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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

OR

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2000

COMMISSION FILE NO. 1-10403

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

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

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

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

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

ITEM 1. FINANCIAL STATEMENTS

TEPPCO PARTNERS, L.P.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	SEPTEMBER 30, 2000 (UNAUDITED)	DECEMBER 31, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 25,015	$ 32,593
Accounts receivable, trade	248,007	205,766
Inventories	20,223	16,766
Other	6,085	7,884
Total current assets	299,330	263,009
Property, plant and equipment, at cost (Net of accumulated depreciation and amortization of $243,576 and $220,467)	852,173	720,919
Equity investments	237,628	--
Intangible assets	37,934	34,926
Other assets	35,903	22,519
Total assets	$ 1,462,968	$ 1,041,373
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable and accrued liabilities	$ 246,503	$ 201,660
Accounts payable, general partner	4,534	4,741
Accrued interest	14,736	13,297
Other accrued taxes	11,329	8,822
Other	23,496	14,972
Total current liabilities	300,598	243,492
Senior Notes	389,776	389,753
Other long-term debt	433,000	66,000
Other liabilities and deferred credits	3,720	3,073
Minority interest	3,399	3,429
Redeemable Class B Units held by related party	105,500	105,859
Partners' capital:		
General partner's interest	696	657
Limited partners' interests	226,279	229,110
Total partners' capital	226,975	229,767
Total liabilities and partners' capital	$ 1,462,968	$ 1,041,373

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

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

	THREE MONTHS ENDED SEPTEMBER 30, 2000	THREE MONTHS ENDED SEPTEMBER 30, 1999	NINE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 1999
Operating revenues:				
Sales of crude oil and petroleum products	$ 686,732	$ 497,758	$ 2,059,160	$ 1,118,288
Transportation - Refined products	29,483	33,448	90,198	92,397
Transportation - LPGs	14,477	9,484	47,961	46,173
Transportation - crude oil and NGLs	7,932	2,963	15,834	8,499
Equity Earnings - Seaway Crude Pipeline Company	9,325	--	9,325	--
Mont Belvieu operations	3,015	3,329	10,369	9,584
Other - Net	8,259	7,386	24,772	20,868
Total operating revenues	759,223	554,368	2,257,619	1,295,809
Costs and expenses:				
Purchases of crude oil and petroleum products	679,459	490,604	2,039,763	1,098,634
Operating, general and administrative	27,735	24,358	77,303	69,661
Operating fuel and power	8,838	8,238	24,677	23,225
Depreciation and amortization	9,154	8,163	25,740	24,456
Taxes - other than income taxes	2,805	2,599	7,986	7,942
Total costs and expenses	727,991	533,962	2,175,469	1,223,918
Operating income	31,232	20,406	82,150	71,891
Interest expense	(15,967)	(8,085)	(32,949)	(23,407)
Interest capitalized	1,551	705	3,816	1,194
Other income - net	548	481	2,180	1,612
Income before minority interest	17,364	13,507	55,197	51,290
Minority interest	(175)	(137)	(557)	(519)
Net Income	$ 17,189	$ 13,370	$ 54,640	$ 50,771
Net Income Allocation:				
Limited Partner Unitholders	$ 11,995	$ 9,367	$ 39,491	$ 38,965
Class B Unitholder	1,619	1,265	5,333	5,262
General Partner	3,575	2,738	9,816	6,544
Total net income allocated	$ 17,189	$ 13,370	$ 54,640	$ 50,771
Basic and diluted net income per Limited Partner and Class B Unit	$ 0.41	$ 0.32	$ 1.36	$ 1.34
Weighted average Limited Partner and Class B Units outstanding	32,917	32,917	32,917	32,917

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

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

	NINE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 1999
Cash flows from operating activities:		
Net income	$ 54,640	$ 50,771
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	25,740	24,456
Equity in (income) loss of affiliates	(8,370)	339
Noncash portion of interest expense	1,475	236
Increase in accounts receivable, trade	(34,619)	(68,883)
Increase in inventories	(3,006)	(732)
Decrease (increase) in other current assets	2,205	(520)
Increase in accounts payable and accrued expenses	48,989	64,987
Other	(9,087)	(1,522)
Net cash provided by operating activities	77,967	69,132
Cash flows from investing activities:		
Proceeds from cash investments	1,475	3,840
Purchases of cash investments	(2,000)	(3,235)
Payment for the purchase of the ARCO assets, net of cash received	(322,640)	--
Purchase of crude oil assets	(7,843)	(2,250)
Investments in Centennial Pipeline Company	(2,984)	--
Capital expenditures	(53,272)	(60,427)
Net cash used in investing activities	(387,264)	(62,072)
Cash flows from financing activities:		
Proceeds from term loan and revolving credit facility	453,000	33,000
Debt issuance costs	(7,074)	--
Repayments on term loan and revolving credit facility	(86,000)	(5,000)
Distributions	(58,207)	(50,954)
Net cash used in financing activities	301,719	(22,954)
Net decrease in cash and cash equivalents	(7,578)	(15,894)
Cash and cash equivalents at beginning of period	32,593	47,423
Cash and cash equivalents at end of period	$ 25,015	$ 31,529
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS:		
Interest paid during the period (net of capitalized interest)	$ 27,709	$ 28,501

See accompanying Notes to Consolidated Financial Statements.

TEPPCO PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1. ORGANIZATION AND BASIS OF PRESENTATION

TEPPCO Partners, L.P. (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.

On March 31, 2000, Texas Eastern Products Pipeline Company, a Delaware corporation and general partner of the Partnership and the Operating Partnerships, was converted into Texas Eastern Products Pipeline Company, LLC (the "Company" or "General Partner"), a Delaware limited liability company. Additionally on March 31, 2000, Duke Energy Corporation ("Duke Energy"), contributed its ownership of the General Partner to Duke Energy Field Services, LLC ("DEFS"). DEFS is a joint venture between Duke Energy and Phillips Petroleum Company. Duke Energy holds a majority interest in DEFS.

The Company 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., 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.

The accompanying unaudited consolidated financial statements reflect all adjustments, which are, in the opinion of management, of a normal and recurring nature and necessary for a fair statement of the financial position of the Partnership as of September 30, 2000, and the results of operations and cash flows for the periods presented. The results of operations for the nine months ended September 30, 2000, are not necessarily indicative of results of operations for the full year 2000. The interim financial statements should be read in conjunction with the Partnership's consolidated financial statements and notes thereto presented in the TEPPCO Partners, L.P. Annual Report on Form 10-K for the year ended December 31, 1999. Certain amounts from the prior year have been reclassified to conform to current presentation.

The Partnership operates in two business 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 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."

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 Units outstanding (a total of 32,916,547 Units as of September 30, 2000 and 1999). The General Partner's percentage interest in net income is based on its percentage of cash distributions from Available Cash for each period (see Note 6. Cash Distributions). The General Partner was allocated $9.8 million (representing 17.96%) and $6.5 million (representing 12.89%) of net income for the nine months ended September 30, 2000, and 1999, respectively.

TEPPCO PARTNERS, L.P.

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

Diluted net income per 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 the quarters ended September 30, 2000 and 1999, the denominator was increased by 23,877 Units and 26,142 Units, respectively. For the nine months ended September 30, 2000 and 1999, the denominator was increased by 21,193 Units and 19,595 Units, respectively.

NOTE 2. NEW ACCOUNTING PRONOUNCEMENTS

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 will adopt this standard, as amended, effective January 1, 2001. The Partnership is currently evaluating the impact of this statement and believes its implementation will not have a material impact on its financial condition and results of operations.

NOTE 3. ACQUISITIONS

On July 20, 2000, the Company completed its previously announced acquisition of ARCO Pipe Line Company ("ARCO"), a wholly owned subsidiary of Atlantic Richfield Company, for $322.6 million, which included $4.1 million of acquisition related costs (see Note 5. Long Term Debt). The purchase included ARCO's 50-percent ownership interest in Seaway Crude Pipeline Company's ("Seaway") pipeline that carries mostly imported crude oil from a marine terminal at Freeport, Texas, to Cushing, Oklahoma. The Partnership assumed ARCO's role as operator of this pipeline. The Company also acquired: (i) ARCO's crude oil terminal facilities in Cushing and Midland, Texas, including the line transfer and pumpover business at each location; (ii) an undivided ownership interest in both the Rancho Pipeline, a crude oil pipeline from West Texas to Houston, and the Basin Pipeline, a crude oil pipeline running from Jal, New Mexico, through Midland to Cushing, both of which are operated by another joint owner; and (iii) the receipt and delivery pipelines known as the West Texas Trunk System, which is located around the Midland terminal. The transaction was accounted for under the purchase method for accounting purposes (see Note 9. Subsequent Events).

The following table presents unaudited pro forma results of the Partnership as though the acquisition of the ARCO assets occurred at the beginning of the periods (in thousands, except per Unit amounts).

	QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
Revenues	$ 763,649	$ 571,268	$2,286,906	$1,341,205
Net Income	18,431	14,862	53,512	50,302
Basic and diluted net income per Limited Partner and Class B Unit	$ 0.44	$ 0.36	$ 1.33	$ 1.33

TEPPCO PARTNERS, L.P.

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

NOTE 4. INVENTORIES

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

	SEPTEMBER 30, 2000	DECEMBER 31, 1999
Gasolines	$ 776	$ 3,270
Propane	--	223
Butanes	1,761	605
Fuel oil	303	386
Crude oil	10,839	6,627
Other products	3,067	2,301
Materials and supplies ..	3,477	3,354
Total	$ 20,223	$ 16,766

The costs of inventories were lower than market at September 30, 2000, and December 31, 1999.

NOTE 5. 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.

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.

OTHER LONG TERM DEBT AND CREDIT FACILITIES

In connection with the purchase of fractionation assets from DEFS as of March 31, 1998, TEPPCO Colorado, LLC received a $38 million bank loan from SunTrust Bank ("SunTrust"). The interest rate on this loan was 6.53%, which was payable quarterly. The original maturity date was April 21, 2001. This loan was refinanced by the Partnership on July 21, 2000, through the credit facility discussed below.

On May 17, 1999, the Products OLP entered into a five-year $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. This loan was refinanced by the Partnership on July 21, 2000, through the credit facility discussed below.

TEPPCO PARTNERS, L.P.

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

On May 17, 1999, the Products OLP entered into a five-year $25 million revolving credit agreement and TEPPCO Crude Oil, LLC ("TCO") entered into a three-year $30 million revolving credit agreement. Both of the credit facilities were terminated in connection with the refinancing on July 21, 2000 discussed below. The Products OLP did not make any borrowings under this revolving credit facility. TCO had a $3 million principal amount outstanding under its revolving credit agreement as of July 21, 2000.

On July 14, 2000, the Partnership entered into a $75 million term loan and a $475 million revolving credit facility. On July 21, 2000, the Partnership borrowed $75 million under the term loan and $340 million under the revolving credit facility. The funds were used to finance the acquisition of assets from ARCO (see Note 3. Acquisitions) and to refinance existing credit facilities, other than the Senior Notes. The term loan has an eighteen month maturity and the revolving facility has a three year maturity. The interest rate for the credit agreements is based on the Partnership's option of either SunTrust'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. The credit agreements contain restrictive financial covenants that require the Partnership to maintain a minimum level of partners' capital as well as debt-to-earnings, interest coverage and capital expenditure coverage ratios. At September 30, 2000, the interest rate on the $75 million term loan was 8.39%. At September 30, 2000, $358 million was outstanding under the revolving credit facility at a weighted average interest rate of 8.33%.

On July 21, 2000, the Partnership entered into a three year swap agreement to hedge its exposure on the variable rate credit facilities. The swap agreement is based on a notional amount of $250 million. Under the swap agreement, the Partnership will pay a fixed rate of interest of 7.17% and will receive a floating rate based on a three month USD LIBOR rate.

NOTE 6. CASH DISTRIBUTIONS

The Partnership makes quarterly cash distributions of all of its Available Cash, generally defined as consolidated cash receipts less consolidated cash disbursements and cash reserves established by the General Partner in its sole discretion. 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:

	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 nine month periods ended September 30, 2000 and 1999 (in thousands, except per Unit amounts).

	NINE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 1999
Limited Partner Units	$ 42,775	$ 39,875
1% General Partner Interest	491	451
General Partner Incentive	8,576	5,323
Total Partners' Capital Cash Distributions	51,842	45,649
Class B Units	5,777	4,790
Minority Interest	588	515
Total Cash Distributions Paid	$ 58,207	$ 50,954
Total Cash Distributions Paid Per Unit	$ 1.475	$ 1.375

TEPPCO PARTNERS, L.P.

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

The table above includes the fourth quarter 1998 pro rata cash distribution paid on February 5, 1999, to the Class B Limited Partner Units for the 61-day period from the issuance on November 1, 1998. On October 13, 2000, the Partnership declared a cash distribution of $0.525 per Limited Partner Unit and Class B Unit for the quarter ended September 30, 2000. The distribution was paid on November 3, 2000, to Unitholders of record on October 31, 2000.

NOTE 7. 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. On July 20, 2000, the Partnership completed its acquisition of assets from ARCO (see Note 3. Acquisitions). The acquisition was accounted for under the purchase method of accounting. The results of the acquisition have been included in the Crude Oil OLP segment since the purchase on July 20, 2000.

The table below includes interim financial information by business segment for the interim periods ended September 30, 2000 and 1999 (in thousands):

	THREE MONTHS ENDED SEPTEMBER 30, 2000			THREE MONTHS ENDED SEPTEMBER 30, 1999		
	PRODUCTS OLP	CRUDE OIL OLP	CONSOLIDATED	PRODUCTS OLP	CRUDE OIL OLP	CONSOLIDATED
Unaffiliated revenues	$ 53,110	$ 706,113	$ 759,223	$ 53,647	$ 500,721	$ 554,368
Operating expenses, including power	29,495	689,342	718,837	29,670	496,129	525,799
Depreciation and amortization expense	6,908	2,246	9,154	6,774	1,389	8,163
Operating income	16,707	14,525	31,232	17,203	3,203	20,406
Interest expense, net	(7,899)	(6,517)	(14,416)	(7,287)	(93)	(7,380)
Other income, net	318	55	373	243	101	344
Net income	$ 9,126	$ 8,063	$ 17,189	$ 10,159	$ 3,211	$ 13,370

TEPPCO PARTNERS, L.P.

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

	NINE MONTHS ENDED SEPTEMBER 30, 2000			NINE MONTHS ENDED SEPTEMBER 30, 1999		
	PRODUCTS OLP	CRUDE OIL OLP	CONSOLIDATED	PRODUCTS OLP	CRUDE OIL OLP	CONSOLIDATED
Unaffiliated revenues ...	$ 171,176	$ 2,086,443	$ 2,257,619	$ 169,022	$ 1,126,787	$ 1,295,809
Operating expenses, including power	88,367	2,061,362	2,149,729	84,713	1,114,749	1,199,462
Depreciation and amortization expense	20,565	5,175	25,740	20,307	4,149	24,456
Operating income ..	62,244	19,906	82,150	64,002	7,889	71,891
Interest expense, net ...	(22,376)	(6,757)	(29,133)	(22,098)	(115)	(22,213)
Other income, net	1,284	339	1,623	817	276	1,093
Net income	$ 41,152	$ 13,488	$ 54,640	$ 42,721	$ 8,050	$ 50,771

	AS OF SEPTEMBER 30, 2000			AS OF SEPTEMBER 30, 1999		
	PRODUCTS OLP	CRUDE OIL OLP	CONSOLIDATED	PRODUCTS OLP	CRUDE OIL OLP	CONSOLIDATED
Identifiable assets	$ 742,246	$ 720,722	$ 1,462,968	$ 711,527	$ 298,749	$ 1,010,276
Accounts receivable, trade ...	18,729	229,278	248,007	15,606	166,818	182,424
Accounts payable and accrued liabilities	$ 10,380	$ 236,123	$ 246,503	$ 5,794	$ 173,557	$ 179,351

NOTE 8. CONTINGENCIES

In the fall of 1999, the Company and the Partnership were named as defendants 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 a manner that caused the materials to be released into the air, soil and water. They further contend that the 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. 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, results of operations or cash flows.

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

TEPPCO PARTNERS, L.P.

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

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 September 30, 2000 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.

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").

On May 11, 1999, the Products OLP filed an application with the FERC seeking a determination that the Products OLP did not have market power in any of its refined products origin or destination markets, which application if approved by the FERC, would have allowed the Products OLP to charge market-based rates. Protests of the application were filed by three intervenors challenging the application with respect to four destination markets and two origin markets. The FERC issued an Order dated July 31, 2000, which held that the Products OLP would be permitted to implement market-based rates in those markets that were not subject to a protest. With respect to the protested markets, the FERC set those for hearing to determine if the Products OLP has the ability to exercise significant market power in the four protested destination markets and one of the two protested origin markets. The FERC directed FERC staff to convene a conference regarding the other origin market. Following the issuance of the FERC order, the Products OLP and the protesting shippers resolved their differences regarding the protested markets. An offer of settlement between the Products OLP and the protesting shippers was submitted to the FERC on October 19, 2000 and is currently pending approval by the FERC. The terms of the offer of settlement basically provide that (i) the Products OLP shall be deemed to have withdrawn its application for market-based rates in its Little Rock, Arkansas destination market and its Arcadia, Louisiana destination market and (ii) the protestants shall be deemed to have withdrawn their protest with respect to the remaining destination markets and both origin markets. On November 8, 2000, FERC staff filed comments on the Partnership's Offer of Settlement requesting that hearings be held in the contested origin and destination markets. 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 September 30, 2000, the amount deferred for possible rate refunds, including interest, totaled approximately $1.9 million. If the Offer of Settlement is approved by the FERC, the Partnership will recognize as revenue approximately $1.2 million of the previously deferred revenue as of September 30, 2000.

