Enterprise Products

ENTERPRISE PRODUCTS PARTNERS L.P.
ENTERPRISE PRODUCTS HOLDINGS LLC
(General Partner)

ENTERPRISE PRODUCTS OPERATING LLC

To: US House Ways & Means Energy Tax Reform Working Group
From: Randy Fowler, Executive VP & CFO of Enterprise Products Partners LP
Date: April 2, 2013

Congressman Kevin Brady
Congressman Michael Thompson

My name is Randy Fowler. I am Executive Vice President and CFO of Enterprise Products Partners L.P. I am also chairman of the board of directors for the National Association of Publicly Traded Partnerships.

Enterprise is one of the largest publicly traded partnerships. Enterprise trades on the NYSE under the ticker symbol EPD. We are a domestic midstream energy company that provides energy infrastructure services to producers and consumers of natural gas, natural gas liquids, crude oil, refined products and certain petrochemicals. We have approximately $36 billion in assets and approximately $4.4 billion in EBITDA in 2012. Our largest customers are oil and gas companies on the producing side and the petrochemical manufacturing, electric generation, natural gas utilities and refining industries on the consuming side. Our midstream assets include ownership interests in over 50,000 miles of pipelines, approximately 200 million barrels of storage and 24 natural gas processing plants. Enterprise operates assets in 32 states.

Over the past decade, oil and gas producers and oilfield service companies have been successful in technological innovation to develop non-conventional and shale reserves in the U.S. This has been a gift to the United States, which is leading to a revolution in the U.S. energy and manufacturing industries. It has lowered the cost of energy in the U.S. and serves as the catalyst for a renaissance in U.S. manufacturing. Ten years ago, the U.S. petrochemical industry was one of the highest cost producers of basic petrochemicals in the world and had all but lost its export markets; now the U.S. is one of the cheapest producers globally as a result of plentiful supplies and affordable natural gas and natural gas liquids.

We are also seeing this in other industries such as the production of steel and fertilizers. These industries are expanding and planning to build new manufacturing facilities in the U.S. including up to seven new ethylene manufacturing facilities. These developments are reducing our reliance on energy imports from outside North America, increasing U.S. GDP, reducing the U.S. trade deficit and creating good-paying construction and manufacturing jobs.

As a result, both producers and consumers need new energy infrastructure to process, transport, store and deliver natural gas, natural gas liquids and crude oil from the producing regions to the end users. These are very capital intensive investments. Midstream PTPs are playing a significant role in investing capital to expand and extend existing infrastructure and building new infrastructure to meet these needs. For the six years from 2007 through 2012, which includes the Great Recession, midstream PTPs have invested over $88 billion to maintain, expand, and build new U.S. energy infrastructure. During this time, Enterprise invested approximately $19 billion, or approximately 52%, of our total assets. A 2011 study by the INGAA foundation estimated that North America will need to invest another $250 billion in energy infrastructure over the next 25 years. In 2013 alone, midstream PTPs are expected to spend $25 billion on energy infrastructure. Enterprise is expecting to invest over $4 billion this year.

Midstream PTPs, such as Enterprise, operate under section 7704 of the tax code, which has been in effect for over 25 years, since the tax reform of 1986/1987. This part of the tax code has been highly successful. Per the code, PTPs are pass-through entities whereby we allocate 100% of our taxable income to our investors, who then pay income taxes based on individual tax rates. This provision enables the midstream energy sector to timely and efficiently raise capital to invest in energy infrastructure projects, which typically have relatively low returns on capital. The lower returns on capital translate into lower pipeline rates and a lower cost to deliver energy to the consumer.

Typically, a majority of investors in PTPs, in some cases as high as 80%, are individual investors, of which most are over 50 years old. We have also seen interest from some sectors of institutional investors such as public pension funds that are largely seeking income from stable investments. Similar to REITS, PTPs are required to distribute their operating cash flow each quarter to investors.

Section 7704 has created a balance between the nation's individual investors who are seeking a safe, reliable investment generating income and the capital intensive needs to build U.S. energy infrastructure that generates returns that are less attractive to other investors.

Enterprise's recommendation to you is to continue to allow PTPs to organize and be treated under section 7704 as it is currently written.

Randy Fowler