

ENTERPRISE PRODUCTS PARTNERS L P
Form 8-K
March 29, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

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

Date of report (Date of earliest event reported): March 29, 2007

ENTERPRISE PRODUCTS PARTNERS L.P.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

1-14323
(Commission
File Number)

76-0568219
(I.R.S. Employer
Identification No.)

1100 Louisiana, 10th Floor
Houston, Texas 77002
(Address of Principal Executive Offices, including Zip Code)
(713) 381-6500
(Registrant's Telephone Number, including Area Code)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01. Regulation FD Disclosure.

On March 29, 2007, certain executive officers of our general partner, Enterprise Products GP, LLC, gave a presentation to investors and analysts regarding the businesses, growth strategies and recent financial performance of Enterprise Products Partners L.P. (Enterprise Products Partners). In addition, Dan L. Duncan, the ultimate controlling person of our general partner, provided an introductory presentation.

Enterprise Products Partners is a North American midstream energy company that provides a wide range of services to producers and consumers of natural gas, natural gas liquids (NGLs), crude oil and petrochemicals. In addition, Enterprise Products Partners is an industry leader in the development of pipeline and other midstream energy assets in the continental United States and Gulf of Mexico.

A copy of the investor presentation (the Presentation) is filed as Exhibit 99.1 to this Current Report on Form 8-K. A copy of Mr. Duncan s presentation is filed as Exhibit 99.2 to this Current Report on Form 8-K. In addition, interested parties will be able to view the presentations by visiting Enterprise Products Partners website www.epplp.com. The presentations will be archived on its website for 90 days. The presentations contain various forward-looking statements. For a general discussion of such statements, please refer to Slide 2 of each presentation.

Unless the context requires otherwise, references to we, our, Enterprise, EPD, or the Company within the Presentation or this Current Report on Form 8-K shall mean Enterprise Products Partners and its consolidated subsidiaries, which includes Duncan Energy Partners L.P. References to DEP or Duncan Energy Partners within the Presentation or this Current Report on Form 8-K shall mean Duncan Energy Partners L.P. The general partner of Duncan Energy Partners is owned by Enterprise Products Operating L.P., a subsidiary of the Company. References to EPE as used within the Presentation or this Current Report on Form 8-K shall refer to Enterprise GP Holdings L.P., which is the sole member of Enterprise Products GP, LLC.

References to the Operating Partnership within the Presentation or this Current Report on Form 8-K shall mean Enterprise Products Operating L.P.

References to TEPPCO within the Presentation or this Current Report on Form 8-K shall mean TEPPCO Partners, L.P., a publicly traded affiliate, the units of which are listed on the NYSE under ticker symbol TPP.

References to GTM or GulfTerra within the Presentation or this Current Report on Form 8-K shall mean Enterprise GTM Holdings L.P., the successor to GulfTerra Energy Partners, L.P. Also, merger with GTM or GTM Merger as referred to within the Presentation or this Current Report on Form 8-K shall mean the merger of GulfTerra with a wholly owned subsidiary of Enterprise Products Partners on September 30, 2004 and the various transactions related thereto.

EPE and its general partner, the Company and its general partner and DEP and its general partner are under common control of Dan L. Duncan, the chairman and controlling shareholder of EPCO, Inc. (EPCO). Mr. Duncan is the primary sponsor of the aforementioned entities.

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Duncan Energy Partners owns equity interests in and operates certain of the midstream energy businesses of the Company. For financial reporting purposes, the Company will continue to consolidate the financial statements of Duncan Energy Partners with those of its own (using the Company's historical carrying basis in such entities) and reflect Duncan Energy Partners' operations in the Company's business segments. The public owners of Duncan Energy Partners' common units will be presented as a noncontrolling interest in the Company's consolidated financial statements beginning with the first quarter of 2007. The public owners of Duncan Energy Partners have no direct equity interests in the Company. The borrowings of Duncan Energy Partners will be presented as part of the Company's consolidated debt. For additional information regarding Duncan Energy Partners, including financial information of its predecessor, see Duncan Energy Partners' final prospectus dated January 30, 2007 relating to its initial public offering of common units (File no. 333-138371). Duncan Energy Partners completed its initial public offering of common units on February 5, 2007.