Substantially all of the petroleum products transported and stored by the Partnership are owned by the Partnership's customers. At September 30, 2000, the Partnership had approximately 27.7 million barrels of products in its custody owned by customers. The Partnership is obligated for the transportation, storage and delivery of such products on behalf of its customers. The Partnership maintains insurance adequate to cover product losses through circumstances beyond its control.

TEPPCO PARTNERS, L.P.

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

In accordance with Title 49, Code of Federal Regulations, Part 195, Subpart G, the Partnership is required to have an Operator Qualification Program implemented by April, 2001. As part of the program, Company employees or contractor employees working on behalf of the Partnership who perform certain tasks will have to be trained, evaluated and approved by the Partnership as being qualified prior to the performance of their assigned tasks. Additionally, each Company employee or contractor employee must be trained to recognize and react to any abnormal operating conditions which occur during the performance of their assigned task. The Partnership has not determined the impact that the implementation of such program will have.

NOTE 9. SUBSEQUENT EVENTS

On October 16, 2000 the Partnership received a settlement notice from ARCO for payment of a net aggregate amount of approximately $12.9 million in post-closing adjustments related to the purchase of the ARCO assets. A large portion of the requested adjustment relates to ARCO's indemnity for payment of accrued income taxes. The Partnership intends to dispute vigorously a substantial portion of the adjustments. The Partnership does not believe that payment of any amount ultimately determined would have a material adverse impact on the Partnership's financial condition.

On October 25, 2000 the Partnership completed the issuance of 3.7 million Limited Partner Units at $25.0625 per Unit. The net proceeds from the offering totaled approximately $88.5 million and was used to repay the $75 million principal amount of the term loan with SunTrust and $11 million of the outstanding principal amount of the revolving credit facility with SunTrust. The offering brings the total number of Limited Partner and Class B Units outstanding to 36.6 million. The Partnership granted the underwriters of the offering an option until November 18, 2000, to purchase up to an additional 555,000 Limited Partner Units to cover over-allotments related to this offering.

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

GENERAL

The following information is provided to facilitate increased understanding of the 2000 and 1999 interim consolidated financial statements and accompanying notes presented in Item 1. Material period-to-period variances in the consolidated statements of income are discussed under "Results of Operations." The "Financial Condition and Liquidity" section analyzes cash flows and financial position. Discussion included in "Other Matters" addresses key trends, future plans and contingencies. Throughout these discussions, management addresses items that are reasonably likely to materially affect future liquidity or earnings.

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 and NGLs; and the distribution of lube oils and specialty chemicals. Revenues are earned from the gathering, storage, transportation and marketing of crude oil and NGLs; and the distribution of lube oils and specialty chemicals principally in Oklahoma, Texas and the Rocky Mountain region. Marketing operations consist primarily of purchasing and aggregating crude oil along its and third party gathering and pipeline systems and arranging the necessary logistics for the ultimate sale of crude oil to local refineries, marketers or other end users.

On July 20, 2000, the Company completed its previously announced acquisition of ARCO Pipe Line Company ("ARCO"), a wholly owned subsidiary of Atlantic Richfield Company, for $322.6 million, which included $4.1 million of acquisition related costs. The purchase included ARCO's 50-percent ownership interest in Seaway Pipeline Company's ("Seaway") 500-mile, 30-inch diameter pipeline that carries mostly imported crude oil from a marine terminal at Freeport, Texas, to Cushing, Oklahoma. The line has a capacity of 350,000 barrels per day. The Partnership assumed ARCO's role as operator of this pipeline. The Company also acquired: (i) ARCO's crude oil terminal facilities in Cushing and Midland, Texas, including the line transfer and pumpover business at each location; (ii) an undivided ownership interest in both the Rancho Pipeline, a 400-mile, 24-inch diameter, crude oil pipeline from West Texas to Houston, and the Basin Pipeline, a 416-mile, crude oil pipeline running from Jal, New Mexico, through Midland to Cushing, both of which are operated by another joint owner; and (iii) the receipt and delivery pipelines known as the West Texas Trunk System, which is located around the Midland terminal. The transaction was accounted for under the purchase method for accounting purposes. The results of operations of assets acquired have been included in the Crude Oil OLP segment since the purchase on July 20, 2000.

RESULTS OF OPERATIONS

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

	QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
Operating revenues:				
Refined Products and LPGs Transportation	$ 53,110	$ 53,647	$ 171,176	$ 169,022
Crude Oil and NGLs Transportation and Marketing ...	706,113	500,721	2,086,443	1,126,787
Total operating revenues	759,223	554,368	2,257,619	1,295,809
Operating income:				
Refined Products and LPGs Transportation	16,707	17,203	62,244	64,002
Crude Oil and NGLs Transportation and Marketing	14,525	3,203	19,906	7,889
Total operating income	31,232	20,406	82,150	71,891
Net income:				
Refined Products and LPGs Transportation	9,126	10,159	41,152	42,721
Crude Oil and NGLs Transportation and Marketing ...	8,063	3,211	13,488	8,050
Total net income	$ 17,189	$ 13,370	$ 54,640	$ 50,771

Net income for the quarter ended September 30, 2000, was $17.2 million, compared with net income of $13.4 million for the 1999 third quarter. The increase in net income resulted from a $4.9 million increase of net income by the crude oil and NGLs transportation and marketing segment, partially offset by a $1.0 million decrease of net income by the refined products and LPGs transportation segment. The increase in net income of the crude oil and NGLs transportation and marketing segment was primarily due to $4.9 million of net income generated by the ARCO assets, and a $1.5 million increase in margin, partially offset by a $1.3 million increase in operating, general and administrative expenses. The decrease in net income of the refined products and LPGs transportation segment was primarily due to a $0.6 million increase in interest expense (net of capitalized interest) and a $0.5 million decrease in operating revenues.

For the nine months ended September 30, 2000, the Partnership reported net income of $54.6 million, compared with net income of $50.8 million for the first nine months of 1999. Net income of the crude oil and NGLs transportation and marketing segment increased $5.4 million, which was partially offset by a $1.6 million decrease in net income of the refined products and LPGs transportation segment. The increase in net income of the crude oil and NGLs transportation and marketing segment was primarily due to $4.9 million of net income generated by the ARCO assets and a $3.5 million increase in margin, partially offset by a $2.3 million increase in operating, general and administrative expenses and a $0.4 million increase in interest expense. The decrease in net income in the refined products and LPGs transportation segment was primarily due to a $3.9 million increase in total costs and expenses, partially offset by a $2.2 million increase in operating revenues and a $0.5 million increase in other income - net. See discussion below of factors affecting net income for the comparative periods by business segment.

RESULTS OF OPERATIONS - (CONTINUED)

REFINED PRODUCTS AND LPGS TRANSPORTATION SEGMENT

Volume and average rate information for 2000 and 1999 is presented below:

	QUARTER ENDED SEPTEMBER 30, 2000	QUARTER ENDED SEPTEMBER 30, 1999	PERCENTAGE INCREASE (DECREASE)	NINE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 1999	PERCENTAGE INCREASE (DECREASE)
VOLUMES DELIVERED (in thousands of barrels)						
Refined products	32,490	35,883	(9%)	97,216	99,856	(3%)
LPGs	9,058	6,404	41%	27,385	25,943	6%
Mont Belvieu operations ..	5,506	8,000	(31%)	19,154	20,767	(8%)
Total	47,054	50,287	(6%)	143,755	146,566	(2%)
AVERAGE RATE PER BARREL						
Refined products (a)	$ 0.91	$ 0.93	(2%)	$ 0.93	$ 0.93	--
LPGs	1.60	1.48	8%	1.75	1.78	(2%)
Mont Belvieu operations ..	0.16	0.15	7%	0.15	0.16	(6%)
Average system rate per barrel	$ 0.95	$ 0.88	8%	$ 0.98	$ 0.97	1%

(a) Net of amounts deferred related to potential refund obligation.

Refined products transportation revenues decreased $4.0 million for the quarter ended September 30, 2000, compared with the prior-year quarter, due to a 9% decrease in total refined products volumes delivered and a 2% decrease in the refined products average rate per barrel. Motor fuel volumes delivered decreased 12% as a result of unfavorable price differentials and a local refinery expansion in the West Memphis market. Additionally, distillate volumes delivered decreased 14% due to lower demand in the Midwest area and unfavorable price differentials. Natural gasoline volumes delivered decreased 22% from the 1999 third quarter as a result of unfavorable blending economics for Midwest area refineries. These decreases were partially offset by a 42% increase in methyl tertiary butyl ether ("MTBE") volumes delivered at the Partnership's marine terminal near Beaumont, Texas, due to higher production from a facility that is connected to the Pipeline System near Baytown, Texas.

