
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2015

or

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

Commission file number 1-2921

PANHANDLE EASTERN PIPE LINE COMPANY, LP

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

44-0382470

(I.R.S. Employer
Identification No.)

3738 Oak Lawn Avenue, Dallas, Texas 75219

(Address of principle executive offices) (zip code)

(214) 981-0700

(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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Panhandle Eastern Pipe Line Company, LP meets the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q and is therefore filing this Form 10-Q with the reduced disclosure format.

FORM 10-Q

PANHANDLE EASTERN PIPE LINE COMPANY, LP

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Forward-Looking Statements

Certain matters discussed in this report, excluding historical information, as well as some statements by Panhandle Eastern Pipe Line Company, LP and its subsidiaries (“Panhandle” or the “Company”) in periodic press releases and some oral statements of the Company’s officials during presentations about the Company, include forward-looking statements. These forward-looking statements are identified as any statement that does not relate strictly to historical or current facts. Statements using words such as “anticipate,” “believe,” “intend,” “project,” “plan,” “expect,” “continue,” “estimate,” “goal,” “forecast,” “may,” “will” or similar expressions help identify forward-looking statements. Although the Company believes such forward-looking statements are based on reasonable assumptions and current expectations and projections about future events, no assurance can be given that such assumptions, expectations, or projections will prove to be correct. Forward-looking statements are subject to a variety of risks, uncertainties and assumptions. If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, the Company’s actual results may vary materially from those anticipated, projected, forecasted, estimated or expressed in forward-looking statements since many of the factors that determine these results are subject to uncertainties and risks that are difficult to predict and beyond management’s control. For additional discussion of risks, uncertainties and assumptions, see “Part I — Item 1A. Risk Factors” in the Company’s Report on Form 10-K for the year ended December 31, 2014 filed with the Securities and Exchange Commission on February 27, 2015.

Definitions

The following is a list of certain acronyms and terms generally used in the energy industry and throughout this document:

Bcf	Billion cubic feet
Btu	British thermal units
ETE	Energy Transfer Equity, L.P.
ETP	Energy Transfer Partners, L.P., a subsidiary of ETE
Exchange Act	Securities Exchange Act of 1934
FERC	Federal Energy Regulatory Commission
GAAP	Accounting principles generally accepted in the United States of America
Lake Charles LNG	Lake Charles LNG Company, LLC
LNG	Liquefied natural gas
OPEB plans	Other postretirement employee benefit plans
PCBs	Polychlorinated biphenyls
PEPL	Panhandle Eastern Pipe Line Company, LP
PEPL Holdings	PEPL Holdings, LLC
Regency	Regency Energy Partners LP, a subsidiary of ETE
Sea Robin	Sea Robin Pipeline Company, LLC
SEC	United States Securities and Exchange Commission
Southern Union	Southern Union Company
Southwest Gas	Pan Gas Storage LLC
TBtu	Trillion British thermal units
Trunkline	Trunkline Gas Company, LLC

PART 1. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
PANHANDLE EASTERN PIPE LINE COMPANY, LP

CONSOLIDATED BALANCE SHEETS

(Dollars in millions)
(unaudited)

	March 31, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 47	\$ 32
Accounts receivable, net	51	58
Accounts receivable from related companies	42	128
Exchanges receivable	12	11
Inventories	83	119
Other current assets	13	13
Total current assets	248	361
PROPERTY, PLANT AND EQUIPMENT:		
Plant in service	3,374	3,352
Construction work in progress	29	43
	3,403	3,395
Accumulated depreciation and amortization	(292)	(269)
Net property, plant and equipment	3,111	3,126
INVESTMENTS IN UNCONSOLIDATED AFFILIATES	1,428	1,443
GOODWILL	1,152	1,152
NOTE RECEIVABLE FROM RELATED PARTY	40	—
ADVANCES TO AFFILIATES	40	—
OTHER NON-CURRENT ASSETS, net	110	109
Total assets	\$ 6,129	\$ 6,191

The accompanying notes are an integral part of these consolidated financial statements.

