ANALYSIS OF PROPOSED CONSENT ORDER
TO AID PUBLIC COMMENT

In the Matter of Enterprise Products Partners L.P. and Dan L. Duncan,
File No. 041-0039

The Federal Trade Commission ("Commission") has accepted, subject to final approval, an Agreement Containing Consent Orders ("Consent Agreement") from Enterprise Products Partners L.P. ("Enterprise") and Dan L. Duncan ("Duncan"), the ultimate parent entity of Enterprise. (Enterprise and Duncan are hereinafter referred to collectively as "Respondents.") The Consent Agreement contains a Decision and Order ("Consent Order") that is designed to remedy the anticompetitive effects of the proposed merger between Enterprise and GulfTerra Energy Partners L.P. ("GulfTerra"). Under the terms of the Consent Agreement, Respondents must divest (1) their interest in one of two competing pipelines that transport natural gas from the deepwater regions of the Gulf of Mexico and (2) their interest in one of two competing underground propane storage and terminaling facilities serving the Dixie Pipeline in Hattiesburg, Mississippi. The Consent Agreement also contains an Order to Hold Separate and to Maintain Assets ("Hold Separate Order") which, among other things, is designed to preserve the viability, marketability and competitiveness of the assets to be divested under the proposed Consent Order.

The proposed Consent Agreement has been placed on the public record for thirty days for receipt of comments by interested persons. Comments received during this period will become part of the public record. After thirty days, the Commission will again review the Consent Agreement and any comments received and will decide whether it should withdraw from the agreement or make final the agreement's proposed Consent Order.

I. THE COMPLAINT

Pursuant to certain agreements dated December 15, 2003 (as amended,) Enterprise, a publicly traded limited partnership that provides midstream energy services to customers throughout the Southeastern and Midwestern United States, proposes to merge with GulfTerra in a transaction that will create a midstream energy partnership with an estimated enterprise value of approximately $13 billion. The Commission's complaint ("Complaint") alleges that the proposed merger would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, in the markets for (1) pipeline transportation of natural gas from the West Central Deepwater region of the Gulf of Mexico ("West Central Deepwater" market) and (2) propane storage and terminaling services in Hattiesburg, Mississippi. The West Central Deepwater region of the Gulf of Mexico encompasses the East Breaks, Garden Banks, Keithley Canyon and Alaminos Canyon areas in the Gulf of Mexico, areas defined by the United States Department of Interior Minerals Management Service. These areas are in the "deepwater" part of the Gulf of Mexico farther from shore, in which water depths exceed 1000 feet. The proposed Consent Agreement would remedy the alleged violations by restoring the lost competition that would result from the merger in each of these markets.

II. THE CONSENT AGREEMENT

A. Pipeline Transportation of Natural Gas

The Gulf of Mexico accounts for nearly one quarter of the natural gas supplies in the United States. Natural gas producers ship their production out of the Gulf of Mexico to the Gulf Coast via pipelines. Enterprise and GulfTerra are direct and substantial competitors in the market for pipeline transportation of natural gas from the West Central Deepwater.

Enterprise owns a 50 percent ownership interest in the Starfish Pipeline Company, LLC ("Starfish"), which owns the Stingray/Triton pipeline system in the West Central Deepwater market. Shell Gas Transmission ("Shell") owns the remaining 50 percent interest in Starfish and exercises operational and management control over the Starfish assets. However, because the operating agreement provides that Enterprise must approve any commercial gas transportation agreements proposed by Shell with respect to Starfish, Enterprise effectively controls the competitive decisions of Starfish and the Stingray/Triton pipeline system. GulfTerra owns the High Island Offshore System ("HIOS")and its accompanying East Breaks lateral, which compete directly for pipeline transportation business in the West Central Deepwater market with Starfish's Stingray/Triton pipeline system.

The West Central Deepwater market is highly concentrated. The assets controlled wholly or in part by GulfTerra and Enterprise account for two of the three pipelines providing natural gas pipeline transportation services to the market. Combined, these two pipeline systems would control 60 percent of the natural gas pipeline capacity in the West Central Deepwater market. The proposed merger would substantially increase industry concentration in this already highly concentrated market. Moreover, new entry into the pipeline transportation of natural gas from the West Central Deepwater market entails substantial sunk costs and is highly unlikely to constrain any post-merger exercise of market power by Respondents in the relevant market. By eliminating the actual, direct, and substantial competition that exists between Enterprise and GulfTerra in this market, the proposed merger would be substantially likely to cause significant competitive harm to producers of natural gas who must purchase pipeline transportation services in the West Central Deepwater market.

The proposed Consent Order remedies the merger's alleged anticompetitive effects in the West Central Deepwater market by requiring that Respondents divest either (1) their 50 percent interest in Starfish, (the "Starfish Interest") or (2) the HIOS/East Breaks pipeline system, (the "HIOS/East Breaks Assets.") If Respondents fail to divest either of these competing pipeline assets on or before March 31, 2005, the Commission may appoint a Divestiture Trustee to divest either of the above referenced pipeline assets.

B. Propane Storage and Terminaling Services

Propane is used as a heating fuel during the winter months in much of the Southeastern United States. Propane marketers generally purchase propane from the major supply sources in Texas and Louisiana and ship that propane eastward over the Dixie Pipeline System ("Dixie"), the only common carrier propane pipeline in the Southeast. Because of certain physical and capacity constraints on Dixie west of Baton Rouge, Louisiana, the segments of Dixie west of Baton Rouge are often full (capacity constrained) during the winter months. Therefore, propane shippers along Dixie often must purchase propane during the spring and summer (non-peak) seasons, ship it eastward on Dixie and store the propane at locations east of Baton Rouge, such as Hattiesburg, Mississippi ("Hattiesburg"). This enables these propane marketers to access Dixie's unconstrained capacity during the winter

Respondents divest either (1) their undivided 50 percent interest in the facility Enterprise co-owns with Dynegy, (the "Enterprise Propane Storage Interest,") or (2) their wholly owned Hattiesburg propane storage facility, (the "Enterprise Petal LPG Storage Facility.") If Respondents fail to divest either of these competing propane storage and terminaling assets on or before December 31, 2004, the Commission may appoint a Divestiture Trustee to divest either of the above referenced assets. The December 31, 2004 deadline for the divestiture of the specified propane storage and terminaling assets of Respondents at Hattiesburg is designed to assure that a new owner of the divested assets will be in place prior to the 2005-06 propane storage contract season, which begins in April 2005.

The purpose of this analysis is to facilitate public comment on the Consent Agreement. This analysis is not intended to constitute an official interpretation of the Consent Agreement, nor is it intended to modify its terms in any way.