LPGs transportation revenues increased $5.0 million for the quarter ended September 30, 2000, compared with the third quarter of 1999, due primarily to increased deliveries of propane to the Midwest and Northeast area as a result of favorable differentials, late summer fill programs by customers, and higher demand. Isobutane deliveries increased as a result of lower Canadian imports to Midwest area refineries. The average rate per barrel increased 8% from the prior year as a result of an increased percentage of long-haul deliveries during the third quarter of 2000.

Revenues generated from Mont Belvieu operations decreased $0.3 million during the quarter ended September 30, 2000, compared with the third quarter of 1999, as a result of decreased shuttle deliveries of propane, which was partially offset by higher contract storage revenues.

Other operating revenues decreased $1.3 million during the quarter ended September 30, 2000, compared with the prior year quarter, due primarily to a $1.5 million decrease on gains realized from product sales. This decrease was partially offset by increased custody transfers and increased location exchange revenue.

For the nine months ended September 30, 2000, refined products transportation revenues decreased $2.2 million compared with the corresponding period in 1999. Natural gasoline volumes delivered decreased 8% from the prior year as a result of unfavorable blending economics for Midwest area refineries. Distillate volumes delivered decreased 7% from the prior year due to lower demand in the Midwest area. Motor fuel volumes delivered decreased 5% primarily due to a local refinery expansion in the West Memphis market. These decreases were partially offset by strong jet fuel demand in the Midwest area resulting in a 6% increase in jet fuel volumes

RESULTS OF OPERATIONS - (CONTINUED)

delivered. The Partnership deferred recognition of approximately $1.1 million of revenue during the nine months ended September 30, 2000 with respect to potential refund obligations for rates charged in excess of the PPI Index. During the third quarter of 1999, the Partnership deferred $0.4 million for such potential refund obligations.

LPGs transportation revenues increased $1.8 million during the nine months ended September 30, 2000, compared with the same period in 1999, due primarily to higher propane volumes delivered. Propane deliveries in Midwest and Northeast market areas increased from the prior year due to favorable differentials, summer fill programs during the third quarter of 2000, and higher demand. Also, butane deliveries increased due to favorable differentials in the Chicago market area.

Revenues generated from Mont Belvieu operations increased $0.8 million for the nine months ended September 30, 2000, compared with the corresponding period in 1999, due primarily to increased contract storage revenue, partially offset by decreased shuttle deliveries of propane.

During the nine months ended September 30, 2000, other operating revenues increased $1.7 million, as compared to the same period in 1999, due primarily to a $1.0 million increase on gains realized from product sales attributable to higher market prices in 2000. Also contributing to the increase were increased refined products terminaling revenue and increased LPG custody transfer revenue. Partially offsetting these increases were decreased refined products storage revenues.

Costs and expenses decreased slightly for the quarter ended September 30, 2000, compared with the third quarter of 1999, primarily due to a $0.5 million decrease in operating, general and administrative expenses, largely offset by a $0.3 million increase in operating fuel and power expense and a $0.1 increase in depreciation and amortization expense. The decrease in operating, general and administrative expenses resulted primarily from a decrease in outside services due to reduced pipeline maintenance costs and lower Year 2000 related contract labor and lower insurance premiums. These decreases were partially offset by an increase in legal expenses associated with the Centennial Pipeline ("Centennial") joint venture formation.

Costs and expenses increased $3.9 million for the nine months ended September 30, 2000, compared with the same period in 1999, due to a $2.7 million increase in operating, general and administrative expenses and a $1.2 million increase in operating fuel and power expense. The increase in operating, general and administrative expenses was primarily attributable to $0.9 million of expense recognized in the first quarter of 2000 to write-off project evaluation costs, increased labor and benefit costs, and increased contract labor and consulting services. The write-off of project evaluation costs resulted from the announcement in March 2000 of the Partnership's abandonment of its plan to construct a pipeline from Beaumont, Texas, to Little Rock, Arkansas, in favor of participation in the Centennial joint venture.

Interest expense increased $1.5 million during the quarter and $2.9 million during the nine months ended September 30, 2000, compared with the corresponding prior year periods, as a result of interest expense on the SunTrust term loan to finance construction of the pipelines between Mont Belvieu and Port Arthur, Texas. Additionally, amortization of debt issuance costs increased $0.6 million during the third quarter of 2000, and $0.7 million during the nine months ended September 30, 2000, compared with the corresponding prior year periods. The increase in interest expense was offset by increased interest cost capitalized of $0.8 million during the quarter and $2.6 million during the nine months ended September 30, 2000, compared with the corresponding prior year periods, as a result of higher balances associated with construction in progress of the pipelines between Mont Belvieu and Port Arthur.

Other income - net increased during both the quarter and nine months ended September 30, 2000, compared with the corresponding periods in 1999, due to gains on the sale of right-of-way easements during the second quarter of 2000, coupled with increased interest income earned on cash investments.

RESULTS OF OPERATIONS - (CONTINUED)

CRUDE OIL AND NGLS TRANSPORTATION AND MARKETING SEGMENT

Margin of the Crude Oil OLP 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 is a more meaningful measure of financial performance than operating revenues and operating expenses due to the significant fluctuations in revenues and expense that may occur with changes in the level of marketing activity and the underlying price of crude oil and lube oils.

Margin and volume information for 2000 and 1999 is presented below (in thousands, except per barrel and per gallon amounts):

	QUARTER ENDED SEPTEMBER 30,		PERCENTAGE INCREASE	NINE MONTHS ENDED SEPTEMBER 30,		PERCENTAGE INCREASE
	2000	1999	(DECREASE)	2000	1999	(DECREASE)
Margins:						
Crude oil transportation	$ 6,769	$ 4,456	52%	$ 16,496	$ 13,406	23%
Crude oil marketing	3,863	3,461	12%	9,451	8,450	12%
Crude oil terminaling	1,849	--	--	1,849	--	--
NGL transportation	1,802	1,592	13%	5,142	4,554	13%
Lubrication oil sales	922	607	52%	2,293	1,742	32%
Total margin	$ 15,205	$ 10,116	50%	$ 35,231	$ 28,152	25%
Total barrels:						
Crude oil transportation	13,016	8,352	56%	30,952	25,156	23%
Crude oil marketing	23,424	23,300	1%	75,842	68,272	11%
Crude oil terminaling	22,000	--	--	22,000	--	--
NGL transportation	1,422	1,320	8%	3,859	3,502	10%
Lubrication oil volume (total gallons)	1,999	2,290	(13%)	5,566	6,423	(13%)
Margin per barrel:						
Crude oil transportation	$ 0.520	$ 0.534	(3%)	$ 0.533	$ 0.533	--
Crude oil marketing	$ 0.165	$ 0.149	11%	$ 0.125	$ 0.124	1%
Crude oil terminaling	$ 0.084	--	--	$ 0.084	--	--
NGL transportation	$ 1.267	$ 1.206	5%	$ 1.332	$ 1.301	2%
Lubrication oil margin (per gallon)	$ 0.461	$ 0.265	74%	$ 0.412	$ 0.271	52%

Margin increased $5.1 million during the third quarter of 2000, compared with the third quarter of 1999. The increase was comprised of a $2.3 million increase in crude oil transportation; a $1.8 million increase in crude oil terminaling attributable to pumpover fees charged at Midland, Texas, and Cushing, Oklahoma, related to the assets acquired from ARCO; a $0.4 million increase in crude oil marketing activity; a $0.3 million increase in lubrication oil sales; and a $0.2 million increase in NGL transportation. The increase in crude oil transportation margin was primarily attributable to $1.7 million of margin contributed by the ARCO assets acquired and $0.6 million increase due to increased volume on the South Texas system, which benefited from higher crude oil market prices. The increase in crude oil marketing margin resulted from an increase in volumes marketed and gains realized on volumes held in third party pipeline systems. The increase in lubrication oil margin resulted from increased volumes of lube products sold, which carry a higher margin. Total lubrication oil volumes decreased 13% from the prior year third quarter due primarily to the discontinuation of fuel oil sales, effective April 2000, as a result of lower margins

RESULTS OF OPERATIONS - (CONTINUED)

realized on such products. The increase in NGL transportation margin was attributable to increased volumes and higher tariffs.

Other revenues of the Crude Oil OLP include $9.3 million of equity earnings in Seaway Crude Pipeline and $2.1 million of revenue related to documentation and other services to support customer's trading activity at Midland, Texas, and Cushing, Oklahoma. Such revenues were added to the Partnership's business on July 20, 2000, with the assets acquired from ARCO.