PANHANDLE EASTERN PIPE LINE COMPANY, LP

CONSOLIDATED BALANCE SHEETS

(Dollars in millions)
(unaudited)

	March 31, 2015	December 31, 2014
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 1	\$ 1
Accounts payable and accrued liabilities	2	6
Accounts payable to related companies	33	38
Exchanges payable	76	114
Accrued interest	24	12
Customer advances and deposits	8	10
Other current liabilities	54	56
Total current liabilities	198	237
LONG-TERM DEBT, less current maturities	1,184	1,189
DEFERRED INCOME TAXES	1,511	1,511
ADVANCES FROM AFFILIATES	—	51
OTHER NON-CURRENT LIABILITIES	279	278
COMMITMENTS AND CONTINGENCIES		
PARTNERS' CAPITAL:		
Partners' capital	2,957	2,925
Accumulated other comprehensive income	—	—
Total partners' capital	2,957	2,925
Total liabilities and partners' capital	\$ 6,129	\$ 6,191

The accompanying notes are an integral part of these consolidated financial statements.

PANHANDLE EASTERN PIPE LINE COMPANY, LP

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in millions)
(unaudited)

	Three Months Ended March 31,	
	2015	2014
OPERATING REVENUES:		
Transportation and storage of natural gas	\$ 149	\$ 170
Other	6	9
Total operating revenues	155	179
OPERATING EXPENSES:		
Cost of natural gas and other energy	2	1
Operating, maintenance and general	65	57
Depreciation and amortization	35	31
Total operating expenses	102	89
OPERATING INCOME	53	90
OTHER INCOME (EXPENSE):		
Interest expense, net of interest capitalized	(13)	(18)
Equity in earnings (losses) of unconsolidated investments	4	(8)
Interest income — affiliates	—	5
Other, net	(1)	2
Total other expenses, net	(10)	(19)
INCOME BEFORE INCOME TAX EXPENSE	43	71
Income tax expense	12	106
NET INCOME (LOSS)	31	(35)
LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	—	6
NET INCOME (LOSS) ATTRIBUTABLE TO PARTNERS	\$ 31	\$ (41)

The accompanying notes are an integral part of these consolidated financial statements.

PANHANDLE EASTERN PIPE LINE COMPANY, LP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Dollars in millions)
(unaudited)

	Three Months Ended March 31,	
	2015	2014
Net income (loss)	\$ 31	\$ (35)
Other comprehensive income (loss), net of tax:		
Actuarial loss relating to postretirement benefits	—	(1)
	—	(1)
Comprehensive income (loss)	<u>\$ 31</u>	<u>\$ (36)</u>

The accompanying notes are an integral part of these consolidated financial statements.

PANHANDLE EASTERN PIPE LINE COMPANY, LP
CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL
(Dollars in millions)
(unaudited)

	Partners' Capital	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2014	\$ 2,925	\$ —	\$ 2,925
Unit based compensation	1	—	1
Net income	31	—	31
Balance, March 31, 2015	<u>\$ 2,957</u>	<u>\$ —</u>	<u>\$ 2,957</u>

The accompanying notes are an integral part of these consolidated financial statements.

PANHANDLE EASTERN PIPE LINE COMPANY, LP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in millions)
(unaudited)

	Three Months Ended March 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 31	\$ (35)
Reconciliation of net income to net cash provided by operating activities:		
Depreciation and amortization	35	31
Deferred income taxes	—	(190)
Amortization included in interest expense	(6)	(6)
Unrealized gain on derivatives	—	3
Non-cash compensation expense	2	1
Equity in (earnings) losses of unconsolidated affiliates	(4)	8
Distributions from unconsolidated affiliates	4	1
Other non-cash	4	(1)
Changes in operating assets and liabilities, net of merger impacts	4	318
Net cash flows provided by operating activities	70	130
CASH FLOWS FROM INVESTING ACTIVITIES:		
Repayment of note receivable from related party	—	10
Note receivable issued to related party	(40)	—
Capital expenditures	(29)	(12)
Distributions from unconsolidated affiliates in excess of cumulative earnings	14	16
Other	—	(22)
Net cash flows used in investing activities	(55)	(8)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Distributions to partners	—	(65)
Net cash flows used in financing activities	—	(65)
INCREASE IN CASH AND CASH EQUIVALENTS	15	57
CASH AND CASH EQUIVALENTS, beginning of period	32	17
CASH AND CASH EQUIVALENTS, end of period	\$ 47	\$ 74

The accompanying notes are an integral part of these consolidated financial statements.