The Presentation includes references to the non-generally accepted accounting principle (non-GAAP) financial measures of gross operating margin, distributable cash flow, EBITDA and Consolidated EBITDA. To the extent appropriate, this Current Report on Form 8-K provides reconciliations of these non-GAAP financial measures

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to their most directly comparable historical financial measures calculated and presented in accordance with generally accepted accounting principles in the United States of America (GAAP). Our non-GAAP financial measures should not be considered as alternatives to GAAP measures such as net income, operating income, net cash flow provided by operating activities or any other GAAP measure of liquidity or financial performance.

In accordance with General Instruction B.2 of Form 8-K, the information in this Item 7.01 shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended.

USE OF INDUSTRY TERMS AND OTHER ABBREVIATIONS IN PRESENTATION

As used within the Presentation, these commonly used industry terms and other abbreviations have the following meanings:

| | |
|--------|---|
| /d | per day |
| Bbls | barrels |
| Bcf | Billion cubic feet |
| CAGR | Compound annual growth rate |
| DCF | Distributable cash flow |
| DRP | Distribution reinvestment plan |
| EBITDA | Earnings before interest, taxes, depreciation and amortization |
| F&D | Finding & Development |
| FERC | Federal Energy Regulatory Commission |
| GOM | Gulf of Mexico |
| GP | General partner |
| IDR | Incentive distribution rights |
| IPO | Initial public offering |
| LC | Letter of credit |
| LLC | Limited liability company |
| LNG | Liquefied natural gas |
| LPG | Liquefied petroleum gas |
| MAPL | Mid-America Pipeline System, an NGL pipeline system wholly-owned by the Company |
| MBPD | Thousand barrels per day |
| MLP | Master limited partnership |
| MBbls | Thousand barrels |
| MMBbls | Million barrels |
| MMBtus | Million British thermal units |
| MMcf | Million cubic feet |
| MTBE | Methyl Tertiary Butyl Ethyl |
| MTBV | Mont Belvieu, Texas, an industry hub for NGLs |
| NGL | Natural Gas Liquids |
| NYSE | New York Stock Exchange |
| NYMEX | New York Mercantile Exchange |
| PTP | Publicly traded partnership |
| REIT | Real Estate Investment Trust |
| SE | Southeast |
| TBtu | Trillion British thermal units |
| Tcf | Trillion cubic feet |

NON-GAAP FINANCIAL MEASURES

Gross Operating Margin

We evaluate segment performance based on the non-GAAP financial measure of gross operating margin. Gross operating margin (either in total or by individual segment) is an important performance measure of the core profitability of our operations. This measure forms the basis of our internal financial reporting and is used by senior management in deciding how to allocate capital resources among business segments. We believe that investors

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benefit from having access to the same financial measures that our management uses in evaluating segment results. The GAAP measure most directly comparable to total segment gross operating margin is operating income.

We define total segment gross operating margin as operating income before: (i) depreciation, amortization and accretion expense; (ii) operating lease expenses for which we do not have the payment obligation; (iii) gains and losses on the sale of assets; and (iv) general and administrative expenses. Gross operating margin is exclusive of other income and expense transactions, provision for income taxes, minority interest, cumulative effects of changes in accounting principles, and extraordinary charges. Gross operating margin by segment is calculated by subtracting segment operating costs and expenses (net of the adjustments noted above) from segment revenues, with both segment totals before the elimination of intercompany transactions. Intercompany accounts and transactions are eliminated in consolidation. Our non-GAAP financial measure of total segment gross operating margin should not be considered as an alternative to GAAP operating income.

We include equity earnings from unconsolidated affiliates in our measurement of segment gross operating margin and operating income. Our equity investments with industry partners are a vital component of our business strategy. They are a means by which we conduct our operations to align our interests with those of customers and/or suppliers. This method of operation also enables us to achieve favorable economies of scale relative to the level of investment and business risk we assume versus what we could accomplish on a stand-alone basis. Many of these businesses perform supporting or complementary roles to our other business operations.

Reconciliations of our non-GAAP gross operating margin amounts included in the Presentation to their respective GAAP operating income amounts are presented on Slide 130 in the Presentation.

Distributable Cash Flow

We define distributable cash flow as net income or loss plus: (i) depreciation, amortization and accretion expense; (ii) operating lease expenses for which we do not have the payment obligation; (iii) cash distributions received from unconsolidated affiliates less equity in the earnings of such unconsolidated affiliates; (iv) the subtraction of sustaining capital expenditures; (v) the addition of losses or subtraction of gains relating to the sale of assets; (vi) cash proceeds from either the sale of assets or a return of investment from an unconsolidated affiliate; (vii) gains or losses on monetization of financial instruments recorded in accumulated other comprehensive income less related amortization of such amounts to earnings; (viii) transition support payments received from El Paso related to the GTM merger and (ix) the addition of losses or subtraction of gains relating to other miscellaneous non-cash amounts affecting net income for the period.

Sustaining capital expenditures are capital expenditures (as defined by GAAP) resulting from improvements to and major renewals of existing assets. Such expenditures serve to maintain (or sustain) existing operations but do not generate additional revenues. The sustaining capital expenditure amount used to determine distributable cash flow for a period includes accruals made at the end of each period for amounts not yet paid or invoiced.

Distributable cash flow is a significant liquidity metric used by senior management to compare the basic cash flows we generate to the cash distributions we expect to pay our partners. Using this metric, our management can compute the coverage ratio of estimated cash flows to planned cash distributions.

Distributable cash flow is also an important non-GAAP financial measure to our limited partners since it serves as an indicator of our success in providing a cash return on investment. Specifically, this financial measure indicates to investors whether or not we are generating cash flows at a level that can sustain (or support an increase in) our quarterly cash distribution rate. Distributable cash flow is also a quantitative standard used by the investment community with respect to publicly traded partnerships because the value of a partnership unit is in part measured by its yield,

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which in turn is based on the amount of cash distributions a partnership pays to a unitholder. The GAAP measure most directly comparable to distributable cash flow is net cash flow provided by operating activities.

The Presentation includes estimates of the amount of distributable cash flow we reinvested in the Company since January 1, 1999. These estimates were calculated by summing the distributable cash flow amounts for the

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respective periods and deducting the cash distributions we paid to limited and general partners with respect to such periods.

Reconciliations of our non-GAAP distributable cash flow amounts for the years ended December 31, 2006 and 2005 to their respective GAAP net cash flow provided by operating activities amounts are presented on Slide 133 in the Presentation.

The following table presents (i) our calculation of the estimated reinvestment of distributable cash flow for each period since January 1, 1999 and (ii) a reconciliation of the underlying distributable cash flow amounts to their respective GAAP net cash flow provided by operating activities amounts for each period (dollars in thousand).

| | For the Year Ended December 31, | | | | |
|---|--|-------------|--------------|-------------|-------------|
| | 1999 | 2000 | 2001 | 2002 | 2003 |
| <u>Reconciliation of non-GAAP "distributable cash flow" to GAAP</u> | | | | | |
| <u>"net cash flow provided by operating activities"</u> | | | | | |
| Net cash flow provided by operating activities | \$ 177,953 | \$ 360,870 | \$ 283,328 | \$ 329,761 | \$ 424,705 |
| <i>Adjustments to reconcile distributable cash flow to net cash flow provided by operating activities (add or subtract as indicated by sign of number):</i> | | | | | |
| Sustaining capital expenditures | (2,440) | (3,548) | (5,994) | (7,201) | (20,313) |
| Proceeds from sale of assets | 8 | 92 | 568 | 165 | 212 |
| Minority interest in earnings not included in distributable cash flow | 3 | -- | -- | (1,968) | (2,967) |
| Minority interest in allocation of lease expense paid by EPCO, Inc. | 108 | 107 | 105 | 92 | 90 |
| Net effect of changes in operating accounts | (27,906) | (71,111) | 37,143 | (92,655) | (122,961) |
| Non-cash adjs. related to net effect of changes in certain reserves | -- | -- | (11,246) | -- | -- |
| Collection of notes receivable from unconsolidated affiliates | 19,979 | 6,519 | -- | -- | -- |
| Distributable cash flow | 167,705 | 292,929 | 303,904 | 228,194 | 278,766 |
| Less amounts paid to partners with respect to such period | (116,315) | (145,437) | (176,003) | (240,125) | (330,723) |
| Estimate of reinvested distributable cash flow | \$ 51,390 | \$ 147,492 | \$ 127,901 | \$ (11,931) | \$ (51,957) |
| | | | | | |
| | For the Year Ended December 31, | | | | |
| | 2004 | 2005 | 2006 | | |
| Net cash flow provided by operating activities | \$ 391,541 | \$ 631,708 | \$ 1,175,069 | | |
| <i>Adjustments to reconcile distributable cash flow to net cash flow provided by operating activities (add or subtract as indicated by sign of number):</i> | | | | | |
| Sustaining capital expenditures | (37,315) | (92,158) | (119,409) | | |
| Proceeds from sale of assets | 6,882 | 44,746 | 3,927 | | |
| Amortization of net gain from forward-starting interest rate swaps | (857) | (3,602) | (3,760) | | |
| Settlement of forward-starting interest rate swaps | 19,405 | -- | -- | | |
| Minority interest in earnings not included in distributable cash flow | (8,128) | (5,760) | (9,079) | | |
| Minority interest in cumulative effect of change in accounting principle | 2,338 | -- | -- | | |
| Net effect of changes in operating accounts | 93,725 | 266,395 | (83,418) | | |
| Return of investment in unconsolidated affiliate | -- | 47,500 | -- | | |
| GTM distributable cash flow for third quarter of 2004 | 68,402 | -- | -- | | |
| El Paso transition support payments | 4,500 | 17,250 | 14,250 | | |
| Distributable cash flow | 540,493 | 906,079 | 977,580 | | |
| Less amounts paid to partners with respect to such period | (509,118) | (737,956) | (879,814) | | |
| Estimate of reinvested distributable cash flow | \$ 31,375 | \$ 168,123 | \$ 97,766 | | |
| Total reinvested distributable cash flow since January 1, 1999 (sum of periods) | | | | \$ 560,159 | |

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The following table presents, on a quarterly basis, (i) our calculation of the estimated reinvestment of distributable cash flow since the GTM Merger and (ii) a reconciliation of the underlying distributable cash flow amounts to their respective GAAP net cash flow provided by operating activities amounts for each period is as follows (dollars in thousand):

| | For the Quarterly Period | | | | |
|--|---------------------------------|--------------|--------------|--------------|--------------|
| | 4Q 04 | 1Q 05 | 2Q 05 | 3Q 05 | 4Q 05 |
| Reconciliation of non-GAAP "distributable cash flow" to GAAP | | | | | |
| "net cash flow provided by (used in) operating activities" | | | | | |
| Net cash flow provided by (used in) operating activities | \$ 355,525 | \$ 164,246 | \$ (46,409) | \$ 226,796 | \$ 287,075 |
| Adjustments to reconcile distributable cash flow to net cash flow provided by (used in) operating activities (add or subtract as indicated): | | | | | |
| Sustaining capital expenditures | (21,314) | (15,550) | (21,293) | (25,935) | (29,380) |
| Proceeds from sale of assets | 6,772 | 42,158 | 109 | 953 | 1,526 |
| Amortization of net gain from forward-starting interest rate swaps | (857) | (886) | (896) | (905) | (915) |
| Minority interest in total | (1,281) | (1,945) | (380) | (861) | (2,574) |
| Net effect of changes in operating accounts | (146,801) | 58,920 | 237,353 | 17,929 | (47,807) |
| Return of investment in unconsolidated affiliate | -- | -- | 47,500 | -- | -- |
| El Paso transition support payments | 4,500 | 4,500 | 4,500 | 4,500 | 3,750 |
| Distributable cash flow | 196,544 | 251,443 | 220,484 | 222,477 | 211,675 |
| Less amounts paid to partners with respect to such period | (162,687) | (176,066) | (181,624) | (187,106) | (193,160) |
| Estimate of reinvested distributable cash flow | \$ 33,857 | \$ 75,377 | \$ 38,860 | \$ 35,371 | \$ 18,515 |

| | For the Quarterly Period | | | |
|--|---------------------------------|--------------|--------------|--------------|
| | 1Q 06 | 2Q 06 | 3Q 06 | 4Q 06 |
| Net cash flow provided by operating activities | \$ 494,276 | \$ 77,049 | \$ 414,699 | \$ 189,045 |
| Adjustments to reconcile distributable cash flow to net cash flow provided by operating activities (add or subtract as indicated): | | | | |
| Sustaining capital expenditures | (30,010) | (34,521) | (30,743) | (24,135) |
| Proceeds from sale of assets | 75 | 181 | 2,787 | 884 |
| Amortization of net gain from forward-starting interest rate swaps | (925) | (935) | (945) | (955) |
| Minority interest in total | (2,198) | (538) | (1,940) | (4,403) |
| Net effect of changes in operating accounts | (247,084) | 172,392 | (85,157) | 76,431 |
| El Paso transition support payments | 3,750 | 3,750 | 3,750 | 3,000 |
| Distributable cash flow | 217,884 | 217,378 | 302,451 | 239,867 |
| Less amounts paid to partners with respect to such period | (206,580) | (214,790) | (226,908) | (231,536) |
| Estimate of reinvested distributable cash flow | \$ 11,304 | \$ 2,588 | \$ 75,543 | \$ 8,331 |
| Total reinvested distributable cash flow since GTM Merger (sum of periods) | | | | \$ 299,746 |

EBITDA

We define EBITDA as net income or loss plus interest expense, provision for income taxes and depreciation, amortization and accretion expense. EBITDA is commonly used as a supplemental financial measure by senior management and external users of our financial statements, such as investors, commercial banks, research analysts and rating agencies, to assess: (i) the financial performance of our assets without regard to financing methods, capital structures or historical cost basis; (ii) the ability of our assets to generate cash sufficient to pay interest costs and support our indebtedness; (iii) our operating performance and return on capital as compared to those of other companies in the midstream energy industry, without regard to financing and capital structure; and (iv) the viability of projects and the overall rates of return on alternative investment opportunities. Because EBITDA excludes some, but not all, items that affect net income or loss and because these measures may vary among other companies, the EBITDA data presented in the Presentation may not be comparable to similarly titled measures of other companies. The GAAP measure most directly comparable to EBITDA is net cash flow provided operating activities.

Reconciliations of our non-GAAP EBITDA amounts included in the Presentation to their respective GAAP net cash flow provided by operating activities amounts are presented on Slide 132 in the Presentation.

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The Presentation also includes references to Consolidated EBITDA, which is a financial measure calculated by the Operating Partnership in accordance with the provisions of its multi-year revolving credit facility.

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Consolidated EBITDA is used by our lenders to evaluate the Operating Partnership's compliance with certain financial covenants. We define Consolidated EBITDA as EBITDA (at the Operating Partnership level) plus distributions received from unconsolidated affiliates, operating lease expenses for which we do not have the payment obligation and cash proceeds from a return of investment from an unconsolidated affiliate, less equity income from unconsolidated affiliates. Slide 131 of the Presentation presents the Operating Partnership's calculation of Consolidated EBITDA for the nine quarters ended December 31, 2006 along with a reconciliation to its closest GAAP counterpart, which is net cash flow provided by operating activities.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

| Exhibit Number | | Exhibit |
|---------------------------|--|----------------|
|---------------------------|--|----------------|

| | | |
|------|--|--|
| 99.1 | Enterprise Products Partners Analyst Conference presentation dated March 29, 2007. | |
| 99.2 | EPCO, Inc. presentation dated March 29, 2007. | |

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