Margin increased $7.1 million during the nine months ended September 30, 2000, compared with the corresponding period of 1999. The increase was comprised of a $3.1 million increase in crude oil transportation, $1.8 million in crude oil terminaling associated with the assets acquired from ARCO, a $1.0 million increase in crude oil marketing, a $0.6 million increase in NGL transportation, and a $0.5 million increase in lubrication oil sales. The increase in crude oil transportation margin was attributable to $1.7 million of margin contributed by the ARCO assets acquired and $1.4 million due to increased volumes and higher transportation rates on the South Texas system. The increase in crude oil marketing margin resulted from increased volumes marketed. The increase in NGL transportation margin was primarily due to increased volumes and higher prices on loss allowance barrels received on the Dean Pipeline. The increase in lubrication oil sales margin resulted from the factors noted previously.

Costs and expenses, excluding expenses associated with purchases of crude oil and petroleum products, increased $5.2 million for the quarter ended September 30, 2000, compared with the third quarter of 1999, attributable primarily to $3.8 million in costs and expenses from the ARCO assets acquired, and a $1.3 million increase in other operating, general and administrative expenses. The costs and expenses associated with the assets acquired from ARCO included $2.6 million in operating, general and administrative expenses, $0.7 million in depreciation and amortization charges, $0.4 million in operating fuel and power, and $0.1 million in taxes, other than income taxes. The remaining increase in operating, general and administrative expenses of the Crude Oil OLP resulted primarily from pipeline maintenance on the South Texas System, additional operating costs associated with asset acquisitions in North Texas, and increased labor related costs.

Costs and expenses, excluding expenses associated with purchases of crude oil and petroleum products, increased $6.5 million for the nine months ended September 30, 2000, compared with the corresponding period of 1999. The increase includes $3.8 million in costs and expenses from the ARCO assets acquired as noted above. The remaining increase resulted primarily from a $2.4 million increase in operating, general and administrative expenses, and a $0.3 million increase in charges for depreciation and amortization. The increase in operating, general and administrative expenses resulted primarily from pipeline system maintenance on the South Texas System in the third quarter, increased labor and benefit costs, and increased general and administrative expenses for telecommunications and contract labor charges.

Interest expense increased $6.4 million during the quarter and $6.6 million during the nine months ended September 30, 2000, compared with the corresponding prior year periods, due primarily to interest expense on the SunTrust term loan and revolving credit facility to finance the acquisition of assets from ARCO.

FINANCIAL CONDITION AND LIQUIDITY

Net cash from operations for the nine-month period ended September 30, 2000, totaled $78.0 million, comprised of $80.4 million of income before charges for depreciation and amortization and $2.4 million of cash used for working capital changes. This compares with cash flows from operations of $69.1 million for the corresponding period in 1999, which was comprised of $75.2 million of income before charges for depreciation and amortization, partially offset by $6.1 million of cash used for working capital changes. Net cash from operations for the nine months ended September 30, 2000 and 1999, included interest payments of $27.7 million and $28.5 million, respectively.

FINANCIAL CONDITION AND LIQUIDITY - (CONTINUED)

Cash flows used in investing activities during the first nine months of 2000 was primarily comprised of $322.6 million for the purchase of assets from ARCO, $53.3 million of capital expenditures, $7.8 million for crude oil systems purchased in North Texas and $3.0 million of cash contributions for the Partnership's initial interest in the Centennial joint venture. Cash flows used in investing activities during the first nine months of 1999 included $60.4 million of capital expenditures and $2.3 million for the purchase of a crude oil system in Southeast Texas. During the first nine months of 2000 and 1999, capital expenditures included $29.6 million and $39.7 million, respectively, for 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 is approximately 70 miles in length. The new pipelines will transport ethylene, propylene and natural gasoline. Pipeline construction was completed in the mid-part of the 2000 third quarter. The Partnership has entered into agreements for guaranteed throughput commitments, which begin in November 2000. The cost of this project totaled approximately $74.5 million.

The Partnership estimates that capital expenditures for 2000 will total approximately $80 million (including capitalized interest of $4 million). Approximately $30 million was used to complete construction of the three new pipelines between Mont Belvieu and Port Arthur and approximately $6 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 $17 million of planned expenditures are expected to be used in revenue-generating projects, including pipeline acquisitions and construction; with the remaining $23 million being used for life-cycle replacements and upgrading current facilities. Capital expenditures may be financed through internally generated funds, external debt or the issuance of additional Limited Partner Units.

On July 14, 2000, the Partnership entered into a $75 million term loan and a $475 million revolving credit facility. On July 21, 2000, the Partnership borrowed $75 million under the term loan and $340 million under the revolving credit facility. The funds were used to finance the acquisition of assets from ARCO and to repay principal and interest on existing credit facilities, other than the Senior Notes (see Note 5. Long Term Debt). The term loan has an eighteen month maturity and the revolving facility has a three year maturity. The interest rate for the credit agreements is based on the Partnership's option of either SunTrust'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. The credit agreements contain restrictive financial covenants that require the Partnership to maintain a minimum level of partners' capital as well as debt-to-earnings, interest coverage and capital expenditure coverage ratios. At September 30, 2000, the interest rate on the $75 million term loan was 8.39%. At September 30, 2000, $358 million was outstanding under the revolving credit facility at a weighted average interest rate of 8.33%.

The Partnership paid cash distributions of $58.2 million ($1.475 per Limited Partner Unit and Class B Unit) during the nine months ended September 30, 2000. Additionally, on October 13, 2000, the Partnership declared a cash distribution of $0.525 per Limited Partner Unit and Class B Unit. The distribution was paid on November 3, 2000, to Unitholders of record on October 31, 2000.

On October 25, 2000 the Partnership completed the issuance of 3.7 million Limited Partner Units at $25.0625 per Unit. The net proceeds from the offering totaled approximately $88.5 million and was used to repay the $75 million principal amount of the term loan with SunTrust and $11 million of the outstanding principal amount of the revolving credit facility with SunTrust. The offering brings the total number of Limited Partner and Class B Units outstanding to 36.6 million. The Partnership granted the underwriters of the offering an option until November 18, 2000, to purchase up to an additional 555,000 Limited Partner Units to cover over-allotments related to this offering.

OTHER MATTERS

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

The Partnership and the Indiana Department of Environmental Management ("IDEM") have entered into an Agreed Order that will ultimately result in a remediation program for any on-site and off-site 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 September 30, 2000, 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.

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").

On May 11, 1999, the Products OLP filed an application with the FERC seeking a determination that the Products OLP did not have market power in any of its refined products origin or destination markets, which application if approved by the FERC would have allowed the Products OLP to charge market-based rates. Protests of the application were filed by three intervenors challenging the application with respect to four destination markets and two origin markets. The FERC issued an Order dated July 31, 2000, which held that the Products OLP would be permitted to implement market-based rates in those markets that were not subject to a protest. With respect to the protested markets, the FERC set those for hearing to determine if the Products OLP has the ability to exercise significant market power in the four protested destination markets and one of the two protested origin markets. The FERC directed FERC staff to convene a conference regarding the other origin market. Following the issuance of the FERC order, the Products OLP and the protesting shippers resolved their differences regarding the protested markets. An offer of settlement between the Products OLP and the protesting shippers was submitted to the FERC on October 19, 2000 and is currently pending approval by the FERC. The terms of the offer of settlement basically provide that (i) the Products OLP shall be deemed to have withdrawn its application for market-based rates in its Little Rock, Arkansas destination market and its Arcadia, Louisiana destination market and (ii) the protestants shall be deemed to have withdrawn their protest with respect to the remaining destination markets and both origin markets. On November 8, 2000, FERC staff filed comments on the Partnership's Offer of Settlement requesting that hearings be held in the contested origin and destination markets. 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 September 30, 2000, the amount deferred for possible rate refunds, including interest, totaled approximately $1.9 million. If the Offer of Settlement is approved by the FERC, the Partnership will recognize as revenue approximately $1.2 million of the previously deferred revenue as of September 30, 2000.

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 MATTERS - (CONTINUED)

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 services 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 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 is in lieu of its previously announced expansion plan to construct a new pipeline from Beaumont, Texas, to Little Rock, Arkansas. The Partnership recognized $0.9 million of expense in March 2000 to write-off project evaluation costs related to the abandoned construction plan. In September 2000, the Partnership contributed $3.0 million for its initial capital contribution in the joint venture.

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 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.

On October 16, 2000 the Partnership received a settlement notice from ARCO for payment of a net aggregate amount of approximately $12.9 million in post-closing adjustments related to the purchase of the ARCO assets. A large portion of the requested adjustment relates to ARCO's indemnity for payment of accrued income taxes. The Partnership intends to dispute vigorously a substantial portion of the adjustments. The Partnership does not believe that payment of any amount ultimately determined would have a material adverse impact on the Partnership's financial condition.

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 substantially realized, that they will have the expected consequences to or effect on the Partnership or its business or operations. For additional discussion of such risks and uncertainties, see TEPPCO Partners, L.P.'s 1999 Annual Report on Form 10-K and other filings made by the Partnership with the Securities and Exchange Commission.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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. 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 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 September 30, 2000.

At September 30, 2000, 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"). At September 30, 2000, the estimated fair value of the Senior Notes was approximately $367 million.

At September 30, 2000, the Partnership had $433 million outstanding under a variable interest rate term loan and revolving credit agreement. The interest rate under 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 September 30, 2000, and assuming market interest rates increase 100 basis points, the potential annual increase in interest expense is approximately $4.3 million.

On July 21, 2000, the Partnership entered into a three year swap agreement to partially hedge its exposure on the new variable rate credit facilities. The swap agreement is based on a notional amount of $250 million. Under the swap agreement, the Partnership will pay a fixed rate of interest of 7.17% and will receive a floating rate based on a three month USD LIBOR rate. At September 30, 2000, the estimated fair value of the swap agreement was a loss of approximately $4.3 million.

PART II. OTHER INFORMATION

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

(a) Exhibits:

Exhibit Number	Description
2.1	Amended and Restated Purchase Agreement By and Between Atlantic Richfield Company and Texas Eastern Products Pipeline Company With Respect to the Sale of ARCO Pipeline Company, dated as of May 10, 2000.
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).

EXHIBITS AND REPORTS ON FORM 8-K - (CONTINUED)

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).
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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).
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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 (Filed as Exhibit 10.7 to the Partnership's Form 10-K (Commission File No. 1-10403) for the year ended December 31, 1999 and incorporated herein by reference).

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10.18	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).
10.19	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).
10.20	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).

EXHIBITS AND REPORTS ON FORM 8-K - (CONTINUED)

10.21	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).
10.22	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).
10.23	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).
10.24	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).
10.25	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).
10.26	Credit Agreement between TEPPCO Partners, L.P., SunTrust Bank, and Certain Lenders, dated July 14, 2000 (Filed as Exhibit 10.31 to Form 10-Q of TEPPCO Partners, L.P. (Commission File No. 1-10403) for the quarter ended June 30, 2000 and incorporated herein by reference).
*10.27	Texas Eastern Products Pipeline Company, LLC 2000 Long Term Incentive Plan.
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).
*27	Financial Data Schedule as of and for the nine months ended September 30, 2000.

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* Filed herewith.

(b) Reports on Form 8-K filed during the quarter ended September 30, 2000:

Report dated July 21, 2000, on Form 8-K was filed on August 4, 2000, pursuant to Item 2. and Item 7. of such form.

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

SIGNATURE

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

TEPPCO Partners, L.P.
(Registrant)

By: Texas Eastern Products Pipeline Company, LLC as General Partner

/s/ WILLIAM L. THACKER

William L. Thacker
President and Chief Executive Officer

/s/ CHARLES H. LEONARD

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

Date: November 13, 2000

INDEX TO EXHIBITS

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* Filed herewith.

EXHIBIT 10.27

TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC
2000 LONG TERM INCENTIVE PLAN

TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC
2000 LONG TERM INCENTIVE PLAN

WHEREAS, Texas Eastern Products Pipeline Company, LLC, a Delaware limited liability company ("TEPPCO"), desires to establish the Texas Eastern Products Pipeline Company, LLC 2000 Long Term Incentive Plan (the "Plan") for certain key employees so as to offer them a further incentive to increase TEPPCO's earnings.

WHEREAS, it is intended that the Plan shall constitute a bonus program within the meaning of Department of Labor Regulation section 2510.3-2(c) that is exempt from coverage under the Employee Retirement Income Security Act of 1974, as amended;

NOW, THEREFORE, Texas Eastern Products Pipeline Company, LLC adopts the Plan as follows:

TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC
2000 LONG TERM INCENTIVE PLAN

TABLE OF CONTENTS

ARTICLE IV - CALCULATION AND PAYMENT OF BENEFITS

ARTICLE V - ADMINISTRATION

ARTICLE VI - AMENDMENT OR TERMINATION OF PLAN

ARTICLE VII - FUNDING

ARTICLE VIII - MISCELLANEOUS

ARTICLE I

PLAN PURPOSE AND TERM

1.1 PURPOSE. The Plan is intended to provide those persons who have substantial responsibility for the management and growth of TEPPCO with additional incentives to increase TEPPCO's earnings.

1.2 TERM OF PLAN. The Plan is effective January 1, 2000. No awards shall be granted under the Plan after December 31, 2009.

ARTICLE II

DEFINITIONS

The words and phrases defined in this Article shall have the meaning set out in these definitions throughout the Plan, unless the context in which any such word or phrase appears reasonably requires a broader, narrower, or different meaning.

2.1 "AFFILIATE" means an entity that is treated as a single employer together with TEPPCO for certain employee benefit purposes under section 414 of the Code.

2.2 "AVERAGE ASSET BASE" means the quarterly average, during the Performance Period, of TEPPCO's gross property, plant and equipment, plus (a) products linefill, (b) crude linefill, (c) goodwill, (d) maintenance capital, and (e) expansion capital, minus retired capital.

2.3 "AWARD" means a bonus opportunity granted under the Plan.

2.4 "AWARD AGREEMENT " means the written agreement between TEPPCO and a Grantee that sets forth the terms of an Award.

2.5 "BENCHMARK" means the figure specified in an Award Agreement as the baseline for purposes of determining whether there has been improvement in the economic performance of TEPPCO. The Benchmark shall be the Economic Value Added for the three-year period immediately preceding the Performance Period, as determined by the Committee (calculated as if the references to "Performance Period" in the definitions of "Economic Value Added", "Average Asset Base" and "TEPPCO's Cost of Capital" were references to the three-year period immediately preceding the applicable Performance Period).

2.6 "BOARD" means the board of directors of TEPPCO.

2.7 "CAUSE" means (a) the willful and continued failure by the Grantee to substantially perform his duties with TEPPCO or its Affiliates (other than such failure resulting from his incapacity due to physical or mental illness) after demand for substantial performance is delivered to him by TEPPCO which specifically identifies the manner in which TEPPCO believes the Grantee has not substantially performed his duties; (b) the willful engaging by the Grantee in gross misconduct materially and demonstrably injurious to the property or business of TEPPCO or any of its Affiliates; or (c) the willful material violation of any TEPPCO policies regarding the protection of confidential and/or proprietary information or the material violation of any non-compete agreement between the Grantee and TEPPCO. For purposes of this definition, no act or failure to act on the Grantee's part will 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 interests of TEPPCO or its Affiliates or not opposed to the interests of TEPPCO or its Affiliates.

2.8 "CHANGE IN CONTROL" means:

(i) any person becomes the beneficial owner, directly or in- directly, of securities of the Partnership representing 66 K percent or more of the Partnership's then outstanding Units; or

(ii) any person becomes the beneficial owner, directly or indirectly, of 50 percent or more of the Units and TEPPCO delivers notice of withdrawal or is otherwise removed as the general partner of the Partnership; or

(iii) the merger or consolidation of the Partnership with one or more corporations, business trusts, common law trusts or unincorporated businesses, including, without limitation, a general partnership, a limited partnership or a limited liability company, pursuant to a written agreement of merger or consolidation in accordance with Article 16 of the Second Amended and Restated Agreement of Limited Partnership of TEPPCO Partners, L.P., dated November 30, 1998, as it may be amended from time to time, and TEPPCO delivers notice of withdrawal or is otherwise removed as the general partner of the Partnership; or

(iv) any person is or becomes the beneficial owner, directly or indirectly, of securities of TEPPCO representing more than 50 percent of the combined voting power of TEPPCO's then outstanding voting securities; or

(v) all or substantially all of the assets and business of TEPPCO, the Partnership, TE Products Pipeline Company, Limited Partnership or TCTM, L.P. are sold, transferred or assigned to, or otherwise acquired by, any person or persons; or

(vi) the dissolution or liquidation of the Partnership, TE Products Pipeline Company, Limited Partnership, TCTM, L.P. or TEPPCO; or

(vii) the adoption by the Board of a resolution to the effect that any person has acquired effective control of the business and affairs of TEPPCO, the Partnership or TE Products Pipeline Company, Limited Partnership or TCTM, L.P.

For purposes of this definition, the term "beneficial owner" shall have the meaning set forth in Section 13(d) of the Securities Exchange Act of 1934, as amended, and in the regulations promulgated thereunder. The term "person" shall mean an individual, corporation, partnership, trust, unincorporated organization, association or other entity provided that the term "person" shall not include (a) Duke Energy Corporation ("Duke"), (b) any affiliate of Duke, or (c) any employee benefit plan maintained by Duke or any affiliate of Duke. For purposes of this definition, the term "affiliate" or "affiliates" shall mean when used with respect to a specified person or entity, any other person or entity directly or indirectly controlled by, controlling, or under direct or indirect common control with the specified person or entity. For the purpose of this definition, "control" or "controlled" when used with respect to any specified person or entity means the power to direct the management and policies of that person or entity whether through the ownership of voting securities, membership interest or by contract.

2.9 "CODE" means the Internal Revenue Code of 1986, as amended.

2.10 "COMMITTEE" means members of the Compensation Committee of the Board.

2.11 "DISABILITY" means the Separation From Service of a Grantee due to a medically determinable mental or physical impairment which shall prevent the Grantee from engaging in any substantial gainful activity and which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve months and which (a) was not contracted, suffered or incurred while the Grantee was engaged in, or did not result from having engaged in, a felonious criminal enterprise; (b) did not result from addiction to narcotics; (c) did not result from an injury incurred while a member of the Armed Forces of the United States for which the Grantee receives a military pension; and (d) did not result from an intentionally self-inflicted injury.

2.12 "EBITDA" means TEPPCO's earnings before interest income and expense, income taxes, depreciation and amortization as presented in TEPPCO's financial statements prepared in accordance with GAAP, except that for purposes of the Plan, in its discretion the Committee may exclude gains or losses from extraordinary, unusual or non-recurring items.

2.13 "ECONOMIC VALUE ADDED" means the average annual EBITDA for the Performance Period minus the product of Average Asset Base and TEPPCO's Cost of Capital for such Performance Period.

2.14 "EMPLOYEE" means a person who is employed by TEPPCO as a common law employee.

2.15 "FAIR MARKET VALUE" means the average of the closing prices of a Unit as reported on the New York Stock Exchange, Inc. Composite Transactions Reporting System over the ten consecutive trading days immediately preceding the last day of the Performance Period.

2.16 "GAAP" means United States of America generally accepted accounting principles, consistently applied, or, when none apply, other sound accounting methodology as determined by the Committee.

2.17 "GRANTEE" means an Employee who has been granted an Award under the Plan.

2.18 "LONG TERM INCENTIVE UNIT" means an interest that is awarded under the Plan pursuant to an Award Agreement solely for the purpose of measuring and defining the incentive compensation payable under the Plan.

2.19 "PARTNERSHIP" means TEPPCO Partners, L.P., a Delaware limited partnership.

2.20 "PERFORMANCE PERIOD" means the three-year period of time that commences on the date effective as of which the Award is granted, or such shorter period of time as the Committee specifies in the Award Agreement.

2.21 "PLAN" means the Texas Eastern Products Pipeline Company, LLC 2000 Long Term Incentive Plan, as set forth in this document and as it may be amended from time to time.

2.22 "RETIREMENT" means the Separation From Service of a Grantee after his attaining the age of 55 and completing five Years of Service.

2.23 "SEPARATION FROM SERVICE" means the termination of the employment relationship between the Grantee and TEPPCO and all Affiliates.

2.24 "SPOUSE" means the person to whom the Grantee is married under local law.

2.25 "TEPPCO" means Texas Eastern Products Pipeline Company, LLC, a Delaware limited liability company.

2.26 "TEPPCO'S COST OF CAPITAL" means the weighted average cost of TEPPCO's accumulated long and short-term debt for the Performance Period.

2.27 "UNIT" means a limited partnership unit in the Partnership.

2.28 "VESTED INTEREST" means a Grantee's nonforfeitable interest in his Award determined under the terms of his Award Agreement.

2.29 "YEARS OF SERVICE" means years of service for which a Grantee is granted credit for vesting purposes under a retirement plan maintained by TEPPCO which is intended to qualify under section 401(a) of the Code.

ARTICLE III

AWARDS

3.1 GRANTING OF AWARDS. The Committee may grant to those officers and other key employees of TEPPCO as it shall determine Awards under the terms and conditions of the Plan.

3.2 TERMS OF AWARDS. The terms of each Award shall be specified in an Award Agreement. An Award Agreement shall specify (a) the number of Long Term Incentive Units subject to the Award, (b) the effective date of the Award, (c) the vesting provisions that shall apply for purposes of determining the Grantee's Vested Interest applicable to the Award (which shall be based upon a specified increase in the Economic Value Added over a Benchmark), (d) the Benchmark applicable to the Award, and (e) any other provisions that the Committee deems appropriate.

3.3 SPECIAL LEDGER. The Committee shall establish or cause to be established an appropriate record that will reflect the name of each Grantee and all other information necessary to properly reflect each Grantee's Awards made by the Committee.

ARTICLE IV

CALCULATION AND PAYMENT OF BENEFITS

4.1 PERIODIC PAYMENTS. Each time a cash distribution is paid to a Unit owner during the Performance Period for which an Award was granted to a Grantee, TEPPCO shall pay to the Grantee, if the Grantee is then an Employee, an amount equal to the product of the number of Long Term Incentive Units granted under the Award and the amount of the cash distribution paid per Unit by the Partnership.

4.2 TERMINAL VALUE PAYMENTS. Except as otherwise specified in an Award Agreement pursuant to Section 4.3, as soon as administratively practicable after the end of the Performance Period, the Committee shall determine the amount of Economic Value Added during the Performance Period. Then, unless the Grantee has incurred a Separation From Service during the Performance Period due to his resignation (other than as a result of his death, Disability or Retirement) or due to the termination of his employment by TEPPCO for Cause, the Committee shall determine the amount of a Grantee's Vested Interest in his Award granted for the Performance Period. If the Grantee is an Employee on the last day of the Performance Period, as soon as administratively practicable after the Performance Period, subject to the following provisions of this Section 4.2, TEPPCO shall pay the Grantee an amount equal to the product of (A), (B) and (C) where (A) is Grantee's Vested Interest in his Award, (B) is the number of the Grantee's Long Term Incentive Units granted under his Award, and (C) is the Fair Market Value of a Unit. If the Grantee incurs a Separation From Service during the Performance Period as a result of his death, Disability or Retirement, then as soon as administratively practicable after the Performance Period, subject to the following provisions of this Section 4.2, TEPPCO shall pay to the Grantee (or in the event of the Grantee's death, his Spouse or estate, as applicable) an amount equal to the product of the amount determined under the preceding sentence and a fraction, the numerator of which is the number of days that have elapsed during the Performance Period prior to the Grantee's Separation From Service and the denominator of which is the number of days in the Performance Period. Except as expressly provided otherwise in an Award Agreement, if TEPPCO does not have sufficient funds to satisfy its obligations under an Award immediately after the expiration of the applicable Performance Period, TEPPCO shall pay to the Grantee amounts due under this Section 4.2 if, as and when TEPPCO has sufficient funds to make payments under the Award. Except as expressly provided otherwise in an Award Agreement, TEPPCO shall not be obligated to borrow funds or use borrowed funds to satisfy its obligations under this Section 4.2.

4.3 CHANGE IN CONTROL. The Committee may specify in an Award Agreement the effect of a Change in Control on an Award.

4.4 FORM OF PAYMENT UNDER AN AWARD. All payments under Awards shall be in the form of cash.

4.5 NO INTEREST ON AWARD. No interest shall be credited with respect to any Award or any payment under an Award.

4.6 PAYMENT(s) ON DEATH OF GRANTEE. Upon the death of a Grantee before he has been paid his entire benefits under his Award, his benefits under his Award shall be paid to the Grantee's Spouse if the Spouse survives the Grantee, or to the Grantee's estate if the Grantee's Spouse does not survive the Grantee. Any payment under this Section 4.6 shall be made at the same time the payment would have been made to the Grantee if he had been alive.

4.7 FORFEITURE FOR CAUSE. Notwithstanding any other provisions of the Plan, if the Committee finds by a majority vote after full consideration of the facts that a Grantee was discharged from the employ of TEPPCO or an Affiliate for Cause, the Grantee shall forfeit all outstanding Awards. The decision of the Committee as to the cause of the Grantee's discharge shall be final. No decision of the Committee shall affect the finality of the discharge of the Grantee.

4.8 ADJUSTMENTS DUE TO CHANGES IN THE PARTNERSHIP'S OR TEPPCO'S CAPITAL STRUCTURE. If the Partnership shall effect a subdivision or consolidation of Units or other capital readjustment, or other increase or reduction of the number of Units outstanding, without receiving compensation for it in money, services or property, then the number of Long Term Incentive Units subject to outstanding Awards under the Plan shall be appropriately adjusted by the Committee in such a manner as to entitle a Grantee to receive the equivalent compensation he would have received under the Award had there been no event requiring the adjustment.

If while Awards remain outstanding under the Plan (a) the Partnership or TEPPCO shall not be the surviving entity in any merger, consolidation or other reorganization (or survives only as a subsidiary of an entity other than an entity that was wholly-owned by the Partnership or TEPPCO immediately prior to such merger, consolidation or other reorganization), (b) the Partnership or TEPPCO sells, leases or exchanges or agrees to sell, lease or exchange all or substantially all of its assets to any other person or entity (other than an entity wholly-owned by the Partnership or TEPPCO), (c) the Partnership or TEPPCO is to be dissolved, or (d) the Partnership or TEPPCO is a party to any other corporate transaction (as defined under Section 424(a) of the Code and applicable Department of Treasury Regulations) that is not described in clauses (a), (b) or (c) of this sentence (each such event is referred to herein as a "Corporate Change"), then (x) except as otherwise provided in an Award Agreement, no later than ten days after the approval by the Partnership or TEPPCO of such Corporate Change, the Board, acting in its sole and absolute discretion without the consent or approval of any Grantee, may accelerate the expiration of the Performance Period and/or make such other adjustments to an Award then outstanding as the Board deems appropriate to reflect such Corporate Change.

ARTICLE V

ADMINISTRATION

5.1 GENERAL. The Plan shall be administered by the Committee. All questions of interpretation and application of the Plan and Awards shall be subject to the determination of the Committee. A majority of the members of the Committee shall constitute a quorum. All determinations of the Committee shall be made by a majority of its members. Any decision or determination reduced to writing and signed by a majority of the members shall be as effective as if it had been made by a majority vote at a meeting properly called and held.

5.2 POWERS OF COMMITTEE. The Committee shall have the exclusive responsibility for the general administration of the Plan according to the terms and provisions of the Plan and will have all the powers necessary to accomplish those purposes, including but not by way of limitation the right, power and authority:

(a) to make rules, regulations and administrative guidelines for the administration of the Plan;

(b) to construe all terms, provisions, conditions and limitations of the Plan;

(c) to correct any defect, supply any omission or reconcile any inconsistency that may appear in the Plan in the manner and to the extent it deems expedient to carry the Plan into effect for the greatest benefit of all parties at interest;

(d) to determine all controversies relating to the administration of the Plan, including but not limited to:

    (1) differences of opinion arising between TEPPCO and a Grantee; and

    (2) any question it deems advisable to determine in order to promote the uniform administration of the Plan for the benefit of all parties at interest;

(e) to determine the Employees who shall participate in the Plan from time to time;

(f) to determine the number of Long Term Incentive Units to be awarded to each Grantee; and

(g) to determine the terms and conditions, if any, not inconsistent with the terms of the Plan that are to be placed upon the Award or Awards given to a particular Grantee.

5.3 COMMITTEE DISCRETION. The Committee in exercising any power or authority granted under the Plan or in making any determination under the Plan shall perform or refrain from performing those acts in its sole discretion and judgment. Any decision made by the Committee or any refraining to act or any act taken by the Committee in good faith shall be final and binding on all parties. The Committee's decisions shall never be subject to de novo review, but instead shall only be overturned if found to be arbitrary or capricious by an arbitrator or a court of law.

5.4 DISQUALIFICATION OF COMMITTEE MEMBER. A member of the Committee shall not vote or act on any Plan matter relating solely to himself.

ARTICLE VI

AMENDMENT OR TERMINATION OF PLAN

The Board may amend, terminate or suspend the Plan at any time, in its sole and absolute discretion. However, no amendment or termination of the Plan may, without the consent of a Grantee, reduce the Grantee's right to a payment under the Plan that he is entitled to receive under the terms of the Plan in effect prior to the amendment or termination.

ARTICLE VII

FUNDING

7.1 PAYMENTS UNDER THE PLAN ARE THE OBLIGATION OF TEPPCO. Benefits due under the Plan will be paid by TEPPCO.

7.2 GRANTEES MUST RELY SOLELY ON THE GENERAL CREDIT OF TEPPCO. The Plan is only a general corporate commitment of TEPPCO and each Grantee must rely solely upon the general credit of TEPPCO for the fulfillment of its obligations hereunder. Under all circumstances the rights of the Grantee to any asset held by TEPPCO will be no greater than the rights expressed in the Plan. Nothing contained in the Plan or an Award will constitute a guarantee by TEPPCO that the assets of TEPPCO will be sufficient to pay any benefits under the Plan or would place the Grantee in a secured position ahead of general creditors of TEPPCO; the Grantees are only unsecured creditors of TEPPCO with respect to their Plan benefits and the Plan constitutes a mere promise by TEPPCO to make benefit payments in the future. No specific assets of TEPPCO have been or will be set aside, or will be pledged in any way for the performance of TEPPCO's obligations under the Plan which would remove such assets from being subject to the general creditors of TEPPCO.

7.3 UNFUNDED ARRANGEMENT. It is intended that the Plan shall be unfunded for tax purposes and for purposes of Title of the Employee Retirement Income Security Act of 1974, as amended.

ARTICLE VIII

MISCELLANEOUS

8.1 NO EMPLOYMENT OBLIGATION. The granting of any Award shall not constitute an employment contract, express or implied, nor impose upon TEPPCO or any Affiliate any obligation to employ or continue to employ the Grantee. The right of TEPPCO or any Affiliate to terminate the employment of any person shall not be diminished or affected by reason of the fact that an Award has been granted to him.

8.2 TAX WITHHOLDING. TEPPCO shall be entitled to deduct from the Award or other compensation payable to each Grantee any sums required by federal, state, or local tax law to be withheld with respect to payments under an Award.

8.3 INDEMNIFICATION OF THE COMMITTEE. TEPPCO shall indemnify each present and future member of the Committee against, and each member of the Committee shall be entitled without further act on his part to indemnity from TEPPCO for, all expenses (including attorney's fees, the amount of judgments and the amount of approved settlements made with a view to the curtailment of costs of litigation, other than amounts paid to TEPPCO itself) reasonably incurred by him in connection with or arising out of any action, suit, or proceeding in which he may be involved by reason of his being or having been a member of the Committee, whether or not he continues to be a member of the Committee at the time of incurring the expenses -- including, without limitation, matters as to which he shall be finally adjudged in any action, suit or proceeding to have been found to have been negligent in the performance of his duty as a member of the Committee. However, this indemnity shall not include any expenses incurred by any member of the Committee in respect of matters as to which he shall be finally adjudged in any action, suit or proceeding to have been guilty of gross negligence or willful misconduct in the performance of his duty as a member of the Committee. In addition, no right of indemnification under the Plan shall be available to or enforceable by any member of the Committee unless, within 60 days after institution of any action, suit or proceeding, he shall have offered TEPPCO, in writing, the opportunity to handle and defend same at its own expense. This right of indemnification shall inure to the benefit of the heirs, executors or administrators of each member of the Committee and shall be in addition to all other rights to which a member of the Committee may be entitled as a matter of law, contract, or otherwise.

8.4 GENDER AND NUMBER. If the context requires, words of one gender when used in the Plan shall include the other and words used in the singular or plural shall include the other.

8.5 HEADINGS. Headings of Articles and Sections are included for convenience of reference only and do not constitute part of the Plan and shall not be used in construing the terms of the Plan.

8.6 OTHER COMPENSATION PLANS. The adoption and maintenance of the Plan shall not affect any other stock option, incentive or other compensation or benefit plans in effect for TEPPCO or any Affiliate or preclude TEPPCO from establishing any other forms of incentive or other compensation for employees of TEPPCO or any Affiliate.

8.7 RIGHTS OF COMPANY AND AFFILIATES. The existence of Long Term Incentive Units shall not affect in any way the right or power of TEPPCO or an Affiliate to (a) make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in TEPPCO's or an Affiliate's structure or business, (b) approve and consummate any merger or consolidation of TEPPCO or an Affiliate with or into any entity, (c) issue any bonds, debentures or Company or Affiliate interests of any nature whatsoever to any person, (d) approve and consummate the dissolution or liquidation of TEPPCO or an Affiliate or any sale or transfer of all or any part of TEPPCO's or an Affiliate's assets or business or (e) approve and consummate any other act or proceeding whether of a similar character or otherwise.

8.8 NONALIENATION OF BENEFITS. No benefit provided under the Plan shall be transferable by the Grantee except pursuant to a state domestic relations order. 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 any right or benefit under the Plan shall be void. No right or benefit under the Plan shall, in any manner, be liable for or subject to any debts, contracts, liabilities or torts of the person entitled to the right or benefit. If any Grantee becomes bankrupt or attempts to anticipate, alienate, assign, pledge, sell, encumber or charge any right or benefit under the Plan then the right or benefit shall, in the discretion of the Committee, cease. In that event, TEPPCO and/or one or more Affiliates may hold or apply the right or benefit or any part of the right or benefit for the benefit of the Grantee, his or her spouse, children or other dependents or any of them in the manner and in the proportion that the Committee shall deem proper, in its sole discretion, but is not required to do so. The restrictions in this Section 8.8 shall not apply to state domestic relations orders.

8.9 NO RIGHTS AS AN OWNER. No Grantee shall have any rights as a Unit owner as a result of his Award. No Award will permit any Grantee to exercise any managerial rights or powers with respect to TEPPCO, the Partnership or any Affiliate.

8.10 GOVERNING LAW. The validity, interpretation, construction and enforceability of the Plan shall be governed by the laws of the State of Texas.

IN WITNESS WHEREOF, TEPPCO has caused this Agreement to be executed by its authorized officer on this 8th day of November, 2000, effective as of January 1, 2000.

TEXAS EASTERN PRODUCTS PIPELINE COMPANY, LLC

By: /s/ WILLIAM L. THACKER

Title: President and Chief Executive Officer

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