PANHANDLE EASTERN PIPE LINE COMPANY, LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular dollar amounts are in millions)

(unaudited)

1. ORGANIZATION AND BASIS OF PRESENTATION:

Panhandle Eastern Pipe Line Company, LP and its subsidiaries (collectively, “we,” “us,” the “Company” or “Panhandle”) are primarily engaged in the interstate transportation and storage of natural gas and are subject to the rules and regulations of the FERC. The Company’s entities include the following:

- PEPL, which is wholly-owned by SUG Holding Company, an indirect wholly-owned subsidiary of ETP;
- Trunkline, a direct wholly-owned subsidiary of PEPL;
- Sea Robin, an indirect wholly-owned subsidiary of PEPL; and
- Southwest Gas, a direct wholly-owned subsidiary of PEPL.

The Company’s operations currently consist of interstate pipelines that transport natural gas from the Gulf of Mexico, South Texas and the panhandle regions of Texas and Oklahoma to major U.S. markets in the Midwest and Great Lakes regions, as well as owning underground storage capacity.

Southern Union Panhandle LLC, an indirect wholly-owned subsidiary of ETP, serves as the general partner of PEPL and owns a 1% general partnership interest in PEPL. ETP also indirectly owns a 99% limited partnership interest in PEPL.

The unaudited financial information included in this Form 10-Q has been prepared on the same basis as the audited consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014. In the opinion of the Company’s management, such financial information reflects all adjustments necessary for a fair presentation of the financial position and the results of operations for such interim periods in accordance with GAAP. All intercompany items and transactions have been eliminated in consolidation. Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with GAAP have been omitted pursuant to the rules and regulations of the SEC.

The unaudited consolidated financial statements have been prepared in conformity with GAAP, which includes the use of estimates and assumptions made by management that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent assets and liabilities that exist at the date of the consolidated financial statements. Although these estimates are based on management’s available knowledge of current and expected future events, actual results could be different from those estimates.

Certain prior period amounts have been reclassified to conform to the 2015 presentation. These reclassifications had no impact on net income or total equity.

2. **RELATED PARTY TRANSACTIONS:**

The following table provides a summary of the related party balances included in the consolidated balance sheets:

	March 31, 2015	December 31, 2014
Accounts receivable from related companies	\$ 42	\$ 128
Non-current notes receivable from related party — ETP	40	—
Advances to affiliates	40	—
Accounts payable to related companies	33	38
Advances from affiliates	—	51

Accounts receivable from related companies reflected on the consolidated balance sheets primarily related to services provided for ETE, ETP and other affiliates. Accounts payable to related companies reflected on the consolidated balance sheets primarily related to payroll funding and various services provided by ETP and other affiliates.

The following table provides a summary of the related party activity included in our consolidated statements of operations:

	Three Months Ended March 31,	
	2015	2014
Operating revenues	\$ 5	\$ 20
Operating, maintenance and general	12	12
Interest income — affiliates	—	5
Equity in earnings (losses) of unconsolidated investments	4	(8)

The Company received \$2 million and \$2 million in distributions related to its investment in ETP during the three months ended March 31, 2015 and 2014, respectively. The Company also received \$16 million and \$15 million in distributions related to its investment in Regency during the three months ended March 31, 2015 and 2014, respectively.

3. **INVESTMENTS IN UNCONSOLIDATED AFFILIATES:**

The Company's investment in Regency consisted of 31.4 million Regency common units and 6.3 million Regency Class F units. The Company's investment represented approximately 8% and 100% of the total outstanding Regency common units and Class F units, respectively, at March 31, 2015. Following the merger of ETP and Regency in April 2015, these Regency common units and Regency Class F units converted to 15.5 million ETP common units, which represented approximately 3% of the total outstanding ETP common units. The Company's investment was and will continue to be accounted for in our consolidated financial statements using the equity method.

The following table presents aggregated selected income statement data for Regency (on a 100% basis for all periods presented):

	Three Months Ended March 31,	
	2015	2014
Revenue	\$ 999	\$ 863
Operating income	31	22
Net income (loss)	(3)	12

The Company has other equity method investments which were not, individually or in the aggregate, significant to our consolidated financial statements.

4. ACCUMULATED OTHER COMPREHENSIVE INCOME:

As of March 31, 2015 and December 31, 2014, accumulated other comprehensive income consisted of net actuarial gains and prior service costs related to our OPEB plans, which were less than \$1 million in the aggregate.

5. DEBT OBLIGATIONS:

Based on the estimated borrowing rates currently available to the Company and its subsidiaries for loans with similar terms and average maturities, the aggregate fair value of the Company's consolidated debt obligations at March 31, 2015 and December 31, 2014 was \$1.24 billion and \$1.24 billion, respectively. As of March 31, 2015 and December 31, 2014, the aggregate carrying amount of the Company's consolidated debt obligations was \$1.18 billion and \$1.19 billion, respectively. The fair value of the Company's consolidated debt obligations is a Level 2 valuation based on the observable inputs used for similar liabilities.

The Company's notes are subject to certain requirements, such as the maintenance of a fixed charge coverage ratio and a leverage ratio, which if not maintained, restrict the ability of the Company to make certain payments and impose limitations on the ability of the Company to subject its property to liens. Other covenants impose limitations on restricted payments, including dividends and loans to affiliates, and additional indebtedness. As of March 31, 2015, the Company was in compliance with these covenants.

6. INCOME TAXES:

For the three months ended March 31, 2015, the statutory rate differed from the effective rate primarily due to state income tax adjustments. The increase in the effective tax rate for the three months ended March 31, 2014 was primarily due to the Lake Charles LNG Transaction. The Lake Charles LNG Transaction, which was treated as a sale for tax purposes, resulted in \$80 million of incremental income tax expense.

7. PRICE RISK MANAGEMENT ASSETS AND LIABILITIES:

The Company is exposed to certain risks in its ongoing business operations. The Company has previously used interest rate derivative contracts to manage interest rate risk associated with its long-term borrowings. The Company recognizes all derivative assets and liabilities at fair value on the consolidated balance sheets.

Interest Rate Contracts

The Company previously used interest rate swap agreements to hedge floating rate notes with an aggregate notional amount. The Company settled \$150 million of ten-year swaps during the third quarter of 2014 and \$125 million of ten-year swaps during the fourth quarter of 2014. The Company had no outstanding interest rate swap agreements as of March 31, 2015 or December 31, 2014.

Credit Risk

Credit risk refers to the risk that a shipper may default on its contractual obligations resulting in a credit loss to the Company. A credit policy has been approved and implemented to govern the Company's portfolio of shippers with the objective of mitigating credit losses. This policy establishes guidelines, controls, and limits, consistent with FERC filed tariffs, to manage credit risk within approved tolerances by mandating an appropriate evaluation of the financial condition of existing and potential shippers, monitoring agency credit ratings, and by implementing credit practices that limit credit exposure according to the risk profiles of the shippers. Furthermore, the Company may, at times, require collateral under certain circumstances in order to mitigate credit risk as necessary.

The Company's shippers consist of a diverse portfolio of customers across the energy industry, including oil and gas producers, midstream companies, municipalities, utilities, and commercial and industrial end users. Our overall exposure may be affected positively or negatively by macroeconomic or regulatory changes that could impact our shippers to one extent or another. Currently, management does not anticipate a material adverse effect in our financial position or results of operations as a consequence of shipper non-performance.

Summary Financial Statement Information

The Company had no derivative instruments at March 31, 2015 and December 31, 2014.

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The following table summarizes the location and amount (excluding income tax effects) of derivative instrument gains and losses reported in the Company's consolidated financial statements:

	Three Months Ended March 31,	
	2015	2014
Economic Hedges:		
Interest rate contracts:		
Change in fair value — decrease in interest expense	\$ —	\$ (3)

8. **FAIR VALUE MEASUREMENT:**

The Company did not have any assets or liabilities measured at fair value on a recurring basis at March 31, 2015 or December 31, 2014. The Company did not have any Level 3 instruments measured at fair value using significant unobservable inputs at March 31, 2015 or December 31, 2014 and there were no transfers between hierarchy levels.

9. **REGULATORY MATTERS, COMMITMENTS, CONTINGENCIES AND ENVIRONMENTAL LIABILITIES:**

Sea Robin Rate Case

On December 2, 2013, Sea Robin filed a general NGA Section 4 rate case at the FERC as required by a previous rate case settlement. In the filing, Sea Robin seeks to increase its authorized rates to recover costs related to asset retirement obligations, depreciation, and return and taxes. A settlement was reached with the shippers and a stipulation and agreement was filed with the FERC on July 23, 2014. The settlement was certified to the FERC by the administrative law judge on October 7, 2014 and was conditionally approved by the FERC on December 18, 2014. The settlement is pending final FERC approval.

PEPL Holdings Guarantee of Collection

The Company guarantees collection of the payment of \$600 million of Regency 4.50% Senior Notes through maturity in 2023.

Contingent Residual Support Agreement with ETP

The Company provides contingent, residual support to Citrus ETP Finance LLC (on a non-recourse basis to the Company) with respect to Citrus ETP Finance LLC's obligations to ETP to support the payment of \$2 billion in principal amount of senior notes issued by ETP on January 17, 2012.

Environmental Matters

The Company's operations are subject to federal, state and local laws, rules and regulations regarding water quality, hazardous and solid waste management, air quality control and other environmental matters. These laws, rules and regulations require the Company to conduct its operations in a specified manner and to obtain and comply with a wide variety of environmental registrations, licenses, permits, inspections and other approvals. Failure to comply with environmental laws, rules and regulations may expose the Company to significant fines, penalties and/or interruptions in operations. The Company's environmental policies and procedures are designed to achieve compliance with such applicable laws and regulations. These evolving laws and regulations and claims for damages to property, employees, other persons and the environment resulting from current or past operations may result in significant expenditures and liabilities in the future. The Company engages in a process of updating and revising its procedures for the ongoing evaluation of its operations to identify potential environmental exposures and enhance compliance with regulatory requirements.

Environmental Remediation

The Company is responsible for environmental remediation at certain sites on its natural gas transmission systems for contamination resulting from the past use of lubricants containing PCBs in compressed air systems; the past use of paints containing PCBs; and the prior use of wastewater collection facilities and other on-site disposal areas. The Company has implemented a program to remediate such contamination. The primary remaining remediation activity on the Panhandle systems is associated with past use of paints containing PCBs or PCB impacts to equipment surfaces and to a building at one location. The PCB assessments are ongoing and the related estimated remediation costs are subject to further change. Other remediation typically involves the management of contaminated soils and may involve remediation of groundwater. Activities vary with site conditions and locations, the extent and nature of the contamination, remedial requirements, complexity and sharing of responsibility. The ultimate liability and total costs associated with these sites will depend upon many factors. If

remediation activities involve statutory joint and several liability provisions, strict liability, or cost recovery or contribution actions, the Company could potentially be held responsible for contamination caused by other parties. In some instances, the Company may share liability associated with contamination with other potentially responsible parties. The Company may also benefit from contractual indemnities that cover some or all of the cleanup costs. These sites are generally managed in the normal course of business or operations.

The Company's environmental remediation activities are undertaken in cooperation with and under the oversight of appropriate regulatory agencies, enabling the Company under certain circumstances to take advantage of various voluntary cleanup programs in order to perform the remediation in the most effective and efficient manner.

Environmental Remediation Liabilities

The table below reflects the amount of accrued liabilities recorded on the consolidated balance sheets at the dates indicated to cover environmental remediation activities where management believes a loss is probable and reasonably estimable. The Company is not able to estimate the possible loss or range of loss in excess of amounts accrued. The Company does not have any material environmental remediation matters assessed as reasonably possible.

	March 31, 2015	December 31, 2014
Current	\$ 1	\$ 1
Non-current	2	3
Total environmental liabilities	\$ 3	\$ 4

Litigation and Other Claims

The Company is involved in legal, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies regarding matters arising in the ordinary course of business.

Attorney General of the Commonwealth of Massachusetts v. New England Gas Company.

On July 7, 2011, the Massachusetts Attorney General ("AG") filed a regulatory complaint with the Massachusetts Department of Public Utilities ("MDPU") against New England Gas Company with respect to certain environmental cost recoveries. The AG is seeking a refund to New England Gas Company customers for alleged "excessive and imprudently incurred costs" related to legal fees associated with Southern Union's environmental response activities. In the complaint, the AG requests that the MDPU initiate an investigation into the New England Gas Company's collection and reconciliation of recoverable environmental costs including: (i) the prudence of any and all legal fees, totaling approximately \$19 million, that were charged by the Kasowitz, Benson, Torres & Friedman firm and passed through the recovery mechanism since 2005, the year when a partner in the firm, the Southern Union former Vice Chairman, President and Chief Operating Officer, joined Southern Union's management team; (ii) the prudence of any and all legal fees that were charged by the Bishop, London & Dodds firm and passed through the recovery mechanism since 2005, the period during which a member of the firm served as Southern Union's Chief Ethics Officer; and (iii) the propriety and allocation of certain legal fees charged that were passed through the recovery mechanism that the AG contends only qualify for a lesser, 50%, level of recovery. Southern Union has filed its answer denying the allegations and moved to dismiss the complaint, in part on a theory of collateral estoppel. The hearing officer has deferred consideration of Southern Union's motion to dismiss. The AG's motion to be reimbursed expert and consultant costs by Southern Union of up to \$150,000 was granted. By tariff, these costs are recoverable through rates charged to New England Gas Company customers. The hearing officer previously stayed discovery pending resolution of a dispute concerning the applicability of attorney-client privilege to legal billing invoices. The MDPU issued an interlocutory order on June 24, 2013 that lifted the stay, and discovery has resumed. Panhandle (as successor to Southern Union) believes it has complied with all applicable requirements regarding its filings for cost recovery and has not recorded any accrued liability; however, Panhandle will continue to assess its potential exposure for such cost recoveries as the matter progresses.

Liabilities for Litigation and Other Claims

The Company records accrued liabilities for litigation and other claim costs when management believes a loss is probable and reasonably estimable. When management believes there is at least a reasonable possibility that a material loss or an additional material loss may have been incurred, the Company discloses (i) an estimate of the possible loss or range of loss in excess of the amount accrued; or (ii) a statement that such an estimate cannot be made. As of March 31, 2015 and December 31, 2014, the Company recorded litigation and other claim-related accrued liabilities of \$21 million and \$21 million,

respectively. The Company does not have any material litigation or other claim contingency matters assessed as probable or reasonably possible that would require disclosure in the financial statements.

Other Commitments and Contingencies

Unclaimed Property Audits. The Company is subject to the laws and regulations of states and other jurisdictions concerning the identification, reporting and escheatment (the transfer of property to the state) of unclaimed or abandoned funds, and is subject to audit and examination for compliance with these requirements. The Company is currently being examined by a third party auditor on behalf of nine states for compliance with unclaimed property laws.

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

(Tabular dollar amounts are in millions)

The information in Item 2 has been prepared pursuant to the reduced disclosure format permitted by General Instruction H to Form 10-Q. Accordingly, this Item 2 includes only management's narrative analysis of the results of operations and should be read in conjunction with (i) our historical consolidated financial statements and accompanying notes thereto included elsewhere in this Quarterly Report on Form 10-Q; (ii) our Annual Report on Form 10-K for the year ended December 31, 2014 filed with the SEC on February 27, 2015; and (iii) our management's discussion and analysis of financial condition and results of operations included in our 2014 Form 10-K.

References to "we," "us," "our," the "Company" or "Panhandle" shall mean Panhandle Eastern Pipe Line Company, LP and its subsidiaries.

RESULTS OF OPERATIONS

The following table illustrates the results of operations of the Company:

	Three Months Ended March 31,	
	2015	2014
OPERATING REVENUES:		
Transportation and storage of natural gas	\$ 149	\$ 170
Other	6	9
Total operating revenues	155	179
OPERATING EXPENSES:		
Cost of natural gas and other energy	2	1
Operating, maintenance and general	65	57
Depreciation and amortization	35	31
Total operating expenses	102	89
OPERATING INCOME	53	90
OTHER INCOME (EXPENSE):		
Interest expense, net of interest capitalized	(13)	(18)
Equity in earnings (losses) of unconsolidated investments	4	(8)
Interest income — affiliates	—	5
Other, net	(1)	2
Total other expenses, net	(10)	(19)
INCOME BEFORE INCOME TAX EXPENSE	43	71
Income tax expense	12	106
NET INCOME (LOSS)	31	(35)
LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	—	6
NET INCOME (LOSS) ATTRIBUTABLE TO PARTNERS	\$ 31	\$ (41)
Panhandle natural gas volumes transported (TBtu):		
PEPL	167	179
Trunkline	202	203
Sea Robin	27	34

The following is a discussion of the significant items and variances impacting the Company's net income during the periods presented above:

