
**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 September 30, 2016

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.)

8111 Westchester Drive, Suite 600, Dallas, Texas 75225

(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 (“PEPL” or the “Company”) in periodic press releases and some oral statements of Panhandle 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,” “project,” “expect,” “plan,” “goal,” “forecast,” “estimate,” “intend,” “continue,” “believe,” “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/A for the year ended December 31, 2015 filed with the Securities and Exchange Commission on August 8, 2016.

Definitions

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

| | |
|----------------|--|
| 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 |
| PCBs | Polychlorinated biphenyls |
| 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 I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
PANHANDLE EASTERN PIPE LINE COMPANY, LP
CONSOLIDATED BALANCE SHEETS
(Dollars in millions)
(unaudited)

| | September 30, 2016 | December 31, 2015 |
|--|--------------------|-------------------|
| | | (Restated) |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 5 | \$ 3 |
| Accounts receivable, net | 42 | 48 |
| Accounts receivable from related companies | 7 | 172 |
| Exchanges receivable | 11 | 5 |
| Inventories | 123 | 113 |
| Other current assets | 5 | 9 |
| Total current assets | 193 | 350 |
| Property, plant and equipment | 3,352 | 3,338 |
| Accumulated depreciation | (340) | (286) |
| | 3,012 | 3,052 |
| Other non-current assets, net | 147 | 137 |
| Advances to affiliates | 255 | 258 |
| Notes receivable from related parties | 265 | 574 |
| Goodwill | 923 | 923 |
| Total assets | \$ 4,795 | \$ 5,294 |

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)

| | September 30, 2016 | December 31, 2015 |
|--|--------------------|-------------------|
| | | (Restated) |
| LIABILITIES AND PARTNERS' CAPITAL | | |
| Current liabilities: | | |
| Current maturities of long-term debt | \$ 1 | \$ 1 |
| Accounts payable and accrued liabilities | 8 | 3 |
| Accounts payable to related companies | 54 | 125 |
| Exchanges payable | 109 | 94 |
| Accrued interest | 25 | 12 |
| Customer advances and deposits | 10 | 9 |
| Other current liabilities | 45 | 55 |
| Total current liabilities | 252 | 299 |
| Long-term debt, less current maturities | 1,147 | 1,165 |
| Deferred income taxes | 771 | 725 |
| Other non-current liabilities | 222 | 222 |
| Commitments and contingencies | | |
| Partners' capital: | | |
| Partners' capital | 2,401 | 2,881 |
| Accumulated other comprehensive income | 2 | 2 |
| Total partners' capital | 2,403 | 2,883 |
| Total liabilities and partners' capital | \$ 4,795 | \$ 5,294 |

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

PANHANDLE EASTERN PIPE LINE COMPANY, LP
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Dollars in millions)
(unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|--------------------|------------------------------------|--------------------|
| | 2016 | 2015 (Restated) | 2016 | 2015 (Restated) |
| OPERATING REVENUES: | | | | |
| Transportation and storage of natural gas | \$ 115 | \$ 121 | \$ 371 | \$ 393 |
| Other | 5 | 5 | 14 | 16 |
| Total operating revenