferred recognition of approximately $0.8 million of revenue with respect to potential refund obligations for rates charged in excess of the PPI index while its application for Market Based Rates is under review by FERC. See further discussion regarding Market Based Rates included in "Other Matters - Market and Regulatory Environment."

LPGs transportation revenues increased $6.8 million for the year ended December 31, 1999, compared with the prior year, due to a 17% increase in volumes delivered, partially offset by a 5% decrease in the average LPGs tariff per barrel. Propane volumes delivered in the Northeast increased 14% from the prior year primarily due to colder winter weather during the first and fourth quarters of 1999. Propane deliveries in the Midwest market area and the upper Texas Gulf Coast increased 19% and 44%, respectively, from the prior year primarily due to increased petrochemical feed stock demand. The 5% decrease in the average LPGs tariff per barrel resulted from the larger percentage of short-haul barrels during 1999, coupled with the reduction in tariffs rates pursuant to the PPI Index, effective July 1, 1999.

Revenues generated from Mont Belvieu operations increased $2.0 million for the year ended December 31, 1999, compared with the prior year, primarily due to higher storage revenue and increased petrochemical and refinery demand for shuttle deliveries of LPGs along the upper Texas Gulf Coast.

Other operating revenues increased $6.6 million during the year ended December 31, 1999, compared with 1998, primarily due to a $3.6 million increase in gains on the sale of product inventory, a $1.8 million increase in operating revenues from the fractionator facilities acquired on March 31, 1998, and lower exchange losses incurred to position product in the Midwest market area.

Costs and expenses increased $7.7 million during the year ended December 31, 1999, compared with the prior year, due to a $3.4 million increase in operating, general and administrative expenses, a $2.7 million increase in operating fuel and power expense, a $1.1 million increase in depreciation and amortization charges, and a $0.5 million increase in taxes - other than income. The increase in operating, general and administrative expenses was primarily attributable to a $2.8 million increase in expenses associated with Year 2000 activities; a $1.5 million increase in rental fees from higher volume through the connection from Colonial Pipeline at Beaumont; a $1.5 million increase in labor related expenses attributable to merit increases and increased incentive compensation accruals, partially offset by lower post retirement benefit accruals; and increased outside services for pipeline maintenance. These increases in operating, general and administrative expenses were partially offset by $3.4 million of expense recorded in 1998 to write down the book-value of product inventory to market-value, and lower product measurement losses. The increase in operating fuel and power expense from the prior year resulted from increased pipeline throughput. Depreciation and amortization expense increased as a result of amortization of the value assigned to the Fractionation Agreement beginning on March 31, 1998, and capital additions placed in service. The increase in taxes - other than income was primarily due to a higher property base in 1999 and credits recorded during 1998 for the over accrual of previous years' property taxes.

Interest expense increased $1.6 million during the year ended December 31, 1999, compared with 1998. Approximately $0.6 million of the increase was attributable to a full year of interest expense in 1999 on the $38 million term-loan used to finance the purchase of the fractionation assets on March 31, 1998. The remaining increase resulted from $25 million of borrowings during the second quarter of 1999 against the term loan to finance construction of the pipelines between Mont Belvieu and Port Arthur, Texas. Capitalized interest increased during 1999, compared with 1998, as a result of higher balances associated with construction-in-progress of the new pipelines between Mont Belvieu and Port Arthur.

Other income - net decreased $1.2 million during the year ended December 31, 1999, compared with the prior year, as a result of a $0.4 million gain on the sale of non-carrier assets in June 1998, and lower interest income earned on cash investments in 1999.

1998 Compared to 1997

Operating revenues for the year ended 1998 decreased 5% to $211.8 million from $222.1 million for the year ended 1997. This $10.3 million decrease resulted from an $18.5 million decrease in LPGs transportation revenues, a $2.5 million decrease in other operating revenues and a $1.9 million decrease in revenues generated from Mont Belvieu operations, partially offset by a $12.6 million increase in refined products transportation revenues.

Refined products transportation revenues increased $12.6 million for the year ended December 31, 1998, compared with the prior year, as a result of the 9% increase in volumes delivered and a 3% increase in the refined products average tariff per barrel. The 9% increase in volumes delivered in 1998 was attributable to (i) favorable Midwest price differentials for motor fuel, distillate, jet fuel and natural gasoline; and (ii) the full-period impact of capacity expansions of the mainline System between El Dorado, Arkansas, and Seymour, Indiana, the Ark-La-Tex System between Shreveport, Louisiana, and El Dorado, and the connection to the Colonial pipeline at Beaumont, Texas. The 3% increase in the refined products average tariff per barrel reflects new tariff structures for volumes transported on the expanded portion of the Ark-La-Tex system and barrels originating from the pipeline connection with Colonial's pipeline.

LPGs transportation revenues decreased $18.5 million for the year ended December 31, 1998, compared with the prior year, due to a 24% decrease in volumes delivered, partially offset by a 1% increase in the LPGs average tariff per barrel. Propane revenues decreased $16.7 million, or 25%, from the prior year primarily due to decreased propane deliveries in the Midwest and Northeast market areas attributable to warmer winter and spring weather during 1998 and unfavorable differentials versus competing Canadian product. Butane revenues decreased $1.7 million, or 13%, from the prior year due primarily to unfavorable blending economics in the Midwest and termination of a throughput agreement during the second quarter of 1998. Decreased petrochemical demand along the upper Texas Gulf Coast resulted in a 32% decrease in short-haul propane deliveries. The 1% increase in the LPGs average tariff per barrel resulted from an increase in 1998 of the ratio of long-haul to short-haul propane deliveries.

Revenues generated from Mont Belvieu operations decreased $1.9 million for the year ended December 31, 1998, compared with the prior year, primarily due to lower storage revenue, lower product receipt charges and decreased propane dehydration fees. Additionally, Mont Belvieu shuttle deliveries decreased 10% during the year ended 1998, compared with the prior year, due to lower petrochemical and refinery demand for LPGs along the upper Texas Gulf Coast. The decrease in the Mont Belvieu shuttle deliveries was largely offset by a 7% increase in the average tariff per barrel attributable to a lower percentage in 1998 of contract deliveries, which generally carry lower tariffs.

Other operating revenues decreased $2.5 million during the year ended December 31, 1998, compared with 1997, primarily due to decreased product inventory volumes sold, unfavorable product location exchange differentials incurred to position system inventory, lower amounts of butane received in the Midwest for summer storage and decreased terminaling revenues. These decreases were partially offset by $5.5 million of operating revenues from the fractionator facilities acquired on March 31, 1998.

Costs and expenses increased $2.6 million during the year ended December 31, 1998, compared with the prior year, due to a $3.7 million increase in operating, general and administrative expenses and a $2.3 million increase in depreciation and amortization charges, partially offset by a $3.0 million decrease in operating fuel and power expense and a $0.4 million decrease in taxes - other than income. The increase in operating, general and administrative expenses was primarily attributable to $3.4 million of expense to write down the book-value of product inventory to market-value, credits of $3.0 million recorded during 1997 for insurance recovery of past litigation costs related to the Seymour, Indiana, terminal, a $0.9 million increase in expenses related to Year 2000 activities, $0.6 million of expense related to the fractionator facilities acquired on March 31, 1998, and increased product measurement losses. These increases in operating, general and administrative expenses were partially offset by expenses recorded for environmental remediation at the Partnership's Seymour terminal in the third quarter of 1997, and lower supplies and services related to pipeline operations and maintenance. Depreciation and amortization expense increased as a result of amortization of the value assigned to the Fractionation Agreement beginning on March 31, 1998, and capital additions placed in service. Operating fuel and power expense decreased from the prior year due primarily to increased mainline pumping efficiencies, lower long-haul LPGs volumes and lower summer peak power rates in Arkansas.

Interest expense decreased $3.9 million during the year ended December 31, 1998, compared with 1997, as a result of the repayment on January 27, 1998 of the remaining $326.5 million principal balance of the First Mortgage Notes, partially offset by interest expense on the $390.0 million principal amount of the Senior Notes issued on January 27, 1998, and interest expense on the $38.0 million term-loan used to finance the purchase of the fractionation assets on March 31, 1998. The weighted average interest rate of the $326.5 million principal amount of the First Mortgage Notes was 10.09%, compared with the weighted average interest rate of the $390.0 million principal amount of the Senior Notes of 7.02%. The interest rate on the $38.0 million term loan is 6.53%. Interest capitalized decreased $0.7 million from the prior year as a result of lower construction balances related to capital projects.

Other income - net increased during the year ended December 31, 1998, compared with the prior year, as a result of a $0.4 million gain on the sale of non-carrier assets in June 1998 and a $0.5 million loss on the sale of non-carrier assets in August 1997. These factors were partially offset by lower interest income earned on cash investments in 1998.

CRUDE OIL AND NGLs TRANSPORTATION AND MARKETING SEGMENT

The crude oil and NGLs transportation and marketing segment was added to the Partnership's operations with the acquisition of the assets of a Duke Energy subsidiary effective November 1, 1998. The acquisition was accounted for as a purchase for accounting purposes. Accordingly, only operations from November 1, 1998 have been included in the Partnership's financial statements.

Margin is a more meaningful measure of financial performance than operating revenues and operating expenses due to the significant fluctuations in revenues and expense caused by the level of marketing activity. Margin is calculated as revenues generated from crude oil and lube oil sales and crude oil and NGLs transportation less the cost of crude oil and lube oil purchases. Margin and volume information for the year ended December 31, 1999 and the two month period ended December 31, 1998 is presented below:

	YEAR ENDED DECEMBER 31, 1999		TWO MONTHS ENDED DECEMBER 31, 1998	
Margins (dollars in thousands):				
Crude oil transportation	$ 17,873	46%	$ 2,787	51%
Crude oil marketing	12,065	31%	1,253	23%
NGL transportation	6,123	16%	1,062	19%
Lubrication oil sales	2,510	7%	382	7%
Total margin	$ 38,571	100%	$ 5,484	100%
Barrels per day:				
Crude oil transportation	91,143		90,963	
Crude oil marketing	263,703		278,176	
NGL transportation	12,548		11,919	
Lubrication oil volume (total gallons):	8,891,056		1,140,000	
Margin per barrel:				
Crude oil transportation	$ 0.537		$ 0.504	
Crude oil marketing	$ 0.125		$ 0.071	
NGL transportation	$ 1.337		$ 1.515	
Lubrication oil margin (per gallon):	$ 0.282		$ 0.335	

Year Ended December 31, 1999

Net income contributed by the crude oil transportation and marketing segment totaled $10.9 million for the year ended December 31, 1999; comprised of $38.6 million of gross margin and $0.5 million of other income (primarily consists of interest income earned on cash investments), partially offset by $21.6 million of operating, general and administrative expenses (including operating fuel and power), $5.6 million of depreciation and amortization charges, $0.7 million of taxes - other than income and $0.2 million of interest expense.

For the year ended December 31, 1999, crude oil transportation and NGL transportation contributed 46% and 16% of the margin, respectively, while crude oil marketing operations accounted for 31% of the margin. Operations of Lubrication Services LLC ("LSI") contributed $2.5 million, or 7%, of the margin for the year ended December 31, 1999. Operating, general and administrative expenses (including operating fuel and power) totaled $21.6 million, or 56% of the margin, during the year ended December 31, 1999. Depreciation and amortization expenses and taxes - other than income totaled $6.3 million, or 16% of the margin.

Two Months Ended December 31, 1998

Net income contributed by the crude oil transportation and marketing segment totaled $1.3 million for the two months ended December 31, 1998; comprised of $5.5 million of gross margin, offset by $3.2 million of operating, general and administrative expenses (including operating fuel and power), $0.9 million of depreciation and amortization charges, and $0.1 million of taxes - other than income.

During the two months ended December 31, 1998, crude oil transportation and NGL transportation contributed 51% and 19% of the margin, respectively, while crude oil marketing operations accounted for 23% of the margin. Operations of LSI contributed $0.4 million, or 7%, of the margin for the two month period ended December 31, 1998. Operating, general and administrative expenses of the crude oil and NGLs transportation and marketing segment totaled $3.2 million, or 58% of the margin. Depreciation and amortization expenses and taxes - other than income totaled $1.0 million, or 18% of the margin.

FINANCIAL CONDITION AND LIQUIDITY

Net cash from operations for the year ended December 31, 1999, totaled $103.1 million, comprised of $104.8 million of income before charges for depreciation and amortization, partially offset by $1.7 million of cash used for working capital changes. Net cash from operations for the year ended December 31, 1998, totaled $93.2 million, comprised of $80.3 million of income before the extraordinary loss on early extinguishment of debt and charges for depreciation and amortization, and $12.9 million of cash provided from working capital changes. The $14.6 million increase of cash used for working capital changes resulted primarily from timing of collections and payments related to crude oil marketing activity. Net cash from operations for the year ended December 31, 1997 totaled $83.6 million, which was comprised of $85.1 million of income before charges for depreciation and amortization, partially offset by $1.5 million of cash used for working capital changes. Net cash from operations includes interest payments of $30.7 million, $27.0 million and $33.6 million for each of the years ended 1999, 1998 and 1997, respectively.

The Partnership routinely invests excess cash in liquid investments as part of its cash management program. Investments of cash in discounted commercial paper and Eurodollar time deposits with original maturities at date of purchase of 90 days or less are included in cash and cash equivalents. Short-term investments of cash consist of investment-grade corporate notes with maturities during 2000. Long-term investments are comprised of investment-grade corporate notes with varying maturities between 2001 and 2004. Interest income earned on all investments is included in cash from operations. Cash flows from investing activities included proceeds from investments of $6.3 million, $3.1 million and $25.0 million for each of the years ended 1999, 1998 and 1997, respectively. Cash flows from investing activities also included additional investments of $3.2 million, $0.7 million and $6.2 million for each of the years ended 1999, 1998 and 1997, respectively. Cash balances related to the investment of cash and proceeds from the investment of cash were $39.3 million, $57.2 million and $56.1 million for the years ended December 31, 1999, 1998 and 1997, respectively.

Cash flows used in investing activities for the year ended December 31, 1999, included $77.4 million of capital expenditures and $2.3 million for the purchase of a 125-mile crude oil system in Southeast Texas. Capital expenditures during 1999 included $43.8 million of spending for on-going construction of three new pipelines between the Partnership's terminal in Mont Belvieu, Texas and Port Arthur, Texas. The project includes three 12-inch diameter common-carrier pipelines and associated facilities. Each pipeline will be approximately 70 miles in length. Upon completion, the new pipelines will transport ethylene, propylene and natural gasoline. The cost of this project is expected to total approximately $75 million. The Partnership has entered into an agreement for turnkey construction of the pipelines and related facilities and has separately entered into agreements for guaranteed throughput commitments. The anticipated commencement date is the fourth quarter of 2000. Cash flows used in investing activities for the year ended December 31, 1998 included $40.0 million for the purchase price of the fractionation assets and related intangible assets, $23.4 million of capital expenditures and $2.0 million related to the acquisition of assets, partially offset by $0.5 million received from the sale of non-carrier assets. Cash flows used in investing activities for the year ended December 31, 1997 included $32.9 million of capital expenditures, partially offset by $1.4 million received from the sale of non-carrier assets and $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.

On July 21, 1998, the Partnership announced a two-for-one split of the Partnership's outstanding Limited Partner Units. The Limited Partner Unit split entitled Unitholders of record at the close of business on August 10, 1998 to receive one additional Limited Partner Unit for each Limited Partner Unit held. All per Limited Partner Unit amounts have been adjusted to reflect the two-for-one Unit split.

The Partnership paid cash distributions of $69.3 million ($1.85 per Unit), $56.8 million ($1.75 per Unit), and $49.0 million ($1.55 per Unit) for each of the years ended December 31, 1999, 1998 and 1997, respectively. On January 14, 2000, the Partnership declared a cash distribution of $0.475 per Limited Partner Unit and Class B Unit for the quarter ended December 31, 1999. The distribution of $18.3 million was paid on February 4, 2000, to Unitholders of record on January 31, 2000.

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

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

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

On May 17, 1999, the Products OLP entered into a $75 million term loan agreement to finance construction of three new pipelines between the Partnership's terminal in Mont Belvieu, Texas and Port Arthur, Texas. The loan agreement has a term of five years. SunTrust Bank is the administrator of the loan. At December 31, 1999, $25 million has been borrowed under the term loan agreement. Principal will be paid quarterly beginning in 2001. The interest rate for the $75 million term loan is based on the borrower's option of either SunTrust Bank's prime rate, the federal funds rate or LIBOR rate in effect at the time of the borrowings and is adjusted monthly, bimonthly, quarterly or semi-annually. Interest is payable quarterly from the time of borrowing. The current interest rate for amounts outstanding under the term loan is 7.27%. Commitment fees for the term loan agreement totaled approximately $78,000 for the period from May 17, 1999 through December 31, 1999.

On May 17, 1999, the Products OLP entered into a $25 million revolving credit agreement and TCO entered into a $30 million revolving credit agreement. SunTrust Bank is the administrative agent on both revolving credit agreements. The $25 million revolving credit agreement has a five year term and the $30 million revolving credit agreement has a three year term. The interest rate on both agreements is based on the borrower's option of either SunTrust Bank's prime rate, the federal funds rate or LIBOR rate in effect at the time of the borrowings and is payable quarterly. Interest rates are adjusted monthly, bimonthly, quarterly or semi-annually. The Products OLP has not borrowed any amounts under the revolving credit facility. TCO had $3 million principal amount outstanding under its revolving credit agreement as of December 31, 1999. Commitment fees for the revolving credit agreements totaled approximately $83,000 for the period from May 17, 1999 through December 31, 1999.

Each of the loan agreements with SunTrust Bank discussed above contains restrictive financial covenants that require the Operating Partnerships to maintain a minimum level of partners' capital as well as debt-to-earnings, interest coverage and capital expenditure coverage ratios. At December 31, 1999, the Operating Partnerships were in compliance with all financial covenants related to these loan agreements.

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

In March 2000, the Partnership, CMS Energy Corporation and Marathon Ashland Petroleum LLC announced an agreement to form a limited liability company that will own and operate an interstate refined petroleum products pipeline extending from the upper Texas Gulf Coast to Illinois. Each of the companies will own a one-third interest in the limited liability company. The Partnership's participation in this joint venture will replace its previously announced expansion plan to construct a new pipeline parallel to the Partnership's two existing pipelines from Beaumont, Texas, to Little Rock, Arkansas.

The limited liability company will build a 70-mile, 24-inch diameter pipeline connecting the Partnership's facility in Beaumont, Texas, with the start of an existing 720-mile, 26-inch diameter pipeline extending from Longville, Louisiana, to Bourbon, Illinois. The pipeline, which has been named Centennial Pipeline, will pass through portions of seven states -- Texas, Louisiana, Arkansas, Mississippi, Tennessee, Kentucky and Illinois. CMS Panhandle Pipe Line Companies, which owns the existing 720-mile pipeline, has made a filing with the FERC to take the line out of natural gas service as part of the regulatory process. Conversion of the pipeline to refined products service is expected to be completed by the end of 2001. The Centennial Pipeline will intersect the Partnership's existing mainline near Lick Creek, Illinois, where a new two million barrel refined petroleum products storage terminal will be built.

OTHER MATTERS

Regulatory and Environmental

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

The Partnership and the Indiana Department of Environmental Management ("IDEM") have entered into an Agreed Order that will ultimately result in a remediation program for any on-site and off-site groundwater contamination attributable to the Partnership's operations at the Seymour, Indiana, terminal. A Feasibility Study, which includes the Partnership's proposed remediation program, has been approved by IDEM. IDEM is expected to issue a Record of Decision formally approving the remediation program. After the Record of Decision has been issued, the Partnership will enter into an Agreed Order for the continued operation and maintenance of the program. The Partnership has accrued $0.8 million at December 31, 1999 for future costs of the remediation program for the Seymour terminal. In the opinion of the Company, the completion of the remediation program will not have a material adverse impact on the Partnership's financial condition, results of operations or liquidity.

Year 2000 Issues

In 1997, the Company initiated a program to prepare the Partnership's process controls and business computer systems for the "Year 2000" issue. Process controls are the automated equipment including hardware and software systems which run operational activities. Business computer systems are the computer hardware and software used by the Partnership. The Partnership incurred approximately $5.6 million of expense from 1997 through 1999 related to the Year 2000 issue. The Partnership did not encounter any critical system application or hardware failures during the date roll over to the Year 2000, and has not experienced any disruptions of business activities as a result of Year 2000 failures encountered by customers, suppliers and service providers.

Market and Regulatory Environment

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

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 July 1, 1998, general rate decreases of 0.62% for both refined products tariffs and LPGs tariffs became effective. The rate decreases were calculated pursuant to the index methodology promulgated by the FERC.

In May 1999, the Products OLP filed an application with the FERC to charge Market Based Rates for substantially all refined products transportation tariffs. Such application is currently under review by the FERC. The FERC approved a request of the Products OLP waiving the requirement to adjust refined products transportation tariffs pursuant to the PPI Index while its Market Based Rates application is under review. Under the PPI Index, refined products transportation rates in effect on June 30, 1999 would have been reduced by approximately 1.83% effective July 1, 1999. If any portion of the Market Based Rates application is denied by the FERC, the Products OLP has agreed to refund, with interest, amounts collected after June 30, 1999, under the tariff rates in excess of the PPI Index. As a result of the refund obligation potential, the Partnership has deferred all revenue recognition of rates charged in excess of the PPI Index. At December 31, 1999, the amount deferred for possible rate refunds, including interest, totaled approximately $0.8 million.

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

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

Other

In February 2000, the Partnership and Louis Dreyfus Plastics Corporation ("Louis Dreyfus") announced a joint development alliance whereby the Partnership's Mont Belvieu petroleum liquids storage and transportation shuttle system assets will be marketed by Louis Dreyfus. The alliance will expand services to the upper Texas Gulf Coast energy marketplace. The alliance is a service-oriented, fee-based venture with no commodity trading.

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

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

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

The Partnership mitigates exposure to commodity price fluctuations by maintaining a balanced position between crude oil purchases and sales. As a hedging strategy to manage crude oil price fluctuations, the Partnership enters into futures contracts on the New York Mercantile Exchange, and makes limited use of other derivative instruments. It is the Partnership's general policy not to acquire crude oil futures contracts or other derivative products for the purpose of speculating on price changes, however, the Partnership may take limited speculative positions to capitalize on crude oil price fluctuations. Any contracts held for trading purposes or speculative positions are accounted for using the mark-to-market method. Under this methodology, contracts are adjusted to market value, and the gains and losses are recognized in current period income. Risk management policies have been established by the Risk Management Committee to monitor and control these market risks. The Risk Management Committee is comprised of senior executives of the Partnership. Market risks associated with commodity derivatives were not material at December 31, 1999.

At December 31, 1999, the Products OLP had outstanding $180 million principal amount of 6.45% Senior Notes due 2008, and $210 million principal amount of 7.51% Senior Notes due 2028 (collectively the "Senior Notes"). Additionally, the Products OLP had a $38 million bank loan outstanding from SunTrust Bank. The SunTrust loan bears interest at a fixed rate of 6.53% and is payable in full in April 2001. At December 31, 1999, the estimated fair value of the Senior Notes and the SunTrust loan was approximately $356.0 million and $38.1 million, respectively.

At December 31, 1999, the Products OLP had $25 million outstanding under a variable interest rate term loan and the Crude Oil OLP had $3 million outstanding under its revolving credit agreement. The interest rates for these credit facilities are based on the borrower's option of either SunTrust Bank's prime rate, the federal funds rate or LIBOR rate in effect at the time of the borrowings and is adjusted monthly, bimonthly, quarterly or semi-annually. Utilizing the balances of variable interest rate debt outstanding at December 31, 1999, and assuming market interest rates increase 1%, the potential annual increase in interest expense is approximately $0.3 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of the Partnership, together with the independent auditors' report thereon of KPMG LLP, begin on page F-1 of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

NONE

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The Partnership does not have directors or officers. Set forth below is certain information concerning the directors and executive officers of the General Partner. All directors of the General Partner are elected annually by Duke Energy. All officers serve at the discretion of the directors.

William L. Thacker, age 54, was elected a director of the General Partner in 1992 and Chairman of the Board in October 1997. Mr. Thacker was elected President and Chief Operating Officer in September 1992 and Chief Executive Officer in January 1994. Prior to joining the Company, Mr. Thacker was President of Unocal Pipeline Company from 1986 until 1992.

Fred J. Fowler, age 54, is Vice Chairman of the Board of the General Partner and is Chairman of the Compensation Committee. He was elected a director in November 1998. Mr. Fowler is group president, energy transmission of Duke Energy. Mr. Fowler joined PanEnergy in 1985 and served in a variety of positions in marketing, transportation and exchange. He was appointed group vice president of PanEnergy in 1996.

Richard J. Osborne, age 49, was elected a director of the General Partner in October 1998. Mr. Osborne is executive vice president and chief financial officer of Duke Energy. He previously served as vice president and chief financial officer of Duke Energy from 1991 to 1997. Mr. Osborne joined Duke Energy in 1975.

Jim W. Mogg, age 51, was elected a director of the General Partner in October 1997. Mr. Mogg is president and chief executive officer of Duke Energy Field Services, Inc. Mr. Mogg was previously president of Centana Energy Corporation and senior vice president for Panhandle Eastern Pipe Line Company. Mr. Mogg joined Panhandle Eastern Pipe Line Company in 1973.

Ruth G. Shaw, age 52, was elected a director of the General Partner in December 1997. Ms. Shaw is executive vice president and chief administrative officer of Duke Energy. Ms. Shaw joined Duke Power Company in 1992 as vice president of corporate communications. In April 1994, she was elected senior vice president, corporate resources and chief administrative officer. Ms. Shaw is a director of First Union Corp. and Avado Brands, Inc.

Carl D. Clay, age 67, is a director of the General Partner and a member of the Compensation and Audit Committees. He was elected in January 1995. Mr. Clay retired from Marathon Oil Company in 1994 after 33 years during which he served as director of transportation and logistics and president of Marathon Pipe Line Company.

Derrill Cody, age 61, is a director of the General Partner having been elected in 1989. He is the Chairman of the Audit Committee and serves on the Compensation Committee of the General Partner. Mr. Cody is presently of counsel to McKinney and Stringer, which represents Duke Energy in certain matters. He is also an advisor to Duke Energy pursuant to a personal contract. Mr. Cody served as Chief Executive Officer of Texas Eastern Gas Pipeline Company from 1987 to 1989. Mr. Cody is also a director of Barrett Resources Corporation.

John P. DesBarres, age 60, is a director of the General Partner, having been elected in May 1995. He is a member of the Compensation and Audit Committees. Mr. DesBarres was formerly chairman, president and chief executive officer of Transco Energy Company from 1992 to 1995. He joined Transco in 1991 as president and chief executive officer. Prior to joining Transco, Mr. DesBarres served as chairman, president and chief executive officer for Santa Fe Pacific Pipelines, Inc. from 1988 to 1991.

Milton Carroll, age 50, was elected a director of the General Partner in November 1997 and is a member of the Compensation and Audit Committees. Mr. Carroll founded and has been president and chief executive officer of Instrument Products, Inc., a manufacturer of oil field tools and other precision products, since 1977. Mr. Carroll is a director of Reliant Energy, Ocean Energy Inc., and Blue Cross Blue Shield of Texas.

Charles H. Leonard, age 51, is Senior Vice President, Chief Financial Officer and Treasurer of the General Partner. Mr. Leonard joined the Company in 1988 as Vice President and Controller. In November 1989, he was elected Vice President and Chief Financial Officer. He was elected Senior Vice President in March 1990, and Treasurer in October 1996.

James C. Ruth, age 52, is Vice President, General Counsel and Secretary of the General Partner, having been elected in 1991. He was elected as Secretary in 1998. Mr. Ruth was Vice President and Assistant General Counsel of the General Partner from 1989 to 1991.

Thomas R. Harper, age 59, is Vice President, Product Transportation and Refined Products Marketing of the General Partner. Mr. Harper joined the Company in 1987 as Director of Product Transportation, and was elected to his present position in 1988.

David L. Langley, age 52, is Vice President, Business Development and LPG Services of the General Partner. Mr. Langley has been with the Company in various managerial positions since 1975 and was elected Vice President, LPG Business Center, in 1988. He was elected to his current position in 1990.

Ernest P. Hagan, age 55, is Vice President, Operations, of the General Partner, having been elected in October 1996. Mr. Hagan was previously Director of Engineering and Right-of-Way from 1994 until October 1996, and from 1986 until 1994 he was Region Manager of the Southwest Region. Mr. Hagan joined the Company in 1971.

Sharon S. Stratton, age 61, is Vice President, Human Resources of the General Partner, having been elected in January 1999. Ms. Stratton served as Director, Human Resources of the General Partner from 1992 to 1998. She previously served in a variety of human resource positions with PanEnergy. Ms. Stratton joined PanEnergy in 1976.

J. Michael Cockrell, age 53, is Vice President of the General Partner, having been elected in January 1999. Mr. Cockrell also serves as President of TCO. He joined PanEnergy in 1987 and served in a variety of positions in supply and development, including president of Duke Energy Transport and Trading Company.

William S. Dickey, age 42, is Vice President of the General Partner, having been elected in January 1999. Mr. Dickey also serves as Senior Vice President and Chief Financial Officer of TCO. He previously served as vice president and chief financial officer of Duke Energy Field Services from 1994 to 1998. Mr. Dickey joined PanEnergy in 1987.

Based on information furnished to the Company and written representation that no other reports were required, to the Company's knowledge, all applicable Section 16(a) filing requirements were complied with during the year ended December 31, 1999, except that one such report covering one transaction in Limited Partner Units was filed late by J. Michael Cockrell.

ITEM 11. EXECUTIVE COMPENSATION

The officers of the General Partner manage and operate the Partnership's business. The Partnership does not directly employ any of the persons responsible for managing or operating the Partnership's operations, but instead reimburses the General Partner for the services of such persons.

Directors of the General Partner who are neither officers nor employees of either the Company or Duke Energy receive a stipend of $15,000 per annum, $750 for attendance at each meeting of the Board of Directors, $750 for attendance at each meeting of a committee of the Board of Directors and reimbursement of expenses incurred in connection with attendance at a meeting of the Board of Directors or a committee of the Board of Directors. Each non-employee director who serves as chairman of a committee of the Board of Directors receives an additional stipend of $2,000 per annum. Effective September 1, 1999, non-employee directors may elect to defer payment of retainer and attendance fees until termination of service on the Board of Directors. Such deferral may be either 50% or 100% in either a fixed income investment account that is credited with annual interest (currently 7%) or an investment account based upon the market value of Limited Partner Units.

Effective April 1, 1999, each quarter that a non-employee director continues to serve on the Board of Directors, such director will be credited with an amount equal to the market value of 62.5 Limited Partner Units and distribution equivalents on previously awarded amounts. In general, such amounts will not become distributable until the non-employee director terminates service on the Board of Directors. When a non-employee director terminates service on the Board of Directors, payment will be distributed to the director on the basis of the distribution schedule chosen by such director.

Messrs. Thacker, Fowler, Mogg and Osborne and Ms. Shaw were not compensated for their services as directors, and it is not anticipated that any compensation for service as a director will be paid in the future to directors who are full-time employees of Duke Energy, the General Partner or any of their affiliates.

The following table reflects cash compensation paid or accrued by the General Partner for the years ended December 31, 1999, 1998 and 1997, with respect to its Chief Executive Officer and the four most highly compensated executive officers (collectively, the "Named Executive Officers").

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION YEAR	SALARY ($)	BONUS ($) (2)	OTHER ANNUAL COMPENSATION ($) (3)	LONG TERM COMPENSATION OPTION AWARDS (#) (4) (5)	PAYOUTS ($)(6)	ALL OTHER COMPENSATION ($) (7)
William L. Thacker	1999	261,321	106,100	57,809	50,000	133,124	22,924
Chairman, President and	1998	250,000	86,400	77,114	39,000	148,858	24,666
Chief Executive Officer	1997	237,708	98,200	78,551	8,800	358,168	21,529
J. Michael Cockrell (1)	1999	179,393	51,000	27,750	15,000	--	14,064
Vice President							
Charles H. Leonard	1999	153,507	62,200	--	16,000	98,679	12,687
Senior Vice President,	1998	149,333	39,200	14,820	12,000	95,331	13,406
Chief Financial Officer	1997	145,750	52,000	29,985	--	25,444	12,960
and Treasurer							
William S. Dickey (1)	1999	149,423	42,000	16,650	9,000	--	10,599
Vice President							
James C. Ruth	1999	142,344	57,600	28,904	16,000	60,741	11,738
Vice President and	1998	138,333	36,200	38,557	12,000	41,095	15,079
General Counsel	1997	134,333	46,000	39,276	--	27,901	14,968

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(1) Mr. Cockrell and Mr. Dickey were elected to their positions in January 1999. They were previously employed by DETTCO prior to the acquisition by the Partnership in November 1999.

(2) Amounts represent bonuses accrued during the year under the Management Incentive Compensation Plan ("MICP"). Payments under the MICP were made in the subsequent year.

(3) Amounts represent quarterly distribution equivalents under the terms of the Company's Long Term Incentive Compensation Plan ("LTICP") and Retention Incentive Compensation Plan ("RICP").

(4) Amounts represent awards pursuant to the Texas Eastern Products Pipeline Company 1994 Long Term Incentive Plan ("1994 LTIP") for Mr. Thacker, Mr. Leonard and Mr. Ruth. See "Compensation Pursuant to General Partner Plans" for further discussion of the 1994 LTIP.

(5) Amounts represent awards pursuant to the RICP for Mr. Cockrell and Mr. Dickey. See "Compensation Pursuant to General Partner Plans" for further discussion of the RICP.

(6) Amounts represent the value of redemptions under the 1996 amendment to the LTICP and credits earned to Performance Unit accounts and options exercised under the terms of 1994 LTIP. Also, for Mr. Thacker in 1997, amounts include crediting of phantom units awarded in a prior year under the terms of the LTICP.

(7) Includes (i) Company matching contributions under the Duke Energy Retirement Savings Plan, a funded, qualified, defined contribution retirement plan; (ii) Company matching contribution credits under the Duke Energy Corporation Executive Savings Plan, an unfunded, non qualified plan; and (iii) the imputed value of premiums paid by the Company for insurance on the Named Executive Officers' lives.

EXECUTIVE EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT ARRANGEMENTS

On September 1, 1992, William L. Thacker, Jr. and the Company entered into an employment agreement, which set a minimum base salary of $190,000 per year. The Company may terminate the employment agreement for cause, death or disability. In addition, the Company or Mr. Thacker may terminate the agreement upon written notice. Additionally, the Company granted 16,000 phantom units with distribution equivalents to Mr. Thacker pursuant to the LTICP discussed below. Mr. Thacker participates in other Company sponsored benefit plans on the same basis as other senior executives of the Company.

On December 1, 1998, the Company entered into employment agreements with Ernest P. Hagan, Thomas R. Harper, David L. Langley, Charles H. Leonard and James C. Ruth. Additionally, effective January 1, 1999, the Company entered into employment agreements with Samuel N. Brown, J. Michael Cockrell, William S. Dickey and Sharon S. Stratton. The agreements may be terminated for death, disability or by the Company with or without cause. In the event one of the named executives' employment is terminated due to death or disability or by the Company for cause, such executive is entitled only to base salary earned through the date of termination. In the event of termination for any other reason, such executive is entitled to base salary earned through the date of termination plus a lump sum severance payment equal to two times such executive's base annual salary and two times the current target bonus approved under the MICP by the Compensation Committee. In the event that an executive is involuntarily terminated following a change in control, such executive is entitled to a lump sum severance payment equal to two times his base annual salary plus two times his current target bonus.

COMPENSATION PURSUANT TO GENERAL PARTNER PLANS

Management Incentive Compensation Plan

The General Partner has established the MICP, which provides for the payment of additional cash compensation to participants if certain Partnership performance and personal objectives are met each year. The Compensation Committee (the "Committee") determines at the beginning of each year which employees are eligible to become participants in the MICP. Each participant is assigned a target award by the Committee. Such target award determines the additional compensation to be paid if all Partnership performance and personal objectives are met and all Minimum Quarterly Distributions have been made for the year. The amount of the awards may range from 10% to 56% of a participant's base salary. Awards are paid as soon as practicable following approval by the Committee after the close of a year.

Long Term Incentive Compensation Plan

The LTICP provides key employees with an incentive award based upon the grant of phantom units. The LTICP is administered by the Committee, which has sole and absolute discretion to determine the amount of an award. The credit of phantom units under the terms of the LTICP is contingent upon minimum quarterly cash distributions ($0.275 per Unit) being made to the Unitholders and the General Partner. The Committee may also establish performance targets for crediting of phantom units. The award consists of phantom units with a total market value, as of the date of the award, that may not exceed 100% of the base salary of a participant. The phantom units are credited to each participant at the rate of 10% per year beginning on the first anniversary date of the award. A final credit of 60% of the phantom units awarded will occur on the fifth anniversary date of the award. The phantom units may be redeemed by a participant at any time following credit to a participant in accordance with terms and conditions prescribed by the Committee. The redemption price of the phantom units is based on the market value of a Limited Partner Unit as of the date of redemption. In the event of a change of control, all phantom units awarded to a participant will be redeemed. Each participant also receives a quarterly distribution equivalent in cash based upon a percentage of the distributions to the General Partner for such quarter. In 1995, the LTICP was amended to require annual redemptions, effective January 1, 1996, of 20% of the phantom units previously credited to each participant. On January 4, 2000, all remaining outstanding phantom units were redeemed. See Item 13, "Certain Relationships and Related Transactions.

1994 Long Term Incentive Plan

The 1994 LTIP provides key employees with an incentive award whereby a participant is granted an option to purchase Units together with a stipulated number of Performance Units. Each Performance Unit creates a credit to a participant's Performance Unit account when earnings exceed a threshold, which was $1.00, $1.25 and $1.875 per Limited Partner Unit for the awards made in 1994, 1995, and 1997, respectively. When earnings for a calendar year (exclusive of certain special items) exceed the threshold, the excess amount is credited to the participant's Performance Unit account. The balance in the account may be used to exercise Unit options granted in connection with the Performance Units or may be withdrawn two years after the underlying options expire, usually 10 years from the date of grant. Under the agreement for such Unit options, the options become exercisable in equal installments over periods of one, two, and three years from the date of the grant. Options may also be exercised by normal means once vesting requirements are met.

Retention Incentive Compensation Plan

Effective January 1, 1999, the General Partner established the Retention Incentive Compensation Plan ("RICP") to provide key employees with an incentive award based upon the grant of phantom units. The RICP is administered by the Committee, which has sole and absolute discretion to determine the amount of an award. The Committee may also establish performance targets for crediting of phantom units. The phantom units are credited to each participant at the rate of 25% per year beginning on the first anniversary date of the award. The phantom units may be redeemed by a participant at any time following credit to a participant in accordance with terms and conditions prescribed by the Committee. The redemption price of the phantom units is based on the market value of a Limited Partner Unit as of the date of redemption. Each participant also receives a quarterly distribution equivalent on all phantom units awarded, until redemption of such phantom units.

Phantom Unit Retention Plan

Effective August 25, 1999, the General Partner established the Phantom Unit Retention Plan ("PURP") to provide non-executive officer key employees with an incentive award based upon the grant of phantom units. The PURP is administered by the Committee, which has sole and absolute discretion to determine the amount of an award. The phantom units are credited to each participant at the rate of 10% per year beginning on the first anniversary date of the award. A final credit of 60% of the phantom units awarded will occur on the fifth anniversary date of the award. The phantom units may be redeemed by a participant at any time following credit to a participant in accordance with terms and conditions prescribed by the Committee. The redemption price of the phantom units is based on the market value of a Limited Partner Unit as of the date of redemption. Each participant also receives a quarterly distribution equivalent on all phantom units awarded, until redemption of such phantom units.

The following table shows all grants of unit options under the 1994 LTIP to the Named Executive Officers in 1999. No Stock appreciation rights (SARs) were granted in 1999 nor were the exercise prices on unit options previously awarded under the 1994 LTIP amended or adjusted.

OPTION/SAR GRANTS IN LAST FISCAL YEAR

	INDIVIDUAL GRANTS				GRANT DATE VALUE
	NUMBER OF SECURITIES UNDERLYING OPTIONS/SARs GRANTED (1)(#)	PERCENT OF TOTAL OPTIONS/ SARS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE ($/UNIT)	EXPIRATION DATE	GRANT DATE PRESENT VALUE (2)$
Mr. Thacker ...	50,000	31	25.25	1/14/09	$ 125,500
Mr. Leonard ...	16,000	10	25.25	1/14/09	$ 40,160
Mr. Ruth	16,000	10	25.25	1/14/09	$ 40,160

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(1) On January 14, 1999, Messrs. Thacker, Leonard and Ruth were granted options to purchase 50,000 Limited Partner Units, 16,000 Limited Partner Units and 16,000 Limited Partner Units, respectively, under the

terms of the 1994 LTIP at an exercise price of $25.25 per Limited Partner Unit, which was the fair market value of a Limited Partner Unit on the date of grant. No Performance Units were granted in 1999.

(2) Based on the Black-Scholes option valuation model. The key input variables used in valuing the options were: risk-free interest rate based on 6-year Treasury strips - 4.7%; dividend yield - 7.6%; Unit price volatility - 23%. Expected dividend yield and price volatility was based on historical Limited Partner Unit data. No adjustments for non-transferability or risk of forfeiture were made. The actual value, if any, a grantee may realize will depend on the excess of the Limited Partner Unit price over the exercise price on the date the option is exercised, so that there is no assurance the value realized will be at or near the value estimated by the Black-Scholes model.

The following table provides information concerning the unit options exercised under the 1994 LTIP by each of the Named Executive Officers during 1999 and the value of unexercised unit options under the 1994 LTIP to the Named Executive Officers as of December 31, 1999. The value assigned to each unexercised, "in the money" option is based on the positive spread between the exercise price of such option and the fair market value of a Limited Partner Unit on December 31, 1999. The fair market value is the average of the high and low prices of a Limited Partner Unit on that date as reported in The Wall Street Journal. In assessing the value, it should be kept in mind that no matter what theoretical value is placed on an option on a particular date, its ultimate value will be dependent on the market value of the Partnership's Limited Partner Unit price at a future date. The future value will depend in part on the efforts of the Named Executive Officers to foster the future success of the Partnership for the benefit of all Unitholders.

AGGREGATED OPTIONS/SAR EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION/SAR VALUES

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED($)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS/SARS AT FY-END (#) EXERCISABLE/ UNEXERCISABLE (1)	VALUE OF UNEXERCISED IN-THE MONEY OPTIONS/SARS AT FY-END ($) EXERCISABLE/ UNEXERCISABLE
Mr. Thacker	3,402	$ 39,603	34,725/78,933	$ 82,759/ $ 0
Mr. Leonard	7,366	$ 81,849	7,328/24,000	$ 19,136/ $ 0
Mr. Ruth	2,866	$ 29,096	12,726/24,000	$ 50,175/ $ 0

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(1) Future exercisability of currently unexercisable options depends on the grantee remaining employed by the Company throughout the vesting period of the options, subject to provisions applicable at retirement, death, or total disability.

1997 Employee Incentive Compensation Plan

The General Partner has adopted the 1997 Employee Incentive Compensation Plan ("1997 EICP"), which provides an award of shadow units to all employees who are not eligible to participate in the MICP. The 1997 EICP is administered by the Committee, which maintains an incentive award account for each participant. Each participant is eligible for an annual award of up to 600 shadow units, depending on the level of earnings achieved by the Partnership each year, which generally entitles such participant to receive a credit equal to the quarterly distribution that such participant would have received had the participant been the owner of Units. The Committee may add a premium from 10% to 30% to the credit if certain safety and operational goals are attained. Payment of the credits is contingent upon the participant remaining in the employment of the General Partner during the year in which the shadow units are outstanding. Awards to participants are paid in cash following the close of each year in an amount equal to the credits in the participant's incentive award account with respect to such year.

PENSION PLAN

From January 1, 1999, the Company's employees, along with employees of other Duke Energy affiliates, participated in either of two noncontributory, qualified, defined benefit retirement plans: the Retirement Cash Balance Plan or the Retirement Income Plan. The Retirement Income Plan ceased admitting new participants after December 31, 1998 and merged into the Retirement Cash Balance Plan on April 30, 1999. In addition, the Named Executive Officers participate in the Executive Cash Balance Plan, which is a noncontributory, non qualified, defined benefit retirement plan. A portion of the benefits earned in the Executive Cash Balance Plan is attributable to compensation in excess of the Internal Revenue Service annual compensation limit ($160,000 for 1999) and deferred compensation, as well as reductions caused by maximum benefit limitations that apply to qualified plans from the benefits that would otherwise be provided under the Retirement Cash Balance Plan and the Retirement Income Plan. Effective January 1, 1999 the Retirement Benefit Equalization Plan was established to restore benefit reductions caused by the maximum benefit limitations that apply to qualified plans from benefits that would otherwise be provided under the Retirement Cash Balance Plan and the Retirement Income Plan for eligible employees who do not participate in the Executive Cash Balance Plan. Benefits under the Retirement Cash Balance Plan, the Retirement Income Plan, the Executive Cash Balance Plan and the Retirement Benefit Equalization Plan are based on eligible pay, generally consisting of base pay, short term incentive pay, and lump-sum merit increases. The Retirement Cash Balance Plan, the Retirement Income Plan and the Retirement Benefit Equalization Plan exclude deferred compensation, other than deferrals pursuant to Sections 401(k) and 125 of the Internal Revenue Code.

Under the cash balance benefit accrual formula that applies in determining benefits under the Retirement Income Plan and the Retirement Cash Balance Plan on and after January 1, 1999, an eligible employee's plan account receives a pay credit at the end of each month in which the employee remains eligible and receives eligible pay for services. The monthly pay credit is equal to a percentage of the employee's monthly eligible pay. The percentage depends on age added to completed years of services at the beginning of the year, as shown below:

AGE AND SERVICE	MONTHLY PAY CREDIT PERCENTAGE
34 or less	4%
35 to 49	5%
50 to 64	6%
65 or more	7%

The above monthly pay credit is increased by an additional 4% of any portion of eligible pay above the Social Security taxable wage base ($76,200 for 2000). However, for certain other employees of the Company, the monthly pay credit percentage is a flat 3% of eligible pay. Employee accounts also receive monthly interest credits on their balances. The rate of the interest credit is adjusted quarterly and equals the yield on 30-year U.S. Treasury Bonds during the third week of the last month of the previous quarter, subject to a minimum rate of 4% per year and a maximum rate of 9% per year.

Prior to application of the cash balance formula, benefits for eligible employees were determined under other formulas. To transition from a prior formula to the new formula, an eligible employee's accrued benefit earned under the prior formula is preserved as a minimum, and the employee's plan account receives an opening balance derived from a variety of factors.

Assuming that the Named Executive Officers continue in their present positions at their present salaries until retirement at age 65, their estimated annual pensions in a single life annuity form under the applicable plan(s) attributable to such salaries would be as follows: William L. Thacker, $157,779; J. Michael Cockrell, $40,083; Charles H. Leonard, $103,965; William S. Dickey, $84,603; and James C. Ruth, $189,495. Such estimates were calculated assuming interest credits at a rate of 7% per annum and using a future Social Security taxable wage base equal to $76,200.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Security Ownership of Certain Owners.

As of March 6, 2000, Duke Energy, through its ownership of the Company and other subsidiaries, owns 2,500,000 Limited Partner Units, representing 8.62% of the Limited Partner Units outstanding; and 3,916,547 Class B Units, representing 100% of the Class B Units, or 19.49% of the two classes of Units combined.

(b) Security Ownership of Management

The following table sets forth certain information, as of March 6, 2000, concerning the beneficial ownership of Limited Partner Units by each director and Named Executive Officer of the General Partner and by all directors and officers of the General Partner as a group. Such information is based on data furnished by the persons named. Based on information furnished to the General Partner by such persons, no director or officer of the General Partner owned beneficially, as of March 6, 2000, more than 1% of the Limited Partner Units outstanding at that date.

NAME	NUMBER OF UNITS (1)
Milton Carroll	500
Carl D. Clay (2)	3,200
Derrill Cody	13,000
John P. DesBarres	20,000
Fred J. Fowler (3)	3,100
Jim W. Mogg (4)	3,200
Richard J. Osborne	1,000
Ruth G. Shaw	900
William L. Thacker	32,968
J. Michael Cockrell	4,000
William S. Dickey	--
Charles H. Leonard	406
James C. Ruth	3,643
All directors and officers (consisting of 19 people, including those named above)	127,352

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(1) Unless otherwise indicated, the persons named above have sole voting and investment power over the Units reported. Includes Units that the named person has the right to acquire within 60 days.

(2) Includes 1,800 Units in wife's name.

(3) Includes 200 Units owned by Mr. Fowler's son.

(4) Includes 2,000 Units held in trust accounts for daughters.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Partnership is managed and controlled by the General Partner pursuant to the Partnership Agreements. Under the Partnership Agreements, the General Partner is reimbursed for all direct and indirect expenses it incurs or payments it makes on behalf of the Partnership. These expenses include salaries, fees and other compensation and benefit expenses of employees, officers and directors, insurance, other administrative or overhead expenses and all other expenses necessary or appropriate to conduct the Partnership's business. The costs allocated to the Partnership by the General Partner for administrative services and overhead totaled $2.1 million in 1999.

The Partnership Agreements provide for incentive distributions payable to the General Partner out of the Partnership's Available Cash (as defined in the Partnership Agreements) in the event quarterly distributions to Unitholders exceed certain specified targets. In general, subject to certain limitations, if a quarterly distribution exceeds a target of $0.275 per Limited Partner Unit, the General Partner will receive incentive distributions equal to (i) 15% of that portion of the distribution per Limited Partner Unit which exceeds the minimum quarterly distribution amount of $0.275 but is not more than $0.325, plus (ii) 25% of that portion of the quarterly distribution per Limited Partner Unit which exceeds $0.325 but is not more than $0.45, plus (iii) 50% of that portion of the quarterly distribution per Limited Partner Unit which exceeds $0.45. During 1999, incentive distributions paid to the General Partner totaled $7.7 million.

In connection with the formation of the Partnership in 1990, the Company received 2,500,000 Deferred Partnership Interests ("DPIs"). Effective April 1, 1994, the DPIs began participating in distributions of cash and allocations of profit and loss. As of December 31, 1999, 94% of the DPIs have been converted into an equal number of Limited Partner Units, and the balance of such DPIs may be converted immediately prior to the sale of the DPIs by the Company. Pursuant to its Partnership Agreement, the Partnership has registered the resale of such Limited Partner Units with the Securities and Exchange Commission. Such Limited Partner Units may be sold from time to time on the New York Stock Exchange or otherwise at prices and terms then prevailing or in negotiated transactions. As of December 31, 1999, no such Limited Partner Units had been sold by the Company.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as a part of this Report:

(1) Financial Statements: See Index to Financial Statements on page F-1 of this report for financial statements filed as part of this report.

(2) Financial Statement Schedules: None

(3) Exhibits.

EXHIBIT NUMBER	DESCRIPTION
3.1	Certificate of Limited Partnership of the Partnership (Filed as Exhibit 3.2 to the Registration Statement of TEPPCO Partners, L.P. (Commission File No. 33-32203) and incorporated herein by reference).
3.2	Certificate of Formation of TEPPCO Colorado, LLC (Filed as Exhibit 3.2 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1998 and incorporated herein by reference).
3.3	Second Amended and Restated Agreement of Limited Partnership of TEPPCO Partners, L.P., dated November 30, 1998 (Filed as Exhibit 3.3 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
3.4	Amended and Restated Agreement of Limited Partnership of TE Products Pipeline Company, Limited Partnership, effective July 21, 1998 (Filed as Exhibit 3.2 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated July 21, 1998 and incorporated herein by reference).
3.5	Agreement of Limited Partnership of TCTM, L.P., dated November 30, 1998 (Filed as Exhibit 3.3 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).

4.1 Form of Certificate representing Limited Partner Units (Filed as Exhibit 4.1 to the Registration Statement of TEPPCO Partners, L.P. (Commission File No. 33-32203) and incorporated herein by reference).

4.2 Form of Indenture between TE Products Pipeline Company, Limited Partnership and The Bank of New York, as Trustee, dated as of January 27, 1998 (Filed as Exhibit 4.3 to TE Products Pipeline Company, Limited Partnership's Registration Statement on Form S-3 (Commission File No. 333-38473) and incorporated herein by reference).

4.3 Form of Certificate representing Class B Units (Filed as Exhibit 3.3 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).

10.1 Assignment and Assumption Agreement, dated March 24, 1988, between Texas Eastern Transmission Corporation and the Company (Filed as Exhibit 10.8 to the Registration Statement of TEPPCO Partners, L.P. (Commission File No. 33-32203) and incorporated herein by reference).

10.2 Texas Eastern Products Pipeline Company 1997 Employee Incentive Compensation Plan executed on July 14, 1997 (Filed as Exhibit 10 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1997 and incorporated herein by reference).

10.3 Agreement Regarding Environmental Indemnities and Certain Assets (Filed as Exhibit 10.5 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1990 and incorporated herein by reference).

10.4 Texas Eastern Products Pipeline Company Management Incentive Compensation Plan executed on January 30, 1992 (Filed as Exhibit 10 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1992 and incorporated herein by reference).

10.5 Texas Eastern Products Pipeline Company Long-Term Incentive Compensation Plan executed on October 31, 1990 (Filed as Exhibit 10.9 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1990 and incorporated herein by reference).

10.6 Form of Amendment to Texas Eastern Products Pipeline Company Long-Term Incentive Compensation Plan (Filed as Exhibit 10.7 to the Partnership's Form 10-K (Commission File No. 1-10403) for the year ended December 31, 1995 and incorporated herein by reference).

*10.7 Duke Energy Corporation Executive Savings Plan.

*10.8 Duke Energy Corporation Executive Cash Balance Plan.

*10.9 Duke Energy Corporation Retirement Benefit Equalization Plan.

10.10 Employment Agreement with William L. Thacker, Jr. (Filed as Exhibit 10 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1992 and incorporated herein by reference).

10.11 Texas Eastern Products Pipeline Company 1994 Long Term Incentive Plan executed on March 8, 1994 (Filed as Exhibit 10.1 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1994 and incorporated herein by reference).

10.12 Texas Eastern Products Pipeline Company 1994 Long Term Incentive Plan, Amendment 1, effective January 16, 1995 (Filed as Exhibit 10.12 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 1999 and incorporated herein by reference).

10.13 Asset Purchase Agreement between Duke Energy Field Services, Inc. and TEPPCO Colorado, LLC, dated March 31, 1998 (Filed as Exhibit 10.14 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1998 and incorporated herein by reference).

10.14 Credit Agreement between TEPPCO Colorado, LLC, SunTrust Bank, Atlanta, and Certain Lenders, dated April 21, 1998 (Filed as Exhibit 10.15 to Form 10-Q of TEPPCO

Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1998 and incorporated herein by reference).

10.15 First Amendment to Credit Agreement between TEPPCO Colorado, LLC, SunTrust Bank, Atlanta, and Certain Lenders, effective June 29, 1998 (Filed as Exhibit 10.15 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 1998 and incorporated herein by reference).

10.16 Contribution Agreement between Duke Energy Transport and Trading Company and TEPPCO Partners, L.P., dated October 15, 1998 (Filed as Exhibit 3.3 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).

10.17 Guaranty Agreement by Duke Energy Natural Gas Corporation for the benefit of TEPPCO Partners, L.P., dated November 30, 1998, effective November 1, 1998 (Filed as Exhibit 3.3 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).

10.18 Letter Agreement regarding Payment Guarantees of Certain Obligations of TCTM, L.P. between Duke Capital Corporation and TCTM, L.P., dated November 30, 1998 (Filed as Exhibit 3.3 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).

10.19 Form of Employment Agreement between the Company and Ernest P. Hagan, Thomas R. Harper, David L. Langley, Charles H. Leonard and James C. Ruth, dated December 1, 1998 (Filed as Exhibit 3.3 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).

10.20 Agreement Between Owner and Contractor between TE Products Pipeline Company, Limited Partnership and Eagleton Engineering Company, dated February 4, 1999 (Filed as Exhibit 10.21 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1999 and incorporated herein by reference).

10.21 Services and Transportation Agreement between TE Products Pipeline Company, Limited Partnership and Fina Oil and Chemical Company, BASF Corporation and BASF Fina Petrochemical Limited Partnership, dated February 9, 1999 (Filed as Exhibit 10.22 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1999 and incorporated herein by reference).

10.22 Call Option Agreement, dated February 9, 1999 (Filed as Exhibit 10.23 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1999 and incorporated herein by reference).

10.23 Texas Eastern Products Pipeline Company Retention Incentive Compensation Plan, effective January 1, 1999 (Filed as Exhibit 10.24 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1999 and incorporated herein by reference).

10.24 Credit Agreement between TE Products Pipeline Company, Limited Partnership, SunTrust Bank, Atlanta, and Certain Lenders, dated May 17, 1999 (Filed as Exhibit 10.26 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 1999 and incorporated herein by reference).

10.25 Credit Agreement between TEPPCO Crude Oil, LLC, SunTrust Bank, Atlanta, and Certain Lenders, dated May 17, 1999 (Filed as Exhibit 10.27 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 1999 and incorporated herein by reference).

10.26 Second Amendment to Credit Agreement between TEPPCO Colorado, LLC, SunTrust Bank, Atlanta, and Certain Lenders, effective May 17, 1999 (Filed as Exhibit 10.28 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 1999 and incorporated herein by reference).

10.27 Form of Employment and Non-Compete Agreement between the Company and Samuel N. Brown, J. Michael Cockrell, William S. Dickey, and Sharon S. Stratton effective

January 1, 1999 (Filed as Exhibit 10.29 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1999 and incorporated herein by reference).

10.28 Texas Eastern Products Pipeline Company Non-employee Directors Unit Accumulation Plan, effective April 1, 1999 (Filed as Exhibit 10.30 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1999 and incorporated herein by reference).

10.29 Texas Eastern Products Pipeline Company Non-employee Directors Deferred Compensation Plan, effective November 1, 1999 (Filed as Exhibit 10.31 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1999 and incorporated herein by reference).

10.30 Texas Eastern Products Pipeline Company Phantom Unit Retention Plan, effective August 25, 1999 (Filed as Exhibit 10.32 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1999 and incorporated herein by reference).

22.1 Subsidiaries of the Partnership (Filed as Exhibit 22.1 to the Registration Statement of TEPPCO Partners, L.P. (Commission File No. 33-32203) and incorporated herein by reference).

*24 Power of Attorney.

*27 Financial Data Schedule as of and for the year ended December 31, 1999.

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* Filed herewith.

(b) Reports on Form 8-K filed during the quarter ended December 31, 1999:

None

SIGNATURES

TEPPCO Partners, L.P., pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TEPPCO Partners, L.P.
(Registrant)
(A Delaware Limited Partnership)

By: Texas Eastern Products Pipeline Company
as General Partner

By: /s/ CHARLES H. LEONARD
Charles H. Leonard,
Senior Vice President, Chief Financial
Officer and Treasurer

DATED: March 10, 2000

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

SIGNATURE	TITLE	DATE
WILLIAM L. THACKER* William L. Thacker	Chairman of the Board, President and Chief Executive Officer of Texas Eastern Products Pipeline Company	March 10, 2000
CHARLES H. LEONARD Charles H. Leonard	Senior Vice President, Chief Financial Officer and Treasurer of Texas Eastern Products Pipeline Company (Principal Accounting and Financial Officer)	March 10, 2000
FRED J. FOWLER* Fred J. Fowler	Vice Chairman of the Board of Texas Eastern Products Pipeline Company	March 10, 2000
MILTON CARROLL* Milton Carroll	Director of Texas Eastern Products Pipeline Company	March 10, 2000
CARL D. CLAY* Carl D. Clay	Director of Texas Eastern Products Pipeline Company	March 10, 2000
DERRILL CODY* Derrill Cody	Director of Texas Eastern Products Pipeline Company	March 10, 2000
JOHN P. DESBARRES* John P. DesBarres	Director of Texas Eastern Products Pipeline Company	March 10, 2000
JIM W. MOGG* Jim W. Mogg	Director of Texas Eastern Products Pipeline Company	March 10, 2000
RICHARD J. OSBORNE* Richard J. Osborne	Director of Texas Eastern Products Pipeline Company	March 10, 2000
RUTH G. SHAW* Ruth G. Shaw	Director of Texas Eastern Products Pipeline Company	March 10, 2000

* Signed on behalf of the Registrant and each of these persons:

By: /s/ CHARLES H. LEONARD
(Charles H. Leonard, Attorney-in-Fact)

CONSOLIDATED FINANCIAL STATEMENTS OF TEPPCO PARTNERS, L.P.

INDEX TO FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Partners of TEPPCO Partners, L.P.:

We have audited the accompanying consolidated balance sheets of TEPPCO Partners, L.P. as of December 31, 1999 and 1998, and the related consolidated statements of income, partners' capital, and cash flows for each of the years in the three-year period ended December 31, 1999. These consolidated financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TEPPCO Partners, L.P. as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1999 in conformity with generally accepted accounting principles.

KPMG LLP

Houston, Texas
January 14, 2000

TEPPCO PARTNERS, L.P.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	DECEMBER 31, 1999	DECEMBER 31, 1998
ASSETS		
Current assets:		
Cash and cash equivalents	$ 32,593	$ 47,423
Short-term investments	1,475	3,269
Accounts receivable, trade	205,766	113,541
Inventories	16,766	17,803
Other	6,409	3,909
Total current assets	263,009	185,945
Property, plant and equipment, at cost (Net of accumulated depreciation and amortization of $220,467 and $193,858)	720,919	671,611
Investments	5,242	6,490
Intangible assets	34,926	36,842
Other assets	17,277	16,031
Total assets	$ 1,041,373	$ 916,919
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable and accrued liabilities	$ 201,660	$ 117,933
Accounts payable, general partner	4,741	2,815
Accrued interest	13,297	13,039
Other accrued taxes	8,822	6,739
Other	14,972	9,649
Total current liabilities	243,492	150,175
Senior Notes	389,753	389,722
Other long-term debt	66,000	38,000
Other liabilities and deferred credits	3,073	3,407
Minority interest	3,429	3,393
Redeemable Class B Units held by related party	105,859	105,036
Partners' capital (deficit):		
General partner's interest	657	(380)
Limited partners' interests	229,110	227,566
Total partners' capital	229,767	227,186
Commitments and contingencies		
Total liabilities and partners' capital	$ 1,041,373	$ 916,919

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

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

	YEARS ENDED DECEMBER 31,		
	1999	1998	1997
Operating revenues:			
Sales of crude oil and petroleum products	$ 1,692,767	$ 214,463	$ --
Transportation -- refined products	123,004	119,854	107,304
Transportation -- LPGs	67,701	60,902	79,371
Transportation -- crude oil and NGLs	11,846	3,392	--
Mont Belvieu operations	12,849	10,880	12,815
Other	26,716	20,147	22,603
Total operating revenues	1,934,883	429,638	222,093
Costs and expenses:			
Purchases of crude oil and petroleum products	1,666,042	212,371	--
Operating, general and administrative	94,340	73,850	66,982
Operating fuel and power	31,265	27,131	30,151
Depreciation and amortization	32,656	26,938	23,772
Taxes -- other than income taxes	10,490	9,382	9,638
Total costs and expenses	1,834,793	349,672	130,543
Operating income	100,090	79,966	91,550
Interest expense	(31,563)	(29,784)	(33,707)
Interest capitalized	2,133	795	1,478
Other income -- net	2,196	2,908	2,604
Income before minority interest and loss on debt extinguishment	72,856	53,885	61,925
Minority interest	(736)	(544)	(625)
Income before loss on debt extinguishment	72,120	53,341	61,300
Extraordinary loss on debt extinguishment, net of minority interest	--	(72,767)	--
Net income (loss)	$ 72,120	$ (19,426)	$ 61,300
Net income (loss) allocated to Limited Partner Unitholders	55,349	(18,722)	56,560
Net income allocated to Class B Unitholder	7,475	1,036	--
Net income (loss) allocated to General Partner	9,296	(1,740)	4,740
Total Net Income Allocated	$ 72,120	$ (19,426)	$ 61,300
BASIC AND DILUTED INCOME (LOSS) PER LIMITED PARTNER AND CLASS B UNIT:			
Income before extraordinary loss on debt extinguishment	$ 1.91	$ 1.61	$ 1.95
Extraordinary loss on debt extinguishment	--	(2.21)	--
Net income (loss)	$ 1.91	$ (0.60)	$ 1.95
Weighted average Limited Partner and Class B Units outstanding:	32,917	29,655	29,000

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEARS ENDED DECEMBER 31,		
	1999	1998	1997
Cash flows from operating activities:			
Net income (loss)	$ 72,120	$ (19,426)	$ 61,300
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	32,656	26,938	23,772
Extraordinary loss on early extinguishment of debt	--	72,767	--
Loss (gain) on sale of property, plant and equipment	--	(356)	467
Equity in loss of affiliate	393	189	--
Increase in accounts receivable	(92,225)	(93,715)	(1,500)
Decrease (increase) in inventories	1,037	493	(2,180)
Decrease (increase) in other current assets	(2,500)	264	(802)
Increase in accounts payable and accrued expenses	93,317	106,350	2,322
Other	(1,728)	(289)	225
Net cash provided by operating activities	103,070	93,215	83,604
Cash flows from investing activities:			
Proceeds from cash investments	6,275	3,105	25,040
Purchases of cash investments	(3,235)	(748)	(6,180)
Insurance proceeds related to damaged assets	--	--	1,046
Purchase of fractionator assets and related intangible assets	--	(40,000)	--
Purchase of crude oil and NGL systems	(2,250)	(1,989)	--
Proceeds from the sale of property, plant and equipment	--	525	1,377
Capital expenditures	(77,431)	(23,432)	(32,931)
Net cash used in investing activities	(76,641)	(62,539)	(11,648)
Cash flows from financing activities:			
Principal payment, First Mortgage Notes	--	(326,512)	(13,000)
Prepayment premium, First Mortgage Notes	--	(70,093)	--
Issuance of Senior Notes	--	389,694	--
Debt issuance cost, Senior Notes	--	(3,651)	--
Issuance of term loan	25,000	38,000	--
Proceeds from revolving credit facility	8,000	--	--
Repayments on revolving credit facility	(5,000)	--	--
General partner's contributions	--	2,122	--
Distributions	(69,259)	(56,774)	(49,042)
Net cash used in financing activities	(41,259)	(27,214)	(62,042)
Net increase (decrease) in cash and cash equivalents	(14,830)	3,462	9,914
Cash and cash equivalents at beginning of period	47,423	43,961	34,047
Cash and cash equivalents at end of period	$ 32,593	$ 47,423	$ 43,961
Non cash investing and financing activities:			
Fair value of crude oil and NGL systems purchased	$ --	$ 109,000	--
Liabilities assumed	--	(5,000)	--
Issuance of Class B Units	--	104,000	--
Supplemental disclosure of cash flows:			
Interest paid during the year (net of capitalized interest)	$ 28,625	$ 26,179	$ 32,084

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL
(IN THOUSANDS)

	GENERAL PARTNER'S INTEREST	LIMITED PARTNERS' INTERESTS	TOTAL
Partners' capital at December 31, 1996	$ 4,616	$ 285,695	$ 290,311
1997 net income allocation	4,740	56,560	61,300
1997 cash distributions	(3,596)	(44,951)	(48,547)
Option exercises, net of Unit repurchases	--	(97)	(97)
Partners' capital at December 31, 1997	5,760	297,207	302,967
Capital contributions	1,051	--	1,051
1998 net loss allocation	(1,740)	(18,722)	(20,462)
1998 cash distributions	(5,451)	(50,750)	(56,201)
Option exercises, net of Unit repurchases	--	(169)	(169)
Partners' capital (deficit) at December 31, 1998 ...	(380)	227,566	227,186
1999 net income allocation	9,296	55,349	64,645
1999 cash distributions	(8,259)	(53,650)	(61,909)
Option exercises, net of Unit repurchases	--	(155)	(155)
Partners' capital at December 31, 1999	$ 657	$ 229,110	$ 229,767

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. PARTNERSHIP ORGANIZATION

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

On June 18, 1997, PanEnergy Corp ("PanEnergy") 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, became an indirect wholly-owned subsidiary of Duke Energy on the date of the merger.

During 1990, the Partnership completed an initial public offering of 26,500,000 Units representing Limited Partner Interests ("Limited Partner Units") at $10 per Unit. In connection with the formation of the Partnership, the Company received 2,500,000 Deferred Participation Interests ("DPIs"). Effective April 1, 1994, the DPIs began participating in distributions of cash and allocations of profit and loss. As of December 31, 1999, 94% of the DPIs have been converted into an equal number of Limited Partner Units, and the balance of such DPIs may be converted immediately prior to the sale of the DPIs by the Company. Pursuant to its Partnership Agreement, the Partnership has registered the resale of such Limited Partner Units with the Securities and Exchange Commission. Such Limited Partner Units may be sold from time to time on the New York Stock Exchange or otherwise at prices and terms then prevailing or in negotiated transactions. As of December 31, 1999, no such Limited Partner Units had been sold by the Company.

On July 21, 1998, the Partnership announced a two-for-one split of the Partnership's outstanding Limited Partner Units. The Limited Partner Unit split entitled Unitholders of record at the close of business on August 10, 1998 to receive one additional Limited Partner Unit for each Limited Partner Unit held. All references to the number of Units and per Unit amounts in the consolidated financial statements and related notes have been restated to reflect the two-for-one split for all periods presented.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements include the accounts of the Partnership on a consolidated basis. The Company's 1% general partner interest in the Products OLP and the Crude Oil OLP, is accounted for as a minority interest. All significant intercompany items have been eliminated in consolidation. Certain amounts from prior years have been reclassified to conform to current presentation.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

ENVIRONMENTAL EXPENDITURES

The Partnership accrues for environmental costs that relate to existing conditions caused by past operations. Environmental costs include initial site surveys and environmental studies of potentially contaminated sites, costs for remediation and restoration of sites determined to be contaminated and ongoing monitoring costs, as well as fines, damages and other costs, when estimable. The Partnership's accrued undiscounted environmental liabilities are monitored on a regular basis by management. Liabilities for environmental costs at a specific site are initially recorded when the Partnership's liability for such costs, including direct internal and legal costs, is probable and a reasonable estimate of the associated costs can be made. Adjustments to initial estimates are recorded, from time to time, to reflect changing circumstances and estimates based upon additional information developed in subsequent periods. Estimates of the Partnership's ultimate liabilities associated with environmental costs are particularly difficult to make with certainty due to the number of variables involved, including the early stage of investigation at certain sites, the lengthy time frames required to complete remediation alternatives available, the uncertainty of potential recoveries from third parties and the evolving nature of environmental laws and regulations.

BUSINESS SEGMENTS

The Partnership operates in two industry segments: refined products and liquefied petroleum gases ("LPGs") transportation; and crude oil and natural gas liquids ("NGLs") transportation and marketing. The Partnership's reportable segments offer different products and services and are managed separately because each requires different business strategies.

The crude oil and NGLs transportation segment was acquired as a unit, and the management at the time of the acquisition was retained. The Partnership's interstate transportation operations, including rates charged to customers, are subject to regulations prescribed by the Federal Energy Regulatory Commission ("FERC"). Refined products, LPGs, crude oil and NGLs are referred to herein, collectively, as "petroleum products" or "products."

REVENUE RECOGNITION

Substantially all revenues of the Products OLP are derived from interstate and intrastate transportation of petroleum products, storage and terminaling of petroleum products, fractionation of natural gas liquids (effective March 31, 1998), and other ancillary services. Transportation revenues are recognized as products are delivered to customers. Storage revenues are recognized upon receipt of products into storage and upon performance of storage services. Terminaling revenues are recognized as products are out-loaded. Revenues from the sale of product inventory are recognized net of product cost when the products are sold. Fractionation revenues are recognized ratably over the contract year as products are delivered to DEFS.

Revenues of the Crude Oil OLP are accrued at the time title to the product sold transfers to the purchaser, which typically occurs upon receipt of the product by the purchaser, and purchases are accrued at the time title to the product purchased transfers to the Partnership's crude oil marketing company, TEPPCO Crude Oil, LLC ("TCO"), which typically occurs upon receipt of the product by TCO. Except for crude oil purchased from time to time as inventory, TCO's policy is to purchase only crude oil for which it has a market to sell and to structure their sales contracts so that crude oil price fluctuations do not materially affect the margin which they receive. As TCO purchases crude oil, it establishes a margin by selling crude oil for physical delivery to third party users or by entering into a future delivery obligation either physically or a futures contract on the New York Mercantile Exchange ("NYMEX"). Through these transactions, TCO seeks to maintain a position that is balanced between crude oil purchases and sales and future delivery obligations. However, certain basis risks (the risk that price relationships between delivery points, classes of products or delivery periods will change) cannot be completely hedged.

USE OF COMMODITY DERIVATIVES

The Partnership, primarily through its Crude Oil OLP, manages its exposure from existing contractual commitments and commodity price risk through forward and futures contracts. For derivative contracts to qualify as a hedge, the price movements in the commodity derivative must be highly correlated with the underlying hedged commodity. Contracts that qualify as hedges and held for non-trading purposes are accounted for using the deferral method of accounting. Under this method, gains and losses are not recognized until the underlying physical transaction occurs. Deferred gains and losses related to such instruments are reported in the consolidated balance sheet as current assets or current liabilities. It is the Partnership's general policy not to acquire crude oil futures contracts or other derivative products for the purpose of speculating on price changes, however, the Partnership may take limited speculative positions to capitalize on crude oil price fluctuations. Contracts held for trading purposes are accounted for using the mark-to-market method. Under this methodology, contracts are adjusted to market value, and the gains and losses are recognized in current period income. The Partnership monitors open derivative positions with strict policies which limit its exposure to market risk and require daily reporting to management of potential financial exposure. At December 31, 1999 and 1998, outstanding commodity derivative contracts held for trading purposes were not material.

INVENTORIES

Inventories consist primarily of petroleum products and crude oil which are valued at the lower of cost (weighted average cost method) or market. The Products OLP acquires and disposes of various products under exchange agreements. Receivables and payables arising from these transactions are usually satisfied with products rather than cash. The net balances of exchange receivables and payables are valued at weighted average cost and included in inventories.

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment, including major replacements or betterments, are recorded at cost. Replacements and renewals of minor items of property are charged to maintenance expense. Depreciation expense is computed on the straight-line method using rates based upon expected useful lives of various classes of assets (ranging from 2% to 20% per annum). Upon sale or retirement of properties regulated by the FERC, cost less salvage is normally charged to accumulated depreciation, and no gain or loss is recognized.

CAPITALIZATION OF INTEREST

The Partnership capitalizes interest on borrowed funds related to capital projects only for periods that activities are in progress to bring these projects to their intended use. The rate used to capitalize interest on borrowed funds was 7.01%, 7.02% and 10.09% for 1999, 1998 and 1997, respectively.

INCOME TAXES

The Partnership is a limited partnership. As a result, the Partnership's income or loss for federal income tax purposes is included in the tax return of the individual partners, and may vary substantially from income or loss reported for financial reporting purposes. Accordingly, no recognition has been given to federal income taxes for the Partnership's operations. At December 31, 1999 and 1998, the Partnership's reported amount of net assets for financial reporting purposes exceeded its tax basis by approximately $293 million and $272 million, respectively.

CASH FLOWS

For purposes of reporting cash flows, all liquid investments with maturities at date of purchase of 90-days or less are considered cash equivalents.

NET INCOME PER UNIT

Basic net income per Unit is computed by dividing net income, after deduction of the general partner's interest, by the weighted average number of Limited Partner Units and Class B outstanding (a total of 32.9 million Units for 1999, 29.7 million Units for 1998, and 29.0 million Units for 1997). The general partner's percentage interest in net income is based on its percentage of cash distributions from Available Cash for each year (see Note 10). The general partner was allocated $9.3 million (representing 12.89%) of net income for the year ended December 31, 1999, $1.7 million (representing 8.96%) of the net loss for the year ended December 31, 1998, and $4.7 million (representing 7.73%) of net income for the year ended December 31, 1997.

Diluted net income per Limited Partner Unit is similar to the computation of basic net income per Unit above, except that the denominator was increased to include the dilutive effect of outstanding Unit options by application of the treasury stock method. For 1999, 1998 and 1997 the denominator was increased by 12,141 Units, 45,278 Units and 39,120 Units, respectively.

UNIT OPTION PLAN

The Partnership follows the intrinsic value based method of accounting for its stock-based compensation plans (see Note 11). Under this method, the Partnership records no compensation expense for unit options granted when the exercise price of options granted is equal to the fair market value of the Units on the date of grant.

COMPREHENSIVE INCOME

Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income" requires certain items such as foreign currency items, minimum pension liability adjustments and unrealized gains and losses on certain investments to be reported in a financial statement. As of December 31, 1999, 1998, and 1997, the Partnership's comprehensive income (loss) equaled its reported income (loss).

NEW ACCOUNTING PRONOUNCEMENTS

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

In December 1998, the Emerging Issues Task Force ("EITF") reached a consensus on Issue 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities." Issue 98-10 was effective for fiscal years beginning after December 15, 1998, and requires certain energy trading contracts to be recorded at fair value on the balance sheet, with the change in fair value included in earnings. The implementation of this consensus was immaterial to the Partnership.

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

NOTE 3. ACQUISITIONS

Effective March 31, 1998, TEPPCO Colorado, LLC ("TEPPCO Colorado"), a wholly-owned subsidiary of the Products OLP, purchased two fractionation facilities located in Weld County, Colorado, from Duke Energy Field Services, Inc. ("DEFS"), a wholly-owned subsidiary of Duke Energy. The transaction totaled approximately $40 million and was accounted for under the purchase method of accounting.

Effective November 1, 1998, the Crude Oil OLP, through its wholly-owned subsidiary TEPPCO Crude Oil, LLC ("TCO"), acquired substantially all of the assets of Duke Energy Transport and Trading Company ("DETTCO") from Duke Energy for approximately $106 million. In consideration for such assets, Duke Energy received 3,916,547 Class B Limited Partnership Units ("Class B Units"). The Class B Units are substantially identical to the 29,000,000 Limited Partner Units, but they are not listed on the New York Stock Exchange. The Class B Units may be converted into Limited Partner Units upon approval by the Limited Partner Unitholders. The Company has the option to seek approval for the conversion of the Class B Units into Limited Partner Units; however, if such conversion is denied, the holder of the Class B Units will have the right to sell them to the Partnership at 95.5% of the market price of the Limited Partner Units at the time of sale. As a result of such option, the Class B Units were not included in partners' capital at December 31, 1999. Collectively, the Limited Partner Units and Class B Units are referred to as "Units." The acquisition of assets was accounted for under the purchase method of accounting. Accordingly, the results of the acquisition are included in the consolidated statements of income for periods from November 1, 1998.

The following table presents the unaudited pro forma results of the Partnership as though the acquisitions of the fractionation facilities and the DETTCO assets occurred at January 1, 1997 (in thousands, except per Unit amounts).

	YEARS ENDED DECEMBER 31,	
	1998	1997
Revenues	$ 1,412,929	$ 1,430,451
Operating income	90,074	105,942
Income before extraordinary loss on debt extinguishment	62,781	73,197
Net Income (loss)	(9,986)	73,197
Basic and diluted income per Unit before extraordinary item	$ 1.71	$ 2.05
Basic and diluted net income (loss) per Unit	$ (0.28)	$ 2.05

NOTE 4. RELATED PARTY TRANSACTIONS

The Partnership has no employees and is managed by the Company. Pursuant to the Partnership Agreements, the Company is entitled to reimbursement of all direct and indirect expenses related to business activities of the Partnership (see Note 1).

For 1999, 1998 and 1997, direct expenses incurred by the general partner in the amount of $49.6 million, $38.8 million and $38.2 million, respectively, were charged to the Partnership. Substantially all such costs related to payroll and payroll related expenses, which included $2.9 million, $1.0 million and $1.8 million of expense for incentive compensation plans for each of the years ended 1999, 1998 and 1997, respectively. The increase in direct expenses in 1999 from the prior years was primarily attributable to labor cost related to the addition of the Crude Oil OLP, effective November 1, 1998.

For 1999, 1998 and 1997, expenses for administrative service and overhead allocated to the Partnership by the general partner (including Duke Energy and its affiliates) amounted to $2.1 million, $2.7 million and $2.7 million, respectively. Such costs incurred by the general partner included general and administrative costs related to business activities of the Partnership.

Effective with the purchase of the fractionation facilities, TEPPCO Colorado and DEFS entered into a twenty-year Fractionation Agreement, under which TEPPCO Colorado receives a variable fee for all fractionated volumes delivered to DEFS. Revenues recognized from the fractionation facilities totaled $7.3 million for the year ended December 31, 1999, and $5.5 million for the period from April 1, 1998 through December 31, 1998. TEPPCO Colorado and DEFS also entered into a Operation and Maintenance Agreement, whereby DEFS operates and maintains the fractionation facilities. For these services, TEPPCO Colorado pays DEFS a set volumetric rate for all fractionated volumes delivered to DEFS. Expenses related to the Operation and Maintenance Agreement totaled $0.8 million for the year ended December 31, 1999, and $0.7 million from April 1, 1998 through December 31, 1998.

Included with the DETTCO assets purchased effective November 1, 1998 was the 90-mile long Wilcox NGL Pipeline located along the Texas Gulf Coast. The Wilcox NGL Pipeline transports NGLs for DEFS from two of their processing plants and is currently supported by demand fees that are paid by DEFS through 2005. Such fees totaled $1.1 million for the year ended December 31, 1999 and $0.2 million for the two months ended December 31, 1998.

NOTE 5. 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. All short-term investments are classified as held-to-maturity securities and are stated at amortized cost. At December 31, 1999 and 1998, short-term investments consisted of $1.5 million and $3.3 million, respectively, of investment-grade corporate notes, with maturities at such date of less than one-year. The aggregate fair value of such securities approximates amortized cost at December 31, 1999 and 1998.

LONG-TERM INVESTMENTS

At December 31, 1999 and 1998, the Partnership had $5.2 million and $6.5 million, respectively, invested in investment-grade corporate notes, which have varying maturities until 2004. These securities are classified as held-to-maturity securities and are stated at amortized cost. The aggregate fair value of such securities approximates amortized cost at December 31, 1999 and 1998.

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

NOTE 6. INVENTORIES

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

	DECEMBER 31, 1999	DECEMBER 31, 1998
	(IN THOUSANDS)	
Gasolines	$ 3,270	$ 4,224
Propane	223	1,503
Butanes	605	1,654
Fuel oil	386	564
Crude oil	6,627	2,886
Other products	2,301	3,306
Materials and supplies	3,354	3,666
Total	$ 16,766	$ 17,803

The costs of inventories did not exceed market values at December 31, 1999 and 1998.

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

Major categories of property, plant and equipment were as follows:

	DECEMBER 31, 1999	DECEMBER 31, 1998
	(IN THOUSANDS)	
Land and right of way	$ 54,240	$ 53,901
Line pipe and fittings	521,688	520,213
Storage tanks	112,132	105,844
Buildings and improvements	8,253	7,578
Machinery and equipment	155,933	151,808
Construction work in progress	89,140	26,125
Total property, plant and equipment	$ 941,386	$ 865,469
Less accumulated depreciation and amortization	220,467	193,858
Net property, plant and equipment	$ 720,919	$ 671,611

Depreciation and amortization expense on property, plant and equipment was $30.7 million, $25.5 million and $23.8 million for the years ended December 31, 1999, 1998 and 1997, respectively.

NOTE 8. LONG TERM DEBT

SENIOR NOTES

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

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

At December 31, 1999, the estimated fair value of the Senior Notes was approximately $356.0 million. Market prices for recent transactions and rates currently available to the Partnership for debt with similar terms and maturities were used to estimate fair value.

OTHER LONG TERM DEBT

In connection with the purchase of the fractionation assets from DEFS as of March 31, 1998, TEPPCO Colorado received a $38 million bank loan from SunTrust Bank. Proceeds from the loan were received on April 21, 1998. TEPPCO Colorado paid interest to DEFS at a per annum rate of 5.75% on the amount of the total purchase price outstanding for the period from March 31, 1998 until April 21, 1998. The SunTrust loan bears interest at a rate of 6.53%, which is payable quarterly. The principal balance of the loan is payable in full on April 21, 2001. The Products OLP is guarantor on the loan. At December 31, 1999, the estimated fair value of the loan was approximately $38.1 million. Market prices for recent transactions and rates currently available to the Partnership for debt with similar terms and maturities were used to estimate fair value.

On May 17, 1999, the Products OLP entered into a $75 million term loan agreement to finance construction of three new pipelines between the Partnership's terminal in Mont Belvieu, Texas and Port Arthur, Texas. The loan agreement has a term of five years. SunTrust Bank is the administrator of the loan. At December 31, 1999, $25 million was outstanding under the term loan agreement. Principal will be paid quarterly as follows, with the remaining principal balance payable on May 17, 2004.

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

The interest rate for the $75 million term loan is based on the borrower's option of either SunTrust Bank's prime rate, the federal funds rate or LIBOR rate in effect at the time of the borrowings and is adjusted monthly, bimonthly, quarterly or semi-annually. Interest is payable quarterly from the time of borrowing. The interest rate for amounts outstanding under the term loan at December 31, 1999 was 7.27%. Commitment fees for the term loan totaled approximately $78,000 for the period from May 17, 1999 through December 31, 1999.

Both the $38 million term loan and the $75 million term loan with SunTrust Bank contain restrictive financial covenants that require the Products OLP to maintain a minimum level of partners' capital as well as debt-to-earnings, interest coverage and capital expenditure coverage ratios. At December 31, 1999, the Products OLP was in compliance with all financial covenants related to these loan agreements.

WORKING CAPITAL FACILITIES

On May 17, 1999, the Products OLP entered into a $25 million revolving credit agreement and TCO entered into a $30 million revolving credit agreement. SunTrust Bank is the administrative agent on both revolving credit agreements. The $25 million revolving credit agreement has a five year term and the $30 million revolving credit agreement has a three year term. The interest rate on both agreements is based on the borrower's option of either SunTrust Bank's prime rate, the federal funds rate or LIBOR rate in effect at the time of the borrowings and is payable quarterly. Interest rates are adjusted monthly, bimonthly, quarterly or semi-annually. The Products OLP has not made any borrowings under this revolving credit facility. TCO had $3 million principal amount outstanding under its revolving credit agreement as of December 31, 1999. Commitment fees for the revolving credit agreements totaled approximately $83,000 for the period from May 17, 1999 through December 31, 1999.

The revolving credit agreements with SunTrust Bank contain restrictive financial covenants that require the Products OLP and the Crude Oil OLP to maintain a minimum level of partners' capital as well as debt-to-earnings, interest coverage and capital expenditure coverage ratios. At December 31, 1999, the Operating Partnerships were in compliance with all financial covenants related to these loan agreements.

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

NOTE 9. CONCENTRATIONS OF CREDIT RISK

The Partnership's primary market areas are located in the Northeast, Midwest and Southwest regions of the United States. The Partnership has a concentration of trade receivable balances due from major integrated oil companies, independent oil companies and other pipelines and wholesalers. These concentrations of customers may affect the Partnership's overall credit risk in that the customers may be similarly affected by changes in economic, regulatory or other factors. The Partnership's customers' historical and future credit positions are thoroughly analyzed prior to extending credit. The Partnership manages its exposure to credit risk through credit analysis, credit approvals, credit limits and monitoring procedures, and for certain transactions may utilize letters of credit, prepayments and guarantees.

NOTE 10. QUARTERLY DISTRIBUTIONS OF AVAILABLE CASH

As discussed in Note 1 above, all per Limited Partner Unit references have been adjusted to reflect the two-for-one split on August 10, 1998.

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. Pursuant to the Partnership Agreement, the Company receives incremental incentive cash distributions on the portion that cash distributions on a per Unit basis exceed certain target thresholds as follows:

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

	UNITHOLDERS	GENERAL PARTNER
Quarterly Cash Distribution per Unit:		
Up to Minimum Quarterly Distribution ($0.275 per Unit)	98%	2%
First Target - $0.276 per Unit up to $0.325 per Unit	85%	15%
Second Target - $0.326 per Unit up to $0.45 per Unit	75%	25%
Over Second Target - Cash distributions greater than $0.45 per Unit	50%	50%

The following table reflects the allocation of total distributions paid for the years ended December 31, 1999, 1998 and 1997 (in thousands, except per Unit amounts).

	YEARS ENDED DECEMBER 31,		
	1999	1998	1997
Limited Partner Units	$ 53,650	$ 50,750	$ 44,950
1% General Partner Interest	609	513	454
General Partner Incentive	7,650	4,938	3,143
Total Partners' Capital Cash Distributions ...	61,909	56,201	48,547
Class B Units	6,651	--	--
Minority Interest	699	573	495
Total Cash Distributions Paid	$ 69,259	$ 56,774	$ 49,042
Total Cash Distributions Paid Per Unit	$ 1.85	$ 1.75	$ 1.55

On February 4, 2000, the Partnership paid a cash distribution of $0.475 per Limited Partner Unit and Class B Unit for the quarter ended December 31, 1999. The fourth quarter 1999 cash distribution totaled $18.3 million.

NOTE 11. UNIT OPTION PLAN

During 1994, the Company adopted the Texas Eastern Products Pipeline Company 1994 Long Term Incentive Plan ("1994 LTIP"). The 1994 LTIP provides key employees with an incentive award whereby a participant is granted an option to purchase Limited Partner Units together with a stipulated number of Performance Units. Under the provisions of the 1994 LTIP, no more than one million options and two million Performance Units may be granted. Each Performance Unit creates a credit to a participant's Performance Unit account when earnings exceed a threshold. When earnings for a calendar year (exclusive of certain special items) exceed the threshold, the excess amount is credited to the participant's Performance Unit account. The balance in the account may be used to exercise Limited Partner Unit options granted in connection with the Performance Units or may be withdrawn two years after the underlying options expire, usually 10 years from the date of grant. Under the agreement for such Limited Partner Unit options, the options become exercisable in equal installments over periods of one, two, and three years from the date of the grant. Options may also be exercised by normal means once vesting requirements are met. A summary of Performance Units and Limited Partner Unit options granted under the terms of the 1994 LTIP is presented below:

	PERFORMANCE UNITS OUTSTANDING	EARNINGS THRESHOLD	EXPIRATION YEAR
Performance Unit Grants:			
1994	80,000	$ 1.00	2006
1995	70,000	$ 1.25	2007
1997	11,000	$ 1.875	2009

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

	OPTIONS OUTSTANDING	OPTIONS EXERCISABLE	EXERCISE RANGE
Limited Partner Unit Options:			
Outstanding at December 31, 1996	93,298	32,294	$13.81 - $14.34
Granted	11,100	--	$21.66
Became exercisable	--	37,674	$13.81 - $14.34
Exercised	(11,870)	(11,870)	$13.81 - $14.34
Outstanding at December 31, 1997	92,528	58,098	$13.81 - $14.34
Granted	111,000	--	$25.69
Became exercisable	--	26,993	$13.81 - $21.66
Exercised	(12,732)	(12,732)	$13.81 - $14.34
Outstanding at December 31, 1998	190,796	72,359	$13.81 - $21.66
Granted	162,000	--	$25.25
Became exercisable	--	40,737	$21.66 - $25.69
Exercised	(14,000)	(14,000)	$13.81 - $14.34
Outstanding at December 31, 1999	338,796	99,096	$13.81 - $25.69

As discussed in Note 2, the Partnership uses the intrinsic value method for recognizing stock-based expense. The exercise price of all options awarded under the 1994 LTIP equaled the market price of the Partnership's Units on the date of grant. Accordingly, no compensation was recognized at the date of grant. Had compensation expense been determined consistent with SFAS No. 123 "Accounting for Stock-Based Compensation," compensation expense related to option grants would have totaled $37,138, $93,771 and $226,152 during 1997, 1998 and 1999, respectively. Under the provisions of SFAS No. 123, the pro forma disclosures above include only the effects of Unit options granted by the Partnership subsequent to December 31, 1994. The disclosures as required by SFAS 123 are not representative of the effects on reported net income for future years as options vest over several years and additional awards may be granted in subsequent years.

For purposes of determining compensation costs using the provisions of SFAS 123, the fair value of 1999, 1998 and 1997 option grants were determined using the Black-Scholes option-valuation model. The key input variables used in valuing the options were:

	1999	1998	1997
Risk-free interest rate	4.7%	5.5%	6.3%
Dividend yield	7.6%	7.8%	7.2%
Unit price volatility	23%	18%	18%
Expected option lives	6 years	6 years	5 years

NOTE 12. LEASES

The Partnership utilizes leased assets in several areas of its operations. Total rental expense during 1999, 1998 and 1997 was $8.7 million, $4.8 million and $3.9 million, respectively. The minimum rental payments under the Partnership's various operating leases for the years 2000 through 2004 are $6.7 million, $6.2 million, $4.0 million, $3.3 million and $3.0 million, respectively. Thereafter, payments aggregate $5.9 million through 2007.

In May 1997, the Partnership completed construction to connect the pipeline system to Colonial Pipeline Company's ("Colonial") pipeline at Beaumont, Texas. The Partnership entered into a 10-year capacity lease with Colonial, whereby the Partnership guaranteed a minimum monthly through-put rate for the connection. The minimum lease payments related to this agreement are included in the amounts disclosed above.

NOTE 13. EMPLOYEE BENEFITS

RETIREMENT PLANS

The Company's employees are included with other affiliates of Duke Energy in a noncontributory, trustee-administered pension plan. Through December 31, 1998, the plan provided retirement benefits (i) for eligible employees of certain subsidiaries that are generally based on an employee's years of benefit accrual service and highest average eligible earnings, and (ii) for eligible employees of certain other subsidiaries under a cash balance formula. In 1998, a significant amount of lump sum payouts were made from the plan resulting in a settlement gain of $10 million. The Company's portion of this gain was $0.6 million. Effective January 1, 1999 the benefit formula for all eligible employees, was changed to a cash balance formula. Under a cash balance formula, a plan participant accumulates a retirement benefit based upon a percentage of current pay, which may vary with age and years of service, and current interest credits. The components of net pension benefit costs for the years ended December 31, 1999, 1998 and 1997 were as follows (in thousands):

	1999	1998	1997
Service cost benefit earned during the year	$ 1,651	$ 1,699	$ 1,509
Interest cost on projected benefit obligation	2,666	2,041	2,359
Expected return on plan assets	(2,243)	(1,555)	(1,773)
Amortization of prior service cost	2	(27)	(30)
Amortization of net transition (asset) liability	15	(5)	(3)
Recognized net actuarial loss	285	--	--
Settlement gain	--	(554)	--
Net pension benefits costs	$ 2,376	$ 1,599	$ 2,062

The assumptions affecting pension expense include:

	1999	1998	1997
Discount rate	7.50%	6.75%	7.25%
Salary increase	4.50%	4.67%	4.15%
Expected long-term rate of return on plan assets	9.25%	9.25%	9.25%

Duke Energy also sponsors an employee savings plan which covers substantially all employees. Plan contributions on behalf of the Company of $2.2 million, $1.4 million and $1.4 million were expensed in 1999, 1998 and 1997, respectively.

OTHER POSTRETIREMENT BENEFITS

Duke Energy and most of its subsidiaries provide certain health care and life insurance benefits for retired employees on a contributory and non-contributory basis. Employees become eligible for these benefits if they have met certain age and service requirements at retirement, as defined in the plans. Under plan amendments effective late 1998 and early 1999, health care benefits for future retirees were changed to limit employer contributions and medical coverage.

Such benefit costs are accrued over the active service period of employees to the date of full eligibility for the benefits. The net unrecognized transition obligation, resulting from the implementation of accrual accounting, is being amortized over approximately 20 years.

Duke Energy is using an investment account under section 401(h) of the Internal Revenue Code, a retired lives reserve (RLR) and multiple voluntary employees' beneficiary association (VEBA) trusts under section 501(c)(9) of the Internal Revenue Code to partially fund post retirement benefits. The 401(h) vehicles, which provide for tax deductions for contributions and tax-free accumulation of investment income, partially fund postretirement health care benefits. The RLR, which has tax attributes similar to 401(h) funding, partially funds postretirement life insurance obligations. Certain subsidiaries use the VEBA trusts to partially fund accrued postretirement health care benefits and fund post retirement life insurance obligations. The components of net postretirement benefits cost for the years ended December 31, 1999, 1998 and 1997 were as follows (in thousands):

	1999	1998	1997
Service cost benefit earned during the year	$ 172	$ 439	$ 350
Interest cost on accumulated postretirement benefit obligation	500	796	703
Expected return on plan assets	(299)	(240)	(172)
Amortization of prior service cost	(384)	3	4
Amortization of net transition liability	217	202	202
Recognized net actuarial loss	--	173	68
Net postretirement benefits costs	$ 206	$ 1,373	$ 1,155

The assumptions affecting postretirement benefits expense include:

	1999	1998	1997
Discount rate	7.50%	6.75%	7.25%
Salary increase	4.50%	4.67%	4.33%
Expected long-term rate of return on 401(h) assets	9.25%	9.25%	9.25%
Expected long-term rate of return on RLR assets	6.75%	6.75%	6.75%
Expected long-term rate of return on VEBA assets	9.25%	9.25%	9.25%
Assumed tax rate	39.60%	39.60%	39.60%

For measurement purposes, a 5% weighted average rate of increase in the per capita cost of covered health care benefits was assumed for 1999. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. The below table indicates the effect on the total service and interest costs component and on the postretirement benefit obligation of a 1% increase or 1% decrease in the assumed health care cost trend rates in each future year (in thousands).

	1% INCREASE	1% DECREASE
Effect on total of service and interest cost components	$ 9	$ (8)
Effect on postretirement benefit obligation	$ 128	$ (108)

POSTEMPLOYMENT BENEFITS

The Partnership accrues expense for certain benefits provided to former or inactive employees after employment but before retirement. During 1999, 1998 and 1997, the Partnership recorded $0.3 million, $0.5 million and $0.5 million, respectively, of expense for such benefits.

NOTE 14. CONTINGENCIES

In the fall of 1999, the Company and the Partnership became involved in a lawsuit in Jackson County Circuit Court, Jackson County, Indiana. In Ryan E. McCleery and Marcia S. McCleery, et al. v. Texas Eastern Corporation, et al. (including the Company and Partnership), plaintiffs contend, among other things, that the Company and other defendants stored and disposed of toxic and hazardous substances and hazardous wastes in such a manner which caused the materials to be released into the air, soil and water. They further contend that such release caused damages to the plaintiffs. In their Complaint, the plaintiffs allege strict liability for both personal injury and property damage together with gross negligence, continuing nuisance, trespass, criminal mischief and loss of consortium. Furthermore, the plaintiffs are seeking compensatory, punitive and treble damages. The Company has filed an Answer to the Complaint, denying the allegations, as well as various other motions. This case is in the early stages of discovery and is not covered by insurance. The Company is defending itself vigorously against this lawsuit. The Partnership cannot estimate the loss, if any, associated with this pending lawsuit.

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

The Partnership and the Indiana Department of Environmental Management ("IDEM") have entered into an Agreed Order that will ultimately result in a remediation program for any on-site and off-site groundwater contamination attributable to the Partnership's operations at the Seymour, Indiana, terminal. A Feasibility Study, which includes the Partnership's proposed remediation program, has been approved by IDEM. IDEM is expected to issue a Record of Decision formally approving the remediation program. After the Record of Decision has been issued, the Partnership will enter into an Agreed Order for the continued operation and maintenance of the program. The Partnership has accrued $0.8 million at December 31, 1999 for future costs of the remediation program for the Seymour terminal. In the opinion of the Company, the completion of the remediation program will not have a material adverse impact on the Partnership's financial condition, results of operations or liquidity.

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

In May 1999, the Products OLP filed an application with the FERC to charge Market Based Rates for substantially all refined products transportation tariffs. Such application is currently under review by the FERC. The FERC approved a request of the Products OLP waiving the requirement to adjust refined products transportation tariffs pursuant to the PPI Index while its Market Based Rates application is under review. Under the PPI Index, refined products transportation rates in effect on June 30, 1999 would have been reduced by approximately 1.83% effective July 1, 1999. If any portion of the Market Based Rates application is denied by the FERC, the Products OLP has agreed to refund, with interest, amounts collected after June 30, 1999, under the tariff rates in excess of the PPI Index. As a result of the refund obligation potential, the Partnership has deferred all revenue recognition of rates charged in excess of the PPI Index. At December 31, 1999, the amount deferred for possible rate refunds, including interest, totaled approximately $0.8 million.

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

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Substantially all of the petroleum products transported and stored by the Partnership are owned by its customers. At December 31, 1999, the Partnership had approximately 12.8 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 it believes to be adequate to cover product losses through circumstances beyond its control.

NOTE 15. SEGMENT DATA

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

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

The Crude Oil OLP gathers, stores, transports and markets crude oil principally in Oklahoma, Texas and the Rocky Mountain region; operates two trunkline NGL pipelines in South Texas; and distributes lube oils and specialty chemicals to industrial and commercial accounts. The Crude Oil OLP's gathering, transportation and storage assets include approximately 2,400 miles of pipeline and 1.6 million barrels of storage.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies discussed above (see Note 2). The crude oil and NGLs transportation and marketing segment was added with the acquisition from DETTCO effective November 1, 1998. The acquisition was accounted for under the purchase method of accounting.

The below table includes financial information by business segment for the years ended December 31, 1999 and 1998. Segment data has not been provided for the year ended December 31, 1997, as the Partnership operated as one business segment prior to November 1, 1998.

	PRODUCTS OLP	CRUDE OIL OLP	CONSOLIDATED
1999		(IN THOUSANDS)	
Unaffiliated revenues	$ 230,270	$ 1,704,613	$ 1,934,883
Operating expenses, including power	113,768	1,688,369	1,802,137
Depreciation and amortization expense	27,109	5,547	32,656
Operating income	89,393	10,697	100,090
Interest expense, net	(29,212)	(218)	(29,430)
Other income, net	1,046	414	1,460
Net income	$ 61,227	$ 10,893	$ 72,120
Identifiable assets	$ 721,797	$ 319,576	$ 1,041,373
Accounts receivable, trade	22,358	183,408	205,766
Accounts payable and accrued liabilities .	$ 7,412	$ 194,248	$ 201,660

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

1998	PRODUCTS OLP	CRUDE OIL OLP	CONSOLIDATED
		(IN THOUSANDS)	
Unaffiliated revenues	$ 211,783	$ 217,855	$ 429,638
Operating expenses, including power	107,102	215,632	322,734
Depreciation and amortization expense ..	26,040	898	26,938
Operating income	78,641	1,325	79,966
Interest expense, net...................	(28,982)	(7)	(28,989)
Other income, net	2,343	21	2,364
Income before extraordinary item .	52,002	1,339	53,341
Identifiable assets	$ 694,636	$ 222,283	$ 916,919
Accounts receivable, trade	17,740	95,801	113,541
Accounts payable and accrued liabilities	$ 8,513	$ 109,420	$ 117,933

NOTE 16. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
	(IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)			
1999				
Operating revenues	$ 286,090	$ 455,351	$ 554,368	$ 639,074
Operating income	30,469	21,016	20,406	28,199
Net income	23,372	14,029	13,370	21,349
Basic and diluted income per Limited Partner and Class B Unit	$ 0.64	$ 0.38	$ 0.32	$ 0.57
1998 (1)				
Operating revenues	$ 50,205	$ 51,560	$ 54,229	$ 273,644
Operating income	19,514	18,929	19,722	21,801
Income before extraordinary item (2)	13,155	12,546	12,734	14,906
Net income (loss)	$ (59,612)	$ 12,546	$ 12,734	$ 14,906
Basic and diluted income per Limited Partner and Class B Unit, before extraordinary item (2) (3)	$ 0.41	$ 0.39	$ 0.39	$ 0.42
Basic and diluted net income (loss) per Limited Partner and Class B Unit (3)	$ (1.87)	$ 0.39	$ 0.39	$ 0.42

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(1) Per Unit amounts for 1998 have been adjusted to reflect the two-for-one split on August 10, 1998.

(2) Extraordinary item reflects the $73.5 million loss related to the early extinguishment of the First Mortgage Notes on January 27, 1998.

(3) Per Unit calculation includes 3,916,547 Class B Units issued for the acquisition of the crude oil and NGL assets, effective November 1, 1998.

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
3.1	Certificate of Limited Partnership of the Partnership (Filed as Exhibit 3.2 to the Registration Statement of TEPPCO Partners, L.P. (Commission File No. 33-32203) and incorporated herein by reference).
3.2	Certificate of Formation of TEPPCO Colorado, LLC (Filed as Exhibit 3.2 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1998 and incorporated herein by reference).
3.3	Second Amended and Restated Agreement of Limited Partnership of TEPPCO Partners, L.P., dated November 30, 1998 (Filed as Exhibit 3.3 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).
3.4	Amended and Restated Agreement of Limited Partnership of TE Products Pipeline Company, Limited Partnership, effective July 21, 1998 (Filed as Exhibit 3.2 to Form 8-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) dated July 21, 1998 and incorporated herein by reference).
3.5	Agreement of Limited Partnership of TCTM, L.P., dated November 30, 1998 (Filed as Exhibit 3.3 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).

4.1 Form of Certificate representing Limited Partner Units (Filed as Exhibit 4.1 to the Registration Statement of TEPPCO Partners, L.P. (Commission File No. 33-32203) and incorporated herein by reference).

4.2 Form of Indenture between TE Products Pipeline Company, Limited Partnership and The Bank of New York, as Trustee, dated as of January 27, 1998 (Filed as Exhibit 4.3 to TE Products Pipeline Company, Limited Partnership's Registration Statement on Form S-3 (Commission File No. 333-38473) and incorporated herein by reference).

4.3 Form of Certificate representing Class B Units (Filed as Exhibit 3.3 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).

10.1 Assignment and Assumption Agreement, dated March 24, 1988, between Texas Eastern Transmission Corporation and the Company (Filed as Exhibit 10.8 to the Registration Statement of TEPPCO Partners, L.P. (Commission File No. 33-32203) and incorporated herein by reference).

10.2 Texas Eastern Products Pipeline Company 1997 Employee Incentive Compensation Plan executed on July 14, 1997 (Filed as Exhibit 10 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1997 and incorporated herein by reference).

10.3 Agreement Regarding Environmental Indemnities and Certain Assets (Filed as Exhibit 10.5 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1990 and incorporated herein by reference).

10.4 Texas Eastern Products Pipeline Company Management Incentive Compensation Plan executed on January 30, 1992 (Filed as Exhibit 10 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1992 and incorporated herein by reference).

10.5 Texas Eastern Products Pipeline Company Long-Term Incentive Compensation Plan executed on October 31, 1990 (Filed as Exhibit 10.9 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1990 and incorporated herein by reference).

10.6 Form of Amendment to Texas Eastern Products Pipeline Company Long-Term Incentive Compensation Plan (Filed as Exhibit 10.7 to the Partnership's Form 10-K (Commission File No. 1-10403) for the year ended December 31, 1995 and incorporated herein by reference).

*10.7 Duke Energy Corporation Executive Savings Plan.

*10.8 Duke Energy Corporation Executive Cash Balance Plan.

*10.9 Duke Energy Corporation Retirement Benefit Equalization Plan.

10.10 Employment Agreement with William L. Thacker, Jr. (Filed as Exhibit 10 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1992 and incorporated herein by reference).

10.11 Texas Eastern Products Pipeline Company 1994 Long Term Incentive Plan executed on March 8, 1994 (Filed as Exhibit 10.1 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1994 and incorporated herein by reference).

10.12 Texas Eastern Products Pipeline Company 1994 Long Term Incentive Plan, Amendment 1, effective January 16, 1995 (Filed as Exhibit 10.12 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 1999 and incorporated herein by reference).

10.13 Asset Purchase Agreement between Duke Energy Field Services, Inc. and TEPPCO Colorado, LLC, dated March 31, 1998 (Filed as Exhibit 10.14 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1998 and incorporated herein by reference).

10.14 Credit Agreement between TEPPCO Colorado, LLC, SunTrust Bank, Atlanta, and Certain Lenders, dated April 21, 1998 (Filed as Exhibit 10.15 to Form 10-Q of TEPPCO

Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1998 and incorporated herein by reference).

10.15 First Amendment to Credit Agreement between TEPPCO Colorado, LLC, SunTrust Bank, Atlanta, and Certain Lenders, effective June 29, 1998 (Filed as Exhibit to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 1998 and incorporated herein by reference).

10.16 Contribution Agreement between Duke Energy Transport and Trading Company and TEPPCO Partners, L.P., dated October 15, 1998 (Filed as Exhibit 3.3 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).

10.17 Guaranty Agreement by Duke Energy Natural Gas Corporation for the benefit of TEPPCO Partners, L.P., dated November 30, 1998, effective November 1, 1998 (Filed as Exhibit 3.3 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).

10.18 Letter Agreement regarding Payment Guarantees of Certain Obligations of TCTM, L.P. between Duke Capital Corporation and TCTM, L.P., dated November 30, 1998 (Filed as Exhibit 3.3 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).

10.19 Form of Employment Agreement between the Company and Ernest P. Hagan, Thomas R. Harper, David L. Langley, Charles H. Leonard and James C. Ruth, dated December 1, 1998 (Filed as Exhibit 3.3 to Form 10-K of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the year ended December 31, 1998 and incorporated herein by reference).

10.20 Agreement Between Owner and Contractor between TE Products Pipeline Company, Limited Partnership and Eagleton Engineering Company, dated February 4, 1999 (Filed as Exhibit 10.21 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1999 and incorporated herein by reference).

10.21 Services and Transportation Agreement between TE Products Pipeline Company, Limited Partnership and Fina Oil and Chemical Company, BASF Corporation and BASF Fina Petrochemical Limited Partnership, dated February 9, 1999 (Filed as Exhibit 10.22 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1999 and incorporated herein by reference).

10.22 Call Option Agreement, dated February 9, 1999 (Filed as Exhibit 10.23 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1999 and incorporated herein by reference).

10.23 Texas Eastern Products Pipeline Company Retention Incentive Compensation Plan, effective January 1, 1999 (Filed as Exhibit 10.24 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended March 31, 1999 and incorporated herein by reference).

10.24 Credit Agreement between TE Products Pipeline Company, Limited Partnership, SunTrust Bank, Atlanta, and Certain Lenders, dated May 17, 1999 (Filed as Exhibit 10.26 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 1999 and incorporated herein by reference).

10.25 Credit Agreement between TEPPCO Crude Oil, LLC, SunTrust Bank, Atlanta, and Certain Lenders, dated May 17, 1999 (Filed as Exhibit 10.27 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 1999 and incorporated herein by reference).

10.26 Second Amendment to Credit Agreement between TEPPCO Colorado, LLC, SunTrust Bank, Atlanta, and Certain Lenders, effective May 17, 1999 (Filed as Exhibit 10.28 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 1999 and incorporated herein by reference).

10.27 Form of Employment and Non-Compete Agreement between the Company and Samuel N. Brown, J. Michael Cockrell, William S. Dickey, and Sharon S. Stratton effective

January 1, 1999 (Filed as Exhibit 10.29 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1999 and incorporated herein by reference).

10.28 Texas Eastern Products Pipeline Company Non-employee Directors Unit Accumulation Plan, effective April 1, 1999 (Filed as Exhibit 10.30 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1999 and incorporated herein by reference).

10.29 Texas Eastern Products Pipeline Company Non-employee Directors Deferred Compensation Plan, effective November 1, 1999 (Filed as Exhibit 10.31 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1999 and incorporated herein by reference).

10.30 Texas Eastern Products Pipeline Company Phantom Unit Retention Plan, effective August 25, 1999 (Filed as Exhibit 10.32 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended September 30, 1999 and incorporated herein by reference).

21.1 Subsidiaries of the Partnership (Filed as Exhibit 22.1 to the Registration Statement of TEPPCO Partners, L.P. (Commission File No. 33-32203) and incorporated herein by reference).

*24 Power of Attorney.

*27 Financial Data Schedule as of and for the year ended December 31, 1999.

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* Filed herewith.

EXHIBIT 10.7

DUKE ENERGY CORPORATION
EXECUTIVE SAVINGS PLAN
As Amended and Restated Effective on January 1, 1999

PURPOSE

The purpose of this Plan is to provide deferred compensation for a select group of management or highly compensated employees. This Plan replaces the Supplementary Defined Contribution Plan, the Compensation Deferral Plan and the Incentive Deferral Plan, all of which were formerly maintained by the Company. This Plan also amends and restates the Duke Energy Corporation Executive Savings Plan as effective January 1, 1998 and replaces the Panhandle Eastern Corporation Key Executive Deferred Compensation Plan as amended and restated January 1, 1996 ("KEDCP") for those KEDCP participants electing to participate herein. This Plan is intended to a nonqualified, unfunded plan of deferred compensation for a select group of management or highly compensated employees under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and shall be so interpreted.

ARTICLE I
TITLE AND EFFECTIVE DATE

1.1 This Plan shall be known as the Duke Energy Corporation Executive Savings Plan (hereinafter referred to as "Plan").

1.2 The Plan was first effective on January 1, 1997, and has been amended from time to time, having been amended and restated as set forth herein, effective January 1, 1999.

ARTICLE II
DEFINITIONS

2.1 "Account" shall mean the record of deferrals and contributions and adjustments thereto maintained with respect to each Participant pursuant to Article VI.

2.2 "Base Pay" shall mean, for each Participant, the base salary as defined by the Company's normal payroll practices and procedures, paid during a Plan Year (or which would have been paid during a Plan Year but for salary reductions and elective deferrals under Code Sections 125 and 401(k) and Base Pay deferrals under this Plan). In no event shall Base Pay include any compensation, whether paid or deferred, pursuant to Incentive Plans.

2.3 "Beneficiary" means the person or persons designated by a Participant, or by another person entitled to receive benefits hereunder, to receive benefits following the death of such person.

2.4 "Board" shall mean the Board of Directors of Duke Energy Corporation.

2.5 "CDP" shall mean the Duke Power Company Compensation Deferral Plan, first effective as of July 1, 1983.

2.6 "Change in Control" shall be deemed to have occurred upon;

(i) an acquisition subsequent to the Effective Date hereof by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of thirty percent (30%) or more of either (A) the then outstanding shares of common stock of Duke Energy Corporation or (B) the combined voting power of the then outstanding voting securities of Duke Energy Corporation entitled to vote generally in the election of directors; excluding, however, the following. (1) any acquisition directly from Duke Energy Corporation, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from Duke Energy Corporation, (2) any acquisition by Duke Energy Corporation and (3) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by Duke Energy Corporation or its affiliated companies;

(ii) during any period of two (2) consecutive years (not including any period prior to the Effective Date), individuals who at the beginning of such period constitute the Board (and any new directors whose election by the Board or nomination for election by the Duke Energy Corporation's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was so approved) cease for any reason (except for death, disability or voluntary retirement) to constitute a majority thereof;

(iii) the approval by the shareholders of Duke Energy Corporation of a merger, consolidation, reorganization or similar corporate transaction, whether or not Duke Energy Corporation is the surviving corporation in such transaction, other than a merger, consolidation, or reorganization that would result in the voting securities of Duke Energy Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the combined voting power of the voting securities of Duke Energy Corporation (or such surviving entity) outstanding immediately after such merger, consolidation or reorganization.

(iv) the approval by the shareholders of Duke Energy Corporation of (A) the sale or other disposition of all or substantially all of the assets of Duke Energy Corporation or (B) a complete liquidation or dissolution of Duke Energy Corporation; or

(v) adoption by the Board of a resolution to the effect that any Person has acquired effective control of the business and affairs of Duke Energy Corporation.

2.7 "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

2.8 "Company" shall mean Duke Energy Corporation and its affiliated companies.

2.9 "Company-matching Subaccount" shall mean the subaccount established and maintained pursuant to Section 6.3.

2.10 "Compensation Committee" shall mean the Compensation Committee of the Board.

2.11 "Duke Energy Common Stock Fund" shall mean the RSP Investment Option that invests primarily in Common Stock.

2.12 "Effective Date" shall mean January 1, 1999.

2.13 "Election Date" with respect to a Plan Year shall mean the last day of the preceding Plan Year. The Election Date for the Plan year in which a Participant initially becomes eligible under the Plan shall be a date no later than 30 days after such individual is designated as eligible to participate in the Plan.

2.14 "Employee" shall mean a person employed by the Company.

2.15 "Executive Benefits Committee" means the Executive Benefits Committee of Duke Energy Corporation as appointed by the Management Committee from time to time.

2.16 "General Account" shall mean that portion of a Participant's Account that is not in a Subaccount.

2.17 "Incentive Plans" shall mean the executive incentive compensation or bonus plans sponsored by the Company which are designated as "Incentive Plans" by the Management Committee from time to time.

2.18 "KEDCP" shall mean the Panhandle Eastern Corporation Key Executive Deferred Compensation Plan, as amended and restated effective January 1, 1996.

2.19 "Management Committee" shall mean the Management Committee of the Board.

2.20 "Participant" shall mean any Employee for whom an Account is maintained under the Plan. However for the purposes of Article IV, the term Participant shall mean only those Participants who remain eligible to participate in the Plan.

2.21 "Plan" shall mean the Duke Energy Corporation Executive Savings Plan.

2.22 "Plan Year" shall mean the calendar year.

2.23 "RSP" shall mean the Duke Energy Corporation Retirement Savings Plan.

2.24 "RSP Investment Options" shall mean the various investment funds in which participants in the RSP can elect to have their RSP account balances invested.

2.25 "Subaccounts" shall mean the CDP Subaccounts established under Section 6.4, the Company-matching Subaccount, and the KEDCP Subaccounts established under Section 6.5.

2.26 "Termination of Employment" shall mean the date of a Participant's severance from employment with the Company by reason of death, retirement, resignation, or discharge as determined by the Executive Benefits Committee in its sole discretion.

2.27 "Valuation Date" shall mean, with respect to a Participant, the last business day of the month during which such Participant's Termination of Employment occurs.

ARTICLE III
ELIGIBILITY

3.1 All Employees who are members of the Management Committee shall be automatically eligible to participate in this Plan. In addition, any Employee designated by the Management Committee (or its delegatee) shall be eligible to participate in the Plan on the date designated by the Management Committee (or its delegatee) and shall remain so eligible, while continuing to be an Employee, until designated ineligible to participate by the Management Committee (or its delegatee). Only Employees who are members of a "select group of management or highly compensated employees" under ERISA may participate in the Plan.

ARTICLE IV
PARTICIPANT DEFERRALS/COMPANY CREDITS

4.1 Base Pay Deferrals. Each eligible Participant may irrevocably elect to defer in accordance with the terms of this Plan, a percentage (such percentage to be a multiple of 1%) of such Participant's Base Pay for the Plan Year, not to exceed 15%, 30% if (i) the Participant is a member of the Management Committee, or (ii) the Management Committee or its delegatee specifically authorizes such higher percentage for the Participant. Such election must be made by the Participant before the beginning of such Plan Year or within 30 days of a Participant initially becoming eligible to participate in the Plan under Section 3.1. Base Pay deferred pursuant to this Section shall be credited to the Participant's Account on a monthly basis.

4.2 Incentive Plan Deferrals. Each eligible Participant may irrevocably elect to defer, in accordance with the terms of this Plan a percentage up to 15% (such percentage to be a multiple of 1%) of the amount payable with respect to a Plan Year to such Participant as an award under any Incentive Plans. If the Participant is a member of the Management Committee or has been specifically authorized by the Management Committee or its delegatee, 15% in the prior sentence shall be replaced with 80%. Such election must be made by the Participant not later than the applicable Election Date and shall apply to any Incentive Plan payments with respect to an Incentive Plan performance period ending with or within the Plan Year. For "spot bonuses", the last day of the performance period shall be the date such "spot bonus" is granted. Such amounts will be credited to the Participant's Account as of the dates that award amounts under the Incentive Plans become payable.

4.3 Retirement Savings Plan - Excess Matching Contribution. The Company maintains the RSP, pursuant to which Employees are permitted to make before tax contributions with respect to which the Company makes certain matching contributions, based on the Employee's deferral election. It is the Company's intention to provide matching contribution credits under this Plan where matching contributions cannot be provided under the RSP due to; (i) the application of Section 401(a)(17) of the Code, (ii) the application of Section 402(g) of the Code or (iii) the application of Section 415 of the Code. Accordingly, as of the last day of each Plan Year, the Participant's Account shall receive a matching contribution credit equal to the amount, if any, by which the lesser of the amounts in subparagraph (a) or (b) below, exceeds the amount in subparagraph (c) below:

(a) The maximum matching contribution the Participant was eligible to receive for the Plan Year under the RSP based upon the Participant's Eligible Pay as defined in the RSP for the Plan Year, but determined without regard to the limitations of Code Section 401(a)(17) and any Base Pay Deferrals and Incentive Plan Deferrals pursuant to Sections 4.1 and 4.2.

(b) The Participant's Before Tax Savings under the RSP for the Plan Year, plus the Participant's Base Pay Deferrals and Incentive Plan Deferrals credited to the Participant's Account, during the Plan Year pursuant to Sections 4.1 and 4.2.

(c) The Matching Contribution credited to the Participant's account under the RSP for the Plan Year.

The Company may, from time to time, in its sole discretion, direct that a special credit in such amount as the Company shall determine be made to a specified Participant's Account in order to (i) mitigate an unintended shortfall in matching contribution credit, or (ii) to implement provisions of an employment agreement. A special credit may be awarded subject to such vesting requirement as the Company shall determine (provided that upon a Change in Control, any special credit shall become vested if the affected Participant has not previously incurred a Termination of Employment) and, notwithstanding any provision of this Plan to the contrary, to the extent any such special credit has not become vested, it shall not be paid under the Plan. If the affected Participant is a member of the Management Committee, the special credit shall be authorized by the Compensation Committee, otherwise the special credit shall be authorized by the Management Committee (or its delegate).

4.4 Crescent Resources, Inc. Certain officers of Crescent Resources, Inc. who on January 1, 1983, first participated in a certain incentive compensation arrangement implemented by Crescent Resources, Inc. on January 1, 1983, and any officer who first participated in such arrangement by employment agreement signed on December 3, 1987, shall be eligible to elect to defer up to 6% of such incentive compensation and the Company shall credit their Account under this Plan with such deferrals amounts and with a matching contribution equal to up to 6% of the such deferrals.

4.5 Elections. An election to make Base Pay Deferrals or Incentive Plan Deferrals pursuant to Sections 4.1 and 4.2 will remain in effect until revoked, except that no revocation will be effective unless it is made, in the case of Base Pay Deferrals prior to the beginning of the Plan year to which it relates, or in the case of Incentive Plan Deferrals, prior to the applicable Election Date.

ARTICLE V
COORDINATION WiTH PRIOR PARTICIPATIONS/FORMER PLANS

5.1 "Stock Units" Under the Prior Plan. As of the Effective Date, the Participant's Account shall be credited with an amount equal to the value of any "Stock Units" credited to the Participant's Account under the Duke Energy Corporation Executive Savings Plan as in effect immediately prior to the Effective Date, and such amount shall be credited to the phantom Investment Option maintained hereunder which mirrors the Duke Energy Common Stock Fund.

5.2 Other Amounts Under the Prior Plan. As of the Effective Date, the Participant's Account shall be credited with an amount equal to any amount, other than Stock Units, credited to the Participant's Account under the Duke Energy Corporation Executive Savings Plan as in effect immediately prior to the Effective Date and such amount shall be credited to the phantom Investment Option maintained hereunder which mirrors the comparable investment option (as determined by the Committee) maintained under the RSP.

5.3 Compensation Deferral Plan. Pursuant to the terms of the CDP, accounts maintained under the CDP have been credited with interest at one of two fixed rates, depending on the periods during which deferrals were credited to such accounts. As of January 1, 1997, the Participant's Account was credited with the amount, if any, that the Participant had deferred into the CDP, plus interest compounded at the "Benefit Rate" applicable to such deferred amounts through December 31, 1996 under the CDP. The amounts credited to such Participant's Account pursuant to the preceding sentence will be maintained in one or two separate subaccounts, (the "CDP Subaccounts") and amounts therein will continue to be credited with interest at the fixed rate formerly applicable to such accounts under the CDP, unless the Participant elects to transfer funds from a CDP Subaccount to another investment option.

5.4 Key Executive Deferred Compensation Plan. As of January 1, 1999, the Participant's Account shall be credited with the amount, if any, that the Participant has deferred into the KEDCP as of December 31, 1998, plus all income credited thereon provided such Participant has made an irrevocable election in a form acceptable to the Executive Benefits Committee to be bound by the terms of this Plan and, specifically Section 7.3, with respect to all such amounts deferred by the Participant under the KEDCP. Any Employee or former employee of PanEnergy Corporation or its affiliated companies or its predecessors who is not designated a Participant by the Management

Committee shall have such individual's accounts under the KEDCP maintained under this Plan but subject to all of the terms and conditions of the KEDCP as in effect December 31, 1998.

ARTICLE VI
ACCOUNTS

6.1 Maintenance of Participant Accounts. An Account shall be established and maintained with respect to each Participant. Each Account shall reflect the amounts credited thereto pursuant to Article IV and V, plus or minus adjustments, made in accordance with the provisions of this Article VI.

6.2 "Investment Options" Generally. Pursuant to the terms of the RSP, participants in the RSP direct the investment their account balances thereunder into one or more of the RSP Investment Funds available to them pursuant to the RSP. Each Participant hereunder shall specify, in accordance with Section 6.2 and rules established by the Executive Benefits Committee, the "investment" of his or her Account (excluding amounts remaining in the Subaccounts maintained pursuant to Sections 6.4 and 6.5) in one or more phantom investment funds that correspond to RSP Investment Funds. The Participant's Account shall thereafter be automatically adjusted (on a monthly basis), upward or downward, in proportion to the total percentage return experienced for the respective month on funds invested in the corresponding RSP Investment Options. No actual investments will be made in an RSP Investment Option. Accounts under the Plan will be bookkeeping accounts reflecting units of a phantom investment fund which mirror the performance that would have resulted from an actual investment in the corresponding RSP Investment Fund.

6.3 Company-matching Contributions Subaccount. Amounts contributed to a Participant's Account as a Company-matching contribution, pursuant to Sections 4.3 or 4.4, and amounts credited to a Participant's Account as of the Effective Date pursuant to Section 5.1 as a result of Company-matching contributions, shall be held in a subaccount within such Participant's Account (the "Company-matching Subaccount"). The amounts in the Company-matching Subaccount shall be credited and maintained as units in the phantom investment Fund that corresponds to the RSP's Duke Energy Common Stock Fund. At any time after the date on which Company-matching contributions were credited to the Participant's Account hereunder such amounts may, at the election of the Participant, be transferred into units of other phantom investment funds available under Section 6.2 from time to time.

6.4 CDP Subaccounts. The amounts credited to a Participant's Account pursuant to Section 5.3 will be maintained in separate subaccounts hereunder (the "CDP Subaccounts"), and will continue to be credited with interest at the fixed rate(s) formerly applicable to such accounts under the CDP. At any time the Participant may elect to transfer any amount from such CDP Subaccount(s) and into the Participant's General Account, but no amount so removed from the CDP Subaccount(s) may be transferred back to such CDP Subaccounts.

6.5 KEDCP Subaccounts. The amounts credited to a Participant's Account pursuant to Section 5.4 will be maintained in separate subaccounts hereunder (the "KEDCP Subaccounts"), and will continue to be credited with interest at the fixed rate(s) formerly applicable to such accounts under the KEDCP. At any time the Participant may elect to transfer any amount from such KEDCP Subaccount(s) and into the Participant's General Account, but no amount so removed from the KEDCP Subaccount(s) may be transferred back to such KEDCP Subaccounts.

6.6 Monthly Transfer Election. A Participant may elect to transfer amounts out of Subaccounts (pursuant to Sections 6.3, 6.4, 6.5) or to make changes to his or her designation of investment options pursuant to Section 6.2, only on a monthly basis. Each such election to transfer or change shall be effective as of the end of the last day of the month during which the Participant gives the Company notice of such election in accordance with procedures established by the Executive Benefit Committee from time to time. Participants or Beneficiaries who are receiving installment payments may elect to transfer monies between funds on a monthly basis. All transfers must be in increments of 1%.

ARTICLE VII
BENEFITS

7.1 Termination of Employment. Upon the Participant's Termination of Employment, for any reason, the amount in the Participant's Account will be paid to the Participant (or to the Beneficiary designated pursuant to Section 8.1) in accordance with the terms of the payment option elected by the Participant except as otherwise provided in Section 7.5. However, the Account of a Participant who has a Termination of Employment for any reason, except death, layoff or disability, and prior to becoming eligible for early or normal retirement under the Duke Energy Retirement Cash Balance Plan and who has elected term payments of 10 years or 15 years, shall be paid instead for a 3-year term in accordance with Section 7.3(b).

7.2 Election of Payment Option. Each Participant shall, before the Effective Date (or, with respect to Employees who become Participants after the Effective Date, before becoming a Participant), elect from among the payment options specified in Section 7.3, the manner in which such Participant's Account will be paid following Termination of Employment. A Participant may change his or her form of benefit payment option once in any 12 month period by completing a new election form and delivering it to the Executive Benefits Committee. A Participant's election to change the form of benefit payment shall become effective one year from the date on which the election form was submitted to the Executive Benefits Committee but only if the Participant has remained an Employee throughout such one year period.

Each Participant in the KEDCP who becomes a Participant in the Plan shall make an election of his payment option upon becoming a Participant in the Plan and such election shall govern the distribution of all amounts credited to the Participant's Account, including amounts previously credited under the KEDCP. All elections of payment options shall be made by the Participant on a form provided by and acceptable to the Executive Benefits Committee. Any KEDCP Participant who is a Participant in this Plan and who fails to make an election or who has a Termination of Employment prior to January 1, 2000 shall be subject to the following rules:

(a) No distribution shall be made prior to the Termination of Employment of the Participant.

(b) If the Participant elected to receive all distributions under the KEDCP in a single lump sum, distribution shall be made to the Participant in a single lump sum.

(c) If the Participant elected to receive a distribution under the KEDCP in installments (including an annuity) or in a combination of installments and a lump sum payment, the Participants' Account shall be paid in term payment of 10 years unless Termination of Employment occurs prior to becoming eligible for early or normal retirement under the Duke Energy Retirement Cash Balance Plan, in which case distribution shall be made in term payments of 3 years in accordance with Section 7.3(b).

7.3 Payment Options. Subject to the foregoing, the payment options are:

(a) Lump Sum. Payment of the full amount of the Participant's Account on the last business day of the month following the month in which Termination of Employment occurs.

(b) Term Payments. Payments on a monthly basis over a term of years, which shall be either 3 years, 10 years, or 15 years, as follows: The Company will determine the amount of the Participant's Account on the Valuation Date, and as of the last business day of each month thereafter. The Participant will receive on the last business day of each month during the term, beginning with the last day of the month following the Valuation Date, an amount determined pursuant to the following formula:

$$\text{amount} = \frac{V}{N}$$

where

N represents the number of months remaining in the term (including the month for which the payment is being calculated) and

V represents the amount of the Participant's Account as of the last day of the preceding month.

Any remaining balance in the Participant's Account shall be paid to the Participant on the last day of the last month of the term.

7.4 Payments After Death. If a Participant (or a Beneficiary previously designated by a deceased Participant) dies before receiving all amounts payable hereunder, then the remaining amounts payable will be paid to the specified Beneficiary of such deceased person in accordance with the payment option in effect, but subject to Section 7.5; provided, however, that (i) if such deceased person has failed to specify a surviving Beneficiary then the person's estate will be considered to be the Beneficiary, and (ii) if a person receiving payments over a term of years dies and an estate is such person's Beneficiary, then such term payments will cease and the remaining amount credited to the Account will be paid to such estate in lump sum.

7.5 Small Payments. If a Participant's Account balance at Termination of Employment is less than $25,000.00, the Participant's Account shall automatically be paid in a lump sum as soon as practicable following Termination of Employment.

7.6 Form of Payment. All amounts due under the Plan shall be paid in cash.

7.7 Acceleration of Payment in the Event of Hardship. Upon written request by a Participant, the Executive Benefits Committee may distribute to a Participant who is receiving installment payments, prior to the payment of all installments due to the Participant, such amount of the Participant's Account which the Executive Benefits Committee determines is necessary to alleviate a financial hardship suffered by the Participant. For this purpose, "financial hardship" shall mean a severe financial hardship as determined under federal income tax law, regulations and rulings which are applicable to non-qualified deferred compensation plans. Notwithstanding the foregoing, if any member of the Executive Benefits Committee requests a hardship distribution, then such Executive Benefits Committee member shall take no part in the decision or deliberations of the Executive Benefits Committee concerning such Participant's financial hardship, or the amount to be distributed in relief thereof.

ARTICLE VIII
BENEFICIARY

8.1 Designation of Beneficiary. A Participant shall designate a Beneficiary to receive benefits under the Plan by submitting to the Executive Benefits Committee a Designation of Beneficiary in the form required by the Executive Benefits Committee. If more than one Beneficiary is named, the share and precedence of each Beneficiary shall be indicated. A Participant shall have the right to change the Beneficiary by submitting to the Executive Benefits Committee a Change of Beneficiary in the form provided, but no change of Beneficiary shall be effective until acknowledged in writing by the Company.

8.2 Designation by Beneficiary. A Beneficiary who has become entitled to receive benefits shall designate a Beneficiary.

8.3 Discharge of Obligations. Any payment made by the Company, in good faith and in accordance with this Plan, shall fully discharge the Company from all further obligations with respect to that payment. If the Company has any doubt as to the proper Beneficiary to receive payments hereunder, the Company shall have the right to withhold such payments until the matter is finally adjudicated.

8.4 Payment to Minors and Incapacitated Persons. In the event that any amount is payable to a minor or to any person who, in the judgment of the Executive Benefits Committee, is incapable of making proper disposition thereof, such payment shall be made to the legal guardian of the property of such minor or such person. The Company shall make such payments as directed by the Executive Benefits Committee without the necessary intervention of any guardian or like fiduciary, and without any obligation to require bond or to see to the further application of such payment. Any payment so made shall be in complete discharge of the Plan's obligation to the Participant and his Beneficiaries.

ARTICLE IX
NATURE OF COMPANY'S OBLIGATION

9.1 Unsecured Promise. The Company's obligation to the Participant under this Plan shall be an unfunded and unsecured promise to pay. The rights of a Participant or Beneficiary under this Plan shall be solely those of an unsecured general creditor of the Company. The Company shall not be obligated under any circumstances to set aside or hold assets to fund its financial obligations under this Plan.

9.2 No Right to Specific Assets. Notwithstanding the foregoing, the Company may, in its sole discretion establish such accounts, trusts, insurance policies or arrangements, or any other mechanisms it deems necessary or appropriate to account for or fund its obligations under the Plan. Any assets which the Company may set aside, acquire or hold to help cover its financial liabilities under this Plan are and remain general assets of the Company subject to the claims of its creditors. The Company does not give, and the Plan does not give, any beneficial ownership interest in any assets of the Company to a Participant or Beneficiary. All rights of ownership in any assets are and remain in the Company. Any general asset used or acquired by the Company in connection with the liabilities it has assumed under this Plan shall not be deemed to be held under any trust for the benefit of the Participant or any Beneficiary, and no general asset shall be considered security for the performance of the obligations of the Company. Any asset shall remain a general, unpledged, and unrestricted asset of the Company.

9.3 Plan Provisions. The Company's liability for payment of benefits shall be determined only under the provisions of this Plan, as it may be amended from time to time.

ARTICLE X
TERMINATION, AMENDMENT, MODIFICATION OR SUPPLEMENTATION OF PLAN

10.1 Right to Terminate and Amend. The Compensation Committee retains the sole and unilateral right to terminate, amend, modify or supplement this Plan, in whole or in part, at any time. The Compensation Committee may delegate the right to amend the Plan, subject to any limitations it may impose, to an officer of the Company. No such action shall adversely affect a Participant's right to receive amounts then credited to a Participant's Account with respect to events occurring prior to the date of such amendment.

In the event of a Change in Control, the Plan shall become irrevocable and may not be amended or terminated without the written consent of each Plan Participant who may be affected in any way by such amendment or termination, either at the time of such action or at any time thereafter. This restriction in the event of a Change in Control shall be determined by reference to the date any amendment or resolution terminating the Plan is actually signed by an authorized party rather than the date such action purports to be effective.

ARTICLE XI
RESTRICTIONS ON ALIENATION OF BENEFITS

11.1 No Assignment. No right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge. Any attempt to anticipate, alienate, sell, assign, pledge, encumber or charge these benefits shall be void. No right or benefit under this Plan shall in any manner be liable for or subject to the debts, contracts, liabilities, or torts of the person entitled to the benefit. If any Participant or Beneficiary under the Plan should become bankrupt or attempt to anticipate, alienate, sell, assign, pledge, encumber or charge any right to a benefit hereunder, then the right or benefit, in the discretion of the Executive Benefits Committee, shall cease. In these circumstances, the Executive Benefits Committee may hold or apply the benefit payment or payments, or any part of it, for the benefit of the Participant or his Beneficiary, the Participant's spouse, children, or other dependents, or any of them, in any manner and in any portion that the Executive Benefits Committee may deem proper.

ARTICLE XII
ADMINISTRATION

12.1 The Company intends for the Plan to be "top-hat" plan for a select group of management or highly compensated employees which is exempt from substantially all of the requirements of Title I of ERISA pursuant to Sections 201(2), 301(a)(3), and 401(a)(1) of ERISA. The Company is the Plan sponsor under section 3(16)(B) of ERISA.

12.2 The Executive Benefits Committee is the named fiduciary of the Plan and as such shall have the authority to control and manage the operation and administration of such the Plan except as otherwise expressly provided in this Plan document. The named fiduciary may designate persons other than the named fiduciary to carry out fiduciary responsibilities under the Plan. Any such allocation or designation must be in writing and must be accepted in writing by any such other person.

12.3 The Executive Benefits Committee is the administrator of the Plan within the meaning section 3(16)(A) of ERISA. As administrator, the Executive Benefits Committee has the authority (without limitation as to other authority) to delegate its duties to agents and to make rules and regulations that it believes are necessary or appropriate to carry out the Plan. The Executive Benefits Committee has the discretion as a Plan fiduciary (i) to interpret and construe the terms and provisions of the Plan (including any rules or regulations adopted under the Plan), (ii) to determine questions of eligibility to participate in the Plan and (iii) to make factual determinations in connection with any of the foregoing. A decision of the Executive Benefits Committee with respect to any matter pertaining to the Plan including without limitation the Employees determined to be Participants, the benefits payable, and the construction or interpretation of any provision thereof, shall be conclusive and binding upon all interested persons. No Executive Benefits Committee member shall participate in any decision of the Executive Benefits Committee that would affect the timing or amount of his benefits under the Plan, except to the extent that such decision applies to all Participants under the Plan.

ARTICLE XIII
CLAIMS PROCEDURE

13.1 Claim. If a Participant has any grievance, complaint, or claim concerning any aspect of the operation or administration of the Plan, including but not limited to claims for benefits and complaints concerning the performance or administration of the phantom investment funds (collectively referred to herein as "claim" or "claims"), the Participant shall submit the claim to the Executive Benefits Committee, which shall have the initial responsibility for deciding the claim.

13.2 Written Claim. A claim for benefits will be considered as having been made when submitted in writing by the claimant to the Executive Benefits Committee. No particular form is required for the claim, but the claim must identify the name of the claimant and describe generally the benefit to which the claimant believes he is entitled. The claim may be delivered personally during normal business hours or mailed to the Executive Benefits Committee. All such claims shall be submitted in writing and shall set forth the relief requested and the reasons the relief should be granted. All such claims must be submitted with the "applicable limitations period." The "applicable limitations period" shall be two years beginning on: i) in the case of any lump-sum payment, the date on which the payment was made, ii) in the case of an installment payment, the date of the first in the series of payments, or iii) for all other claims, the date on which the action complained or grieved of occurred.

13.3 Committee Determination. The Executive Benefits Committee will determine whether, or to what extent, the claim may be allowed or denied under the terms of the Plan. If the claim is wholly or partially denied, the claimant shall be so informed by written notice within 90 days after the day the claim is submitted unless special circumstances require an extension of time for processing the claim. If such an extension of time for processing is required, written notice of the extension shall be furnished to the claimant prior to the termination of the initial 90-day period. Such extension may not exceed an additional 90 days from the end of the initial 90-day period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan expects to render the final decision. If notice of denial of a claim (in whole or in part) is not furnished within the initial 90-day period after the claim is submitted (or, if applicable, the extended 90-day period), the claimant shall consider that his claim has been denied just as if he had received actual notice of denial.

13.4 Notice of Determination. The notice informing the claimant that his claim has been wholly or partially denied shall be written in a manner calculated to be understood by the claimant and shall include:

(1) The specific reason(s) for the denial.

(2) Specific reference to pertinent Plan provisions on which the denial is based.

(3) A description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary.

(4) Appropriate information as to the steps to be taken if the Participant or Beneficiary wishes to submit his claim for review.

13.5 Appeal. If the claim is wholly or partially denied, the claimant (or his authorized representative) may file an appeal of the denied claim with the Executive Benefits Committee requesting that the claim be reviewed. The Executive Benefits Committee shall conduct a full and fair review of each appealed claim and its denial. Unless the Executive Benefits Committee notifies the claimant that due to the nature of the benefit and other attendant circumstances he is entitled to a greater period of time within which to submit his request for review of a denied claim, the claimant shall have 60 days after he (or his authorized representative) receives written notice of denial of his claim within which such request must be submitted to the Executive Benefits Committee.

13.6 Request for Review. The request for review of a denied claim must be made in writing. In connection with making such request, the claimant or his authorized representative may:

(1) Review pertinent documents.

(2) Submit issues and comments in writing.

13.7 Determination of Appeal. The decision of the Executive Benefits Committee regarding the appeal shall be promptly given to the claimant in writing and shall normally be given no later than 60 days following the receipt of the request for review. However, if special circumstances (for example, if the Executive Benefits Committee decides to hold a hearing on the appeal) require a further extension of time for processing, the decision shall be rendered as soon as possible, but no later than 120 days after receipt of the request for review. However, if the Executive Benefits Committee holds regularly scheduled meetings at least quarterly, a decision on review shall be made by no later than the date of the meeting which immediately follows the Plan's receipt of a request for review, unless the request is filed within 30 days preceding the date of such meeting. In such case, a decision may be made by no later than the date of the second meeting following the Plan's receipt of the request for review. If special circumstances (for example, if the Executive Benefits Committee decides to hold a hearing on the appeal) require a further extension of time for processing, the decision shall be rendered as soon as possible, but no later than the third meeting following the Plan's receipt of the request for review. If special circumstances require that the decision will be made beyond the initial time for furnishing the decision, written notice of the extension shall be furnished to the claimant (or his authorized representative) prior to the commencement of the extension. The decision on review shall be in writing and shall be furnished to the claimant or to his authorized representative within the appropriate time for the decision. If a decision on review is not furnished within the appropriate time, the claim shall be deemed to have been denied on appeal.

13.8 Hearing. The Executive Benefits Committee may, in its sole discretion, decide to hold a hearing if it determines that a hearing is necessary or appropriate in order to make a full and fair review of the appealed claim.

13.9 Decision. The decision on review shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent Plan provisions on which the decision is based.

13.10 Exhaustion of Appeals. A Participant must exhaust his rights to file a claim and to request a review of the denial of his claim before bringing any civil action to recover benefits due to him under the terms of the Plan, to enforce his rights under the terms of the Plan, or to clarify his rights to future benefits under the terms of the Plan. No action at law or in equity to recover under this Plan shall be commenced later than one year from the date of the decision on review (or deemed denial if no decision is issued).

13.11 Committee's Authority. The Executive Benefits Committee shall exercise its responsibility and authority under this claims procedure as a fiduciary and, in such capacity, shall have the discretionary authority and responsibility (1) to interpret and construe the Plan and any rules or regulations under the Plan, (2) to determine the eligibility of Employees to participate in the Plan, and the rights of Participants to receive benefits under the Plan, and (3) to make factual determinations in connection with any of the foregoing.

ARTICLE XIV
GENERAL PROVISIONS

14.1 No Right to Employment. Nothing in this Plan shall be deemed to give any person the right to remain in the employ of the Company, its subsidiaries or affiliates or affect the right of the Company to terminate any Participant's employment with or without cause.

14.2 Withholding. Any amount required to be withheld under applicable Federal, state and local tax laws (including any amounts required to be withheld under Section 3121(v) of the Code) will be withheld in such manner as the Executive Benefits Committee will determine and any payment under the Plan will be reduced by the amount so withheld, as well as by any other lawful withholding.

14.3 Section 16. Notwithstanding anything in this Plan to the contrary, any Participant who is subject to the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934 (the "Exchange Act") shall not liquidate, transfer or dispose of any investment of such Participant's Account under Article VI in units of the phantom investment fund that corresponds to the RSP's Duke Energy Common Stock Fund during the six-month period following the investment of such Participant's Account in such units, nor shall any such Participant elect to make a Discretionary Transaction (as such term is defined in Rule 16b-3(b)(1) under the Exchange Act) within six months of the election of a nonexempt "opposite way" (as such term is used for purposes of Section 16(b) of the Exchange Act) Discretionary Transaction under any plan of the Company in which the Participant participates. Any provision hereof related to a credit, grant or award of such units under this Plan to a Participant who is subject to the reporting requirements of Section 16(a) under the Exchange Act shall be interpreted, in the event of any ambiguity, such that the transaction or transactions relating thereto shall qualify for exemption from liability under Section 16(b) of such Act.

14.4 Governing Law. This Plan shall be construed and administered in accordance with the laws of the State of North Carolina to the extent that such laws are not preempted by Federal law.

This Plan document has been executed on behalf of the Company this 4th day of January 1999.

DUKE ENERGY CORPORATION

By: /s/ CHRISTOPHER C. ROLFE

Its: Vice President

Corporate Human Resources

EXHIBIT 10.8

DUKE ENERGY CORPORATION
EXECUTIVE CASH BALANCE PLAN

AS AMENDED AND RESTATED EFFECTIVE JANUARY 1, 1999

SECTION 1
PURPOSE OF PLAN

The purpose of the Duke Energy Corporation Executive Cash Balance Plan (the "Plan") is to provide additional retirement benefits for a select group of management or highly compensated employees. The Plan was effective as of January 1, 1997, and has been amended from time to time and is amended and restated herein as of January 1, 1999. Effective January 1, 1999, the Plan replaces the PanEnergy Corp Key Executive Retirement Benefit Equalization Plan and all benefits provided thereunder shall be provided in accordance with the terms set forth herein. The Plan is intended to be a non-qualified, unfunded plan of deferred compensation for a select group of management or highly compensated employees under the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended, and shall be so interpreted and administered.

SECTION 2
DEFINITIONS

Wherever used herein, a pronoun or adjective in the masculine gender includes the feminine gender, the singular includes the plural, and the following terms have the following meanings unless a different meaning is clearly required by the context:

2.1 "Beneficiary" means the person or persons designated by a Participant, or by another person entitled to receive benefits hereunder, to receive benefits following the death of such person.

2.2 "Board of Directors" means the Board of Directors of Duke Energy Corporation.

2.3 "Change in Control" shall be deemed to have occurred upon;

(i) an acquisition subsequent to the Effective Date hereof by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of thirty percent (30%) or more of either (A) the then outstanding shares of common stock of Duke Energy Corporation or (B) the combined voting power of the then outstanding voting securities of Duke Energy Corporation entitled to vote generally in the election of directors; excluding, however, the following: (1) any acquisition directly from Duke Energy Corporation, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from Duke Energy Corporation, (2) any acquisition by Duke Energy Corporation and (3) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by Duke Energy Corporation or its affiliated companies;

(ii) during any period of two (2) consecutive years (not including any period prior to the Effective Date), individuals who at the beginning of such period constitute the Board of Directors (and any new directors whose election by the Board of Directors or nomination for election by the Duke Energy Corporation's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was so approved) cease for any reason (except for death, disability or voluntary retirement) to constitute a majority thereof;

(iii) the approval by the shareholders of Duke Energy Corporation of a merger, consolidation, reorganization or similar corporate transaction, whether or not Duke Energy Corporation is the surviving corporation in such transaction, other than a merger, consolidation, or reorganization that would result in the voting securities of Duke Energy Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the combined voting power of the voting securities of Duke Energy Corporation (or such surviving entity) outstanding immediately after such merger, consolidation or reorganization.

(iv) the approval by the shareholders of Duke Energy Corporation of (A) the sale or other disposition of all or substantially all of the assets of Duke Energy Corporation or (B) a complete liquidation or dissolution of Duke Energy Corporation, or

(v) adoption by the Board of Directors of a resolution to the effect that any Person has acquired effective control of the business and affairs of Duke Energy Corporation.

2.4 "Company" means Duke Energy Corporation and its affiliated companies.

2.5 "Compensation" means "Compensation" as defined in the Retirement Cash Balance Plan but without regard to the limitations of Code Section 401(a)(17) and including Employee deferrals under the Duke Energy Corporation Executive Savings Plan.

2.6 "Compensation Committee" means the Compensation Committee of the Board of Directors.

2.7 "Employee" means a person employed by the Company.

2.8 "Equalization Plan" means the PanEnergy Corp Key Executive Retirement Benefit Equalization Plan as it existed on December 31, 1998.

2.9 "Executive Benefits Committee" means the Executive Benefits Committee of Duke Energy Corporation, as appointed by the Management Committee from time to time.

2.10 "Interest Credit" means the amount determined by multiplying the balance of a Cash Balance Account by the Interest Factor for a month.

2.11 "Interest Factor" means the interest rate determined by the formula (1 + i)(I/12) - 1, where "i" equals the yield on 30-year Treasury Bonds as published in the Federal Reserve Statistical Release H.15 for the end of the third full business week of the month prior to the beginning of the calendar quarter for which the monthly accrual is being applied, but not more than an annual percentage rate of nine percent (9%) and not less than an annual percentage rate of four percent (4%).

2.12 "Make Whole Benefit" means the benefit provided pursuant to section 4.2 of the Plan.

2.13 "Management Committee" means the Management Committee of the Board of Directors.

2.14 "Participant" means an Employee who is entitled to receive benefits from the Plan.

2.15 "Pay Credit" means a credit that is added to a Participant's Make Whole Account pursuant to Section 4.2.

2.16 "Retirement Cash Balance Plan" means the Duke Energy Retirement Cash Balance Plan as in effect from time to time.

2.17 "Supplemental Credit" means a credit that is added to a Participant's Supplemental Account pursuant to Section 4.3.

2.18 "Supplemental Benefit" means the benefit provided under section 4.3 of the Plan.

2.19 "Supplemental Security Plan" means the Duke Power Company Supplemental Security Plan as it existed on December 31, 1996.

2.20 "Supplemental Retirement Plan" means the Supplemental Retirement Plan for Employees of Duke Power Company as it existed on December 31, 1996.

SECTION 3
ELIGIBILITY

3.1 All Employees who are members of the Management Committee shall be automatically eligible to participate in this Plan. Any other Employee designated by the Management Committee (or its delegatee) shall be eligible to participate in the Plan and shall remain eligible as long as he continues to be an Employee or until designated ineligible by the Management Committee (or its delegatee). Notwithstanding the foregoing, an Employee who is not a member of a "select group of management or highly compensated employees" within the meaning of ERISA, may not participate in the Plan. Participants shall not receive any benefits under the terms of the Supplemental Retirement Plan, the Supplemental Security Plan or the Equalization Plan.

3.2 Former Employees, (i) whose Company employment terminated before January 1, 1997, and who had accrued benefits under the Supplemental Retirement Plan or Supplemental Security Plan, or (ii) whose Company employment terminated before January 1, 1999, and who had accrued benefits under the Equalization Plan, will receive payment, or will continue to receive payment, of such benefits under the terms of such plans. Such former Employees will not participate in this Plan.

SECTION 4
BENEFITS

4.1 The Plan provides a Make-Whole Benefit and may provide a Supplemental Benefit. Each Participant shall have a Make-Whole Account, which is a bookkeeping account established under this Plan and shall be eligible for a Make-Whole Benefit. The Management Committee (or its delegatee) or, if a Participant is a member of the Management Committee, the Compensation Committee, will determine whether a Participant is to be eligible for a Supplemental Benefit; in either case a Supplemental Account, which is a bookkeeping account shall be established.

4.2 Under the Make-Whole Benefit, for any month that a Participant is eligible to participate in this Plan, the Participant's Make-Whole Account shall receive a Pay Credit equal to the excess, if any, of (a) the pay credit that would have been provided under the Retirement Cash Balance Plan for the month if the Retirement Cash Balance Plan used the definition of Compensation set forth herein and, to the extent determined by the Management Committee (or its delegatee) from time to time, other types of excluded pay were treated as eligible compensation under such Plan; over (b) the pay credit for the month that is actually made to the Participant's account under the Retirement Cash Balance Plan. A Participant, while "Disabled" as defined in the Retirement Cash Balance Plan and continuing to receive pay credits to the Participant's account under the Retirement Cash Balance Plan, shall continue to receive Pay Credits to the Participant's Make-Whole Account determined on the same basis as his continued pay credits under the Retirement Cash Balance Plan, and based upon his eligible Compensation immediately prior to disability.

In addition, the Make Whole Benefit provides a Pay Credit to the Participant's Make-Whole Account equal to any reduction in a benefit under the Retirement Cash Balance Plan resulting from the limitations imposed by section 415 of the Code. Where an opening account balance under the Retirement Cash Balance Plan has been established for a Participant, the Management Committee (or its delegatee) or, if the Participant is a member of the Management Committee, the Compensation Committee, in its sole discretion, may establish an opening balance for the Participant's Make-Whole Account that is designed to provide a transition benefit comparable to the benefit provided through the Retirement Cash Balance Plan opening account balance, but without regard to the limitations imposed by Sections 401(a)(17) or 415 of the Code. If the value of the benefit which a vested Participant had accrued under the Supplemental

Retirement Plan as of December 31, 1996, is greater than the value of the Participant's Make-Whole Account on the date the Participant retires, such higher value shall apply.

4.3 A Participant's Supplemental Account shall receive such Supplemental Credits, in such amounts and at such times, as the Management Committee (or its delegatee) or, if the Participant is a member of the Management Committee, as the Compensation Committee, in its sole discretion, may determine. Supplemental Credits may include, but are not limited to, an opening account balance or a one-time credit in recognition of the December 31, 1998, discontinuance of supplemental pay credits.

4.4 An Interest Credit will be added to a Participant's Make-Whole Account and to a Participant's Supplemental Account as of the end of each calendar month ending prior to the month in which the respective account is fully distributed or forfeited. The amount of the Interest Credit for a month will equal the balance of the respective account as of the end of the prior month (after adding any Pay Credit, Supplemental Credit and Interest Credit for the prior month and subtracting any payment or forfeiture for the prior month) multiplied by the Interest Factor for the month. Notwithstanding the foregoing, Interest Credits to the Supplemental Account of a Participant whose employment with the Company terminates before attaining the earliest retirement age under the Retirement Cash Balance Plan will be suspended beginning with the month during which employment terminates and will not resume until the month following the month during which payment of the Supplemental Benefit commences.

SECTION 5
VESTING

Unless the Management Committee (or its delegatee), or the Compensation Committee, provides otherwise for a particular Participant at the time the Participant initially becomes eligible to participate in the Plan or at the time of an award of a particular Supplemental Credit (and any Interest Credits thereto), a Participant will become fully vested in the Participant's Make-Whole Account and the Participant's Supplemental Account, if any, (i) when the Participant becomes vested under the Retirement Cash Balance Plan, or (ii) the Participant's employment with the Company terminates on account of the Participant's death or the Participant having become "Disabled", as defined in the Retirement Cash Balance Plan. If a Participant's employment with the Company terminates and the Participant is not fully vested, the unvested portion of the Participant's Make-Whole Account and of the Participant's Supplemental Account, if any, shall be immediately forfeited and no benefit under the Plan shall be paid with respect thereto.

Notwithstanding the foregoing, any one-time Supplemental Credit to a Participant's Supplemental Account that is made in recognition of the December 31, 1998 discontinuance of supplemental pay credit, and any Interest Credits thereon, shall not vest, and shall be forfeited if the Participant's employment with the Company terminates before January 1, 2004, unless such employment termination is on account of the Participant's retirement under the Retirement Cash Balance Plan, death, or the Participant having become "Disabled," as defined in the Retirement Cash Balance Plan, or unless such employment termination is by the Company other than for "cause". The Company shall have "cause" to terminate the Participant's employment upon (a) the willful and continued failure by the Participant to substantially perform his employment duties (other than any such failure resulting from the Participant's incapacity due to physical or mental illness) after demand for substantial performance is delivered by the Company, specifically identifying the manner in which the Company believes the Participant has not substantially performed his duties, or (b) the willful engaging by the Participant in misconduct which is materially injurious to the Company, monetarily or otherwise. For purposes of this section, no act, or failure to act, on the Participant's part shall be considered "willful" unless done, or omitted to be done, by him not in good faith and without reasonable belief that his action or omission was in the best interest of the Company.

In the event of a Change in Control, all Participant Accounts shall become fully and immediately vested and non-forfeitable and shall thereafter be maintained and paid in accordance with the terms of this Plan.

SECTION 6
PAYMENT OF BENEFITS

6.1 A Participant whose Company employment terminates prior to the Participant's earliest retirement age under the Retirement Cash Balance Plan will receive, or will begin to receive, payment of his vested Make-Whole Account and his vested Supplemental Account, if any, as soon as administratively feasible following the month in which the Participant attains age 55. A Participant whose Company employment terminates after the Participant's earliest retirement age under the Retirement Cash Balance Plan will receive, or will begin to receive, payment of his vested Make-Whole Account and his vested Supplemental Account, if any, as soon as administratively feasible following the month in which the Participant's employment terminates. However, a Participant, while "Disabled," (as defined in the Retirement Cash Balance Plan) and continuing to receive pay credits to the Participant's account under the Retirement Cash Balance Plan, shall not receive payment of benefits during the period the Participant receives such pay credits, any other Participant whose Company employment terminates and whose Make-Whole Account and Supplemental Account, if any, have a combined balance, as of the last day of the month during which employment terminated, of less than $25,000 will receive payment of his vested Make-Whole Account and his vested Supplemental Account, if any, in a single sum, as soon as administratively feasible following the month in which the Participant's employment terminates under this Plan.

6.2(a) A Participant who is eligible to participate in the Plan on January 1, 1999, must elect his form of benefit payment prior to that date by completing such form as the Executive Benefits Committee shall require and filing the completed form with the Executive Benefits Committee. Benefit payment elections made prior to January 1, 1999 in a form other than a single sum under the Equalization Plan, or any election of a single life annuity or joint and survivor annuity distribution under any other plan, shall be automatically converted to the monthly payments for fifteen years option. Participants who are first designated as eligible on or after January 1, 1999 must elect a form of benefit payment within 30 days after being designated eligible to participate in the Plan by completing such form as the Executive Benefits Committee shall require and filing the completed form with the Executive Benefits Committee. A Participant may change his or her of benefit payment election at any time, and from time to time, by completing such form as the Executive Benefits Committee provides and filing the completed form with the Executive Benefits Committee. A Participant may not make more than one such change in any 12-month period and no such change shall become effective unless and until the Participant has continued in employment with the Company for at least one year from the date on which the completed change form was filed with the Executive Benefits Committee.

6.2(b) The forms of benefit payment available under the Plan are:

(1) single sum payment;
(2) monthly payments for three years;
(3) monthly payments for ten years;
(4) monthly payments for fifteen years.

At such time as benefits under the Plan become payable with respect to a Participant, such benefits shall be paid in accordance with the benefit payment form then in effect unless otherwise expressly provided by the Plan.

6.2(c) Under the monthly payment for three, ten or fifteen years form, the amount of payment for a particular month shall be calculated as follows:

$$\text{Monthly amount} = \frac{V}{N}$$

where

N represents the number of months remaining in the payment term and

V represents sum of the balance of the Participant's Make-Whole Account and the balance of the Participant's Supplemental Account, if any, determined as of the end of the prior month after adding any Pay Credits, supplemental credits and Interest Credits for the prior month and subtracting any payment or forfeiture for the prior month.

6.3 Any benefit payment due under the Plan shall be paid in cash.

6.4 Upon written request by a Participant, the Executive Benefits Committee may distribute to a Participant who is receiving a monthly payment form of distribution, such amount of the remaining balance of the Participant's vested Cash Balance Account and vested Supplemental Account, if any, which the Executive Benefits Committee determines is necessary to provide for a financial hardship suffered by the Participant. For this purpose, "financial hardship" shall mean a severe financial hardship as determined under federal income tax law, regulations and rulings which are applicable to non-qualified deferred compensation plans. Notwithstanding the foregoing, if any member of the Executive Benefits Committee requests a hardship distribution, then such Executive Benefits Committee member shall take no part in the discussion or decision concerning whether such member has suffered a financial hardship, or the amount to be distributed in relief thereof.

SECTION 7
DEATH BENEFITS

7.1 Upon a Participant's death, any remaining balance of a Participant's vested Make-Whole Account and vested Supplemental Account shall be paid to the Participant's beneficiary as a death benefit. The Executive Benefits Committee will provide each Participant with a form to be completed and filed with the Executive Benefits Committee whereby the Participant may designate a beneficiary.

7.2 If the Participant does not designate a beneficiary, or if the beneficiary who is designated should predecease the Participant, the death benefit for a deceased Participant shall be paid to the estate of the Participant, as the Participant's beneficiary, in a single cash payment.

7.3 If a Participant should die while still employed by the Company or otherwise before payment of any Plan benefits has commenced, payments of any death benefit shall be made to the Participant's beneficiary in the same benefit payment form elected by the Participant under Section 6.2, unless the beneficiary is the estate and in that case, a single cash payment shall be made. Notwithstanding the foregoing, if the death benefit is less than $25,000, the death benefit shall be paid to the Participant's beneficiary in a single cash payment.

7.4 If a Participant should die after payment of Plan benefits has commenced, payment of any death benefit will be made to the Participant beneficiary as a continuation of the benefit payment form that had been in effect for the Participant, unless the beneficiary is the estate and in that case, a single cash payment shall be made.

7.5 If an Employee who was an active participant in the Supplemental Security Plan on December 31, 1996, should die while still employed by the Company, the portion of the death benefit attributable to the Employee's Supplemental Account shall not be less than the amount determined by multiplying two point five (2.5) times the annualized base rate of pay of the Employee on the date of death.

SECTION 8
AMENDMENT AND TERMINATION

The Compensation Committee retains the sole and unilateral right to terminate, amend, modify or supplement this Plan, in whole or in part, at any time. The Compensation Committee may delegate the right to amend the Plan, subject to any limitations it may impose, to an officer of the Company. No such action shall adversely affect a Participant's right to receive amounts then credited to a Participant's account with respect to events occurring prior to the date of such amendment.

In the event of a Change in Control, the Plan shall become irrevocable and may not be amended or terminated without the written consent of each Plan Participant who may be affected in any way by such amendment or termination either at the time of such action or at any time thereafter. This restriction in the event of a Change in Control shall be determined by reference to the date any amendment or resolution terminating the Plan is actually signed by an authorized party rather than the date such action purports to be effective.

SECTION 9
ADMINISTRATION

9.1 The Company intends for the Plan to be an unfunded "top-hat" plan for a select group of management or highly compensated employees which is exempt from substantially all of the requirements of Title I of ERISA pursuant to Sections 201(2), 301(a)(3), and 401(a)(1) of ERISA. The Company is the Plan sponsor under section 3(16)(B) of ERISA.

9.2 The Executive Benefits Committee shall have the authority to control and manage the operation and administration of the Plan except as otherwise expressly provided in this Plan document. The Executive Benefits Committee may designate other persons to carry out fiduciary responsibilities under the Plan.

9.3 The Executive Benefits Committee is the administrator of the Plan within the meaning section 3(16)(A) of ERISA. As administrator, the Executive Benefits Committee has the authority (without limitation as to other authority) to delegate its duties to agents and to make rules and regulations that it believes are necessary or appropriate to carry out the Plan. The Executive Benefits Committee has the discretion (i) to interpret and construe the terms and provisions of the Plan (including any rules or regulations adopted under the Plan), (ii) to determine questions of eligibility to participate in the Plan and (iii) to make factual determinations in connection with any of the foregoing. A decision of the Executive Benefits Committee with respect to any matter pertaining to the Plan including without limitation the Employees determined to be Participants, the benefits payable, and the construction or interpretation of any provision thereof, shall be conclusive and binding upon all interested persons. No Executive Benefits Committee member shall participate in any decision of the Executive Benefits Committee that would directly and specifically affect the timing or amount of his benefits under the Plan, except to the extent that such decision applies to all Participants under the Plan.

SECTION 10
CLAIMS PROCEDURE

10.1 A person with an interest in the Plan shall have the right to file a claim for benefits under the Plan and to appeal any denial of a claim for benefits. Any request or application for a Plan benefit or to clarify the claimant's rights to future benefits under the terms of the Plan shall be considered to be a claim.

10.2 A claim for benefits will be considered as having been made when submitted in writing by the claimant (or by such claimant's authorized representative) to the Executive Benefits Committee. No particular form is required for the claim, but the written claim must identify the name of the claimant and describe generally the benefit to which the claimant believes he is entitled. The claim may be delivered personally during normal business hours or mailed to the Executive Benefits Committee.

10.3 The Executive Benefits Committee will determine whether, or to what extent, the claim may be allowed or denied under the terms of the Plan. If the claim is wholly or partially denied, the claimant shall be so informed by written notice within 90 days after the day the claim is submitted unless special circumstances require an extension of time for processing the claim. If such an extension of time for processing is required, written notice of the extension shall be furnished to the claimant prior to the termination of the initial 90-day period. Such extension may not exceed an additional 90 days from the end of the initial 90-day period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan expects to render the final decision. If notice of denial of a claim (in whole or in part) is not furnished within the initial 90-day period after the claim is submitted (or, if applicable, the extended 90-day period), the claimant shall consider that his claim has been denied just as if he had received actual notice of denial.

10.4 The notice informing the claimant that his claim has been wholly or partially denied shall be written in a manner calculated to be understood by the claimant and shall include:

(1) The specific reason(s) for the denial.
(2) Specific reference to pertinent Plan provisions on which the denial is based.
(3) A description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary.
(4) Appropriate information as to the steps to be taken if the claimant wishes to submit his claim for review.

10.5 If the claim is wholly or partially denied, the claimant (or his authorized representative) may file an appeal of the denied claim with the Executive Benefits Committee requesting that the claim be reviewed. The Executive Benefits Committee shall conduct a full and fair review of each appealed claim and its denial. Unless the Executive Benefits Committee notifies the claimant that due to the nature of the benefit and other attendant circumstances he is entitled to a greater period of time within which to submit his request for review of a denied claim, the claimant shall have 60 days after he (or his authorized representative) receives written notice of denial of his claim within which such request must be submitted to the Executive Benefits Committee.

10.6 The request for review of a denied claim must be made in writing. In connection with making such request, the claimant or his authorized representative may:

(1) Review pertinent documents.
(2) Submit issues and comments in writing.

10.7 The decision of the Executive Benefits Committee regarding the appeal shall be promptly given to the claimant in writing and shall normally be given no later than 60 days following the receipt of the request for review. However, if special circumstances (for example, if the Executive Benefits Committee decides to hold a hearing on the appeal) require a further extension of time for processing, the decision shall be rendered as soon as possible, but no later than 120 days after receipt of the request for review. However, if the Executive Benefits Committee holds regularly scheduled meetings at least quarterly, a decision on review shall be made by no later than the date of the meeting which immediately follows the Plan's receipt of a request for review, unless the request is filed within 30 days preceding the date of such meeting. In such case, a decision may be made by no later than the date of the second meeting following the Plan's receipt of the request for review. If special circumstances (for example, if the Executive Benefits Committee decides to hold a hearing on the appeal) require a further extension of time for processing, the decision shall be rendered as soon as possible, but no later than the third meeting following the Plan's receipt of the request for review. If special circumstances require that the decision will be made beyond the initial time for furnishing the decision, written notice of the extension shall be furnished to the claimant (or his authorized representative) prior to the commencement of the extension. The decision on review shall be in writing and shall be furnished to the claimant or to his authorized representative within the appropriate time for the decision. If a decision on review is not furnished within the appropriate time, the claim shall be deemed to have been denied on appeal.

10.8 The Executive Benefits Committee may, in its sole discretion, decide to hold a hearing if it determines that a hearing is necessary or appropriate in order to make a full and fair review of the appealed claim.

10.9 The decision on review shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent Plan provisions on which the decision is based.

10.10 A person must exhaust his rights to file a claim and to request a review of the denial of his claim before bringing any civil action to recover benefits due to him under the terms of the Plan, to enforce his rights under the terms of the Plan, or to clarify his rights to future benefits under the terms of the Plan.

10.11 The Executive Benefits Committee shall exercise its responsibility and authority under this claims procedure as a fiduciary and, in such capacity, shall have the discretionary authority and responsibility (1) to interpret and construe the Plan and any rules or regulations under the Plan, (2) to determine the eligibility of Employees to participate in the Plan, and the rights of Participants to receive benefits under the Plan, and (3) to make factual determinations in connection with any of the foregoing.

SECTION 11
NATURE OF COMPANY'S OBLIGATION

11.1 The Company's obligation to the Participant under this Plan shall be an unfunded and unsecured promise to pay. The rights of a Participant or Beneficiary under this Plan shall be solely those of an unsecured general creditor of the Company. The Company shall not be obligated under any circumstances to set aside or hold assets to fund its financial obligations under this Plan.

11.2 Notwithstanding the foregoing, the Company may, in its sole discretion establish such accounts, trusts, insurance policies or arrangements, or any other mechanisms it deems necessary or appropriate to account for or fund its obligations under the Plan. Any assets which the Company may set aside, acquire or hold to help cover its financial liabilities under this Plan are and remain general assets of the Company subject to the claims of its creditors. The Company does not give, and the Plan does not give, any beneficial ownership interest in any assets of the Company to a Participant or Beneficiary. All rights of ownership in any assets are and remain in the Company. Any general asset used or acquired by the Company in connection with the liabilities it has assumed under this Plan shall not be deemed to be held under any trust for the benefit of the Participant or any Beneficiary, and no general asset shall be considered security for the performance of the obligations of the Company. Any asset shall remain a general, unpledged, and unrestricted asset of the Company.

11.3 The Company's liability for payment of benefits shall be determined only under the provisions of this Plan, as it may be amended from time to time.

SECTION 12
GENERAL PROVISIONS

12.1 Nothing in this Plan shall be deemed to give any person the right to remain in the employ of the Company or affect the right of the Company to terminate any Participant's employment with or without cause.

12.2 No right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge. Any attempt to anticipate, alienate, sell, assign, pledge, encumber or charge these benefits shall be void. No right or benefit under this Plan shall in any manner be liable for or subject to the debts, contracts, liabilities, or torts of the person entitled to the benefit. If any Participant or Beneficiary under the Plan should become bankrupt or attempt to anticipate, alienate, sell, assign, pledge, encumber or charge any right to a benefit hereunder, then the right or benefit, in the discretion of the Executive Benefits Committee, shall cease. In these circumstances, the Executive Benefits Committee may hold or apply the benefit payment or payments, or any part of it, for the benefit of the Participant or his Beneficiary, the Participant's spouse, children, or other dependents, or any of them, in any manner and in any portion that the Executive Benefits Committee may deem proper.

12.3 Any amount required to be withheld under applicable Federal, state and local tax laws (including any amounts required to be withheld under Section 3121(v) of the Code) will be withheld in such manner as the Executive Benefits Committee will determine and any payment under the Plan will be reduced by the amount so withheld, as well as by any other lawful withholding.

12.4 This Plan shall be construed and administered in accordance with the laws of the State of North Carolina to the extent that such laws are not preempted by Federal law.

This Plan document has been executed on behalf of the Corporation this 4th day of January, 1999.

DUKE ENERGY CORPORATION

By: /s/ CHRISTOPHER C. ROLFE

Its: Vice President
Corporate Human Resources

DUKE ENERGY CORPORATION
EXECUTIVE CASH BALANCE PLAN
(AS AMENDED AND RESTATED EFFECTIVE JANUARY 1, 1999)

AMENDMENT 1

Pursuant to Section 8 of the Duke Energy Corporation Executive Cash Balance Plan, as amended ("Plan"), Duke Energy Corporation ("Corporation") hereby amends Section 4.3 of the Plan, effective January 1, 1999, by adding a sentence to the end thereof that reads as follows:

> Notwithstanding Sections 4.3 and 4.4 to the contrary, the Minimum Benefit feature of Section 4.3(e) of the Plan, as in effect prior to January 1, 1999, is preserved herein and incorporated by reference.

IN WITNESS WHEREOF, this amendment to the Plan is executed on behalf of the Corporation this 26th day of August, 1999.

DUKE ENERGY CORPORATION

By: /s/ CHRISTOPHER C. ROLFE

Its: Vice President

Corporate Human Resources

EXHIBIT 10.9

DUKE ENERGY CORPORATION
RETIREMENT BENEFIT EQUALIZATION PLAN

(effective January 1, 1999)

1. Purpose. Duke Energy Corporation ("Company") hereby establishes, effective January 1, 1999, the Duke Energy Corporation Retirement Benefit Equalization Plan ("Plan"). The purpose of the Plan is to provide with respect to eligible employees, benefits in excess of those provided under the Duke Energy Retirement Cash Balance Plan, including plans merged therein, ("RCBP"). The Plan shall be an "excess benefit plan", within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), that is unfunded. The Plan supercedes the Duke Energy Corporation Executive Cash Balance Plan, including plans superceded thereby, for participants who only participated in the excess benefit plan part thereof, and the PanEnergy Corp Retirement Benefit Equalization Plan for any eligible employee.

2. Administration. The Company's Director of Employee Benefits is designated the Plan Administrator of the Plan. The Plan Administrator shall have full discretionary power and authority to administer and interpret the Plan, subject to the provisions of the Plan and as to such matters as are reserved to the Company, the Management Committee of its Board of Directors, and its Vice President -- Human Resources. The Plan Administrator may adopt such procedures as he deems necessary or helpful in administering the Plan and may designate one or more employees of the Company to maintain the records of the Plan and to perform such other duties as are assigned by the Plan Administrator. Notwithstanding the foregoing, the Plan Administrator shall not act upon any matter which relates solely to his individual participation in the Plan, but shall refer such matter to the Vice President -- Human Resources of the Company.

3. Eligibility. Any participant in the RCBP whose benefit under the RCBP has not commenced prior to January 1, 1999, shall be eligible to participate in the Plan. Notwithstanding the foregoing, no individual whose benefit commences under, or who, on or after January 1, 1999, is eligible to participate in, the Duke Energy Corporation

Executive Cash Balance Plan, including plans superceded thereby, or whose benefit commences under the PanEnergy Corp Retirement Benefit Equalization Plan shall be eligible to participate in the Plan.

4. Participating Affiliates. Each of the Company's affiliated companies that participates in the RCBP on behalf of its eligible employees shall be a participating affiliated company in the Plan and shall be liable to the Company for Plan benefits attributable to the participating affiliated company's own employees and the Plan Administrator's determination as to the amount of any such liability shall be conclusive.

5. Company's Obligation. Any Plan benefit shall be a general, unsecured obligation of the Company payable solely from the general assets of the Company, and neither a Plan participant nor his beneficiary(ies) or estate shall have any interest in any assets of the Company by virtue of the Plan. Nothing in this Section 5 shall be construed to prevent the Company from implementing or setting aside funds in a grantor trust subject to the claims of the Company's creditors. This Section 5 shall not require the Company to set aside any funds, but the Company may set aside such funds if it chooses to do so. The establishment of the Plan and any setting aside of funds by the Company with which to discharge its obligations under the Plan shall not be deemed to create a trust. Legal and equitable title to any funds so set aside, other than any grantor trust subject to the claims of the Company's creditors, shall remain in the Company and any funds so set aside shall remain subject to the general creditors of the Company, present and future, and no payment shall be made under this Plan unless the Company is then solvent.

6. Benefit and Form of Payment. The Plan benefit payable with respect to a Plan participant shall be the excess, if any, of:

(a) the RCBP benefit which would have become payable with respect to the Plan participant, if the benefit accrual provisions of the RCBP were administered without regard to its provisions that implement the maximum amount of retirement income limitations imposed by Section 415 of the Internal Revenue Code of 1986, as amended ("Code"); over

(b) the RCBP benefit which, in fact, becomes payable, with respect to the Plan participant.

Notwithstanding the foregoing, no Plan benefit shall be payable with respect to a Plan participant prior to the termination of the participant's employment with the Company and all its affiliated companies and any Plan benefit that becomes payable shall be subject to the same terms and conditions as the corresponding RCBP benefit, including, but not limited to, where the RCBP benefit becomes payable on account of the Plan participant's death, the identification of the eligible surviving spouse or other beneficiary to whom the Plan benefit is to be paid.

The Plan benefit shall be calculated at such time as the RCBP benefit commences to be paid. In accordance with such procedures as the Plan Administrator shall prescribe, the Plan benefit shall be calculated as a lump sum amount and, thereafter, the amount of any unpaid Plan benefit shall be credited with interest, at such rate, and in a manner substantially similar to, that used to determine Interest Credits under the RCBP, for each full calendar month unpaid. The Plan benefit shall be paid in five (5) annual installments, with the initial installment to be paid as soon as administratively feasible following the end of the calendar year during which the RCBP benefit commences to be paid and any subsequent installment to be paid as soon as administratively feasible following the end of the calendar year during which the immediately-prior installment was paid. The amount of an installment shall be equal to the then unpaid Plan benefit divided by the number of then remaining installments (including the installment then being calculated). Notwithstanding the foregoing, the amount of any installment shall not be less than the lesser of (i) $25,000.00, or (ii) the full then unpaid Plan benefit, and the number of installments is subject to curtailment by application of such minimum. In the event that any installment becomes payable to the estate of a deceased individual, the full then unpaid Plan benefit shall be paid to such estate in a lump sum.

In the event that a Plan benefit is payable with respect to a Plan participant and if at such time the Plan participant has outstanding any debt, obligation or other liability representing an amount owing to the Company or any of its affiliated companies, then the Company may offset such amount owed by the Plan participant against the Plan benefit to be paid.

To the extent required by applicable law, the Company shall make appropriate withholdings from the Plan benefit payments.

7. Amendment and Termination. The Company by written instrument, authorized by action of the Management Committee of its Board of Directors, may amend or terminate the Plan in any manner and at any time, provided, that no such change shall apply to any Plan benefit accrued, whether or not payable, on account of the corresponding RCBP benefit having accrued, prior to the date written notice of the change has been provided to the respective Plan participant and that no such change shall adversely affect such Plan benefit becoming payable and being paid.

8. Nonassignability. Neither a Plan participant nor any other person shall have any right to commute, sell, assign, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable under the Plan, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and nontransferable. No Plan benefit payable shall, prior to actual Plan benefit payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Plan participant or any other person, nor be transferable by operation of law in the event of the Plan participant's or any other person's bankruptcy or insolvency.

9. Employment Not Guaranteed. Nothing contained in this Plan nor any action taken hereunder shall be construed as a contract of employment or as giving any employee any right to be retained in the employ of the Company or any of its affiliated companies.

10. Procedures for Claims for Benefits and for Review of Denied Claim. Any claim for Plan benefits must be in writing and directed to the Plan Administrator and must be made no later than ninety (90) days after the Plan benefit is claimed to have become payable on account of a Plan eligible employee's termination of employment. If a claimant has made a claim for Plan benefits and any portion of the claim is denied, the claimant will receive a written notice from the Plan Administrator. The notice will state the specific reasons for the denial and specific reference to pertinent Plan provisions upon which the denial was based. Also, it will give a description of any additional information or material necessary to complete your claim and an explanation of why such information or material is necessary. Finally, the notice will provide appropriate information on the steps to take if the claimant wishes to submit the claim for review.

A claim will be deemed denied if the claimant does not receive notification within 90 days after the Plan Administrator's receipt of the claim, plus any extension of time for processing the claim, not to exceed 90 additional days, as special circumstances require. Prior to the expiration of the initial 90 days, the claimant must be given a written notice that an extension is necessary, and the claimant must be informed of the special circumstances requiring the extension and date by which the claimant can expect a decision regarding the claim.

Within 60 days after the date of written notice denying any benefits or the date the claim is deemed denied, the claimant or the claimant's authorized representative may write to the Plan Administrator requesting a review of that decision. The request for review must contain an explanation of why the claimant believes the decision regarding the claim is incorrect, and must include such issues, comments, documents and other evidence the claimant wishes considered in the review. The claimant may also review pertinent documents in the Plan Administrator's possession. The Plan Administrator will make a final determination with respect to the request for review as soon as practicable. The Plan Administrator will advise the claimant of the determination in writing and will set forth the specific reasons for the determination and the specific references to any pertinent Plan provision upon which the determination is based.

A request will be deemed denied on review if the Plan Administrator fails to give the claimant a written notice of final determination within 60 days after receipt of the request for review, plus any extension of time for completing the review, not to exceed 60 additional days, as special circumstances require. Prior to the expiration of the initial 60 days, the Plan Administrator must advise the claimant in writing if any extension is necessary, stating the special circumstances requiring the extension and the date by which the claimant can expect a decision regarding the review of the claim.

11. Successors, Mergers or Consolidation. The Plan shall inure to the benefit of and be binding upon: (i) the Company, and its successors and assigns, including without limitation, any person, organization or corporation which may acquire all or substantially all of the assets and business of the Company, or any corporation into which the Company may be merged or consolidated; and (ii) Plan participants and their heirs, executors, administrators and legal representatives.

12. Construction. The Plan shall be governed by, and interpreted and enforced in accordance with, the laws of the State of North Carolina.

IN WITNESS WHEREOF, Duke Energy Corporation has caused its duly authorized officer to execute this document on its behalf, this 22nd day of December 1999.

DUKE ENERGY CORPORATION

By: /s/ CHRISTOPHER C. ROLFE

Its: Vice President
Corporate Human Resources

EXHIBIT 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned directors and/or officers of TEXAS EASTERN PRODUCTS PIPELINE COMPANY (Company), a Delaware corporation, acting in its capacity as general partner of TEPPCO Partners, L.P., does hereby constitute and appoint CHARLES H. LEONARD, JAMES C. RUTH, AND WILLIAM L. THACKER, and each of them, his or her true and lawful attorney and agent to do any and all acts and things, and execute any and all instruments which, with the advise and consent of Counsel, said attorney and agent may deem necessary or advisable to enable the Company to comply with the Securities Act of 1934, as Amended, and any rules, regulation, and requirements of the Securities and Exchange Commission, including specifically, but without limitation thereof, to sign his or her name as a director and/or officer of the Company to the Form 10-K Report for TEPPCO Partners, L.P. for the year ended December 31, 1999, and to any instrument or document filed as a part of, or in accordance with, said Form 10-K or Amendment thereto; and the undersigned do hereby ratify and confirm all that said attorney and agent shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned have subscribed these presents this 14th day of January, 2000.

/s/ William L. Thacker --------------------------- William L. Thacker	/s/ Fred J. Fowler --------------------------- Fred J. Fowler
/s/ Ruth G. Shaw --------------------------- Ruth G. Shaw	/s/ Jim W. Mogg --------------------------- Jim W. Mogg
/s/ Richard J. Osborne --------------------------- Richard J. Osborne	/s/ Derrill Cody --------------------------- Derrill Cody
/s/ Milton Carroll --------------------------- Milton Carroll	/s/ Carl D. Clay --------------------------- Carl D. Clay
/s/ John P. DesBarres --------------------------- John P. DesBarres	/s/ Charles H. Leonard --------------------------- Charles H. Leonard Senior Vice President, Chief Financial Officer and Treasurer

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