- *Operating Revenues.* Operating revenues decreased for the three months ended March 31, 2015 compared to the same period in the prior year primarily due to the impact of colder weather in the first quarter of 2014, which increased loan-related and firm reservation transportation revenues.
- *Operating Expenses.* Operating expenses increased for the three months ended March 31, 2015 compared to the same period in the prior year primarily due to increased operating expenses related to higher fuel costs of \$2 million and a lower of cost or market adjustment to inventory of \$2 million. The remaining increase relates to higher legal fees due to a \$3 million legal reserve that was reversed during the first quarter of 2014.
- *Interest Expense, Net of Interest Capitalized.* Interest expense decreased for the three months ended March 31, 2015 compared to the same period in the prior year due to the repayment of long-term debt during 2014.
- *Equity in Earnings (Losses) of Unconsolidated Affiliates.* Equity in earnings (losses) of unconsolidated affiliates increased primarily due to the impact of Regency's issuance of common units in connection with its acquisitions during the three months ended March 31, 2014. As a result, the Company recognized non-cash losses in 2014 based on the reduction of its

proportionate ownership in Regency as the Company's investment balance exceeded the fair value of the new units issued on a per-unit basis.

- *Interest Income - Affiliates.* Interest income from affiliates decreased for the three months ended March 31, 2015 compared to the same period in the prior year due to the settlement of a note receivable from related party during 2014.
- *Income Taxes.* The decrease in the effective tax rate for the three months ended March 31, 2015 was primarily due to the Lake Charles LNG Transaction in 2014. The Lake Charles LNG Transaction, which was treated as a sale for tax purposes, resulted in \$80 million of incremental income tax expense in 2014.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Item 3, Quantitative and Qualitative Disclosures About Market Risk, has been omitted from this report pursuant to the reduced disclosure format permitted by General Instruction H to Form 10-Q.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures to ensure that information required to be disclosed by us, including our consolidated entities, in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Under the supervision and with the participation of senior management, including the Chief Executive Officer ("Principal Executive Officer") and the Chief Financial Officer ("Principal Financial Officer") of our General Partner, we evaluated our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act. Based on this evaluation, the Principal Executive Officer and the Principal Financial Officer of our General Partner concluded that our disclosure controls and procedures were effective as of March 31, 2015 to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act (1) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) is accumulated and communicated to management, including the Principal Executive Officer and Principal Financial Officer of our General Partner, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal controls over financial reporting (as defined in Rule 13(a)-15(f) or Rule 15d-15(f) of the Exchange Act) during the three months ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is a party to or has property subject to litigation and other proceedings, including matters arising under provisions relating to the protection of the environment, as described in Note 9 in this Quarterly Report on Form 10-Q and in Note 14 in the Company's Form 10-K for the year ended December 31, 2014.

The Company is subject to federal and state requirements for the protection of the environment, including those for the discharge of hazardous materials and remediation of contaminated sites. As a result, the Company is a party to or has its property subject to various other lawsuits or proceedings involving environmental protection matters. For information regarding these matters, see Note 9 in this Quarterly Report on Form 10-Q and Note 14 included in the Company's Form 10-K for the year ended December 31, 2014.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors previously disclosed in the Company's Form 10-K filed with the SEC on February 27, 2015.

ITEM 6. EXHIBITS

The exhibits listed below are filed or furnished, as indicated, as part of this report:

Exhibit Number	Description
31.1*	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definitions Document
101.LAB*	XBRL Taxonomy Label Linkbase Document
101.PRE*	XBRL Taxonomy Presentation Linkbase Document

* Filed herewith.

** Furnished herewith.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, Panhandle Eastern Pipe Line Company, LP has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PANHANDLE EASTERN PIPE LINE COMPANY, LP
(Registrant)

Date: May 8, 2015

By: /s/ Thomas E. Long
Thomas E. Long
Chief Financial Officer (duly authorized to sign on behalf of the registrant)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kelcy L. Warren, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Panhandle Eastern Pipe Line Company, LP;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2015

/s/ Kelcy L. Warren
Kelcy L. Warren
Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Thomas E. Long, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Panhandle Eastern Pipe Line Company, LP;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2015

/s/ Thomas E. Long

Thomas E. Long
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Panhandle Eastern Pipe Line Company, LP (the "Company") on Form 10-Q for the quarter ended March 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kelcy L. Warren, Chief Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2015

/s/ Kelcy L. Warren

Kelcy L. Warren
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to and will be retained by Panhandle Eastern Pipe Line Company, LP and furnished to the Securities and Exchange Commission upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Panhandle Eastern Pipe Line Company, LP (the "Company") on Form 10-Q for the quarter ended March 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas E. Long, Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2015

/s/ Thomas E. Long

Thomas E. Long

Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to and will be retained by Panhandle Eastern Pipe Line Company, LP and furnished to the Securities and Exchange Commission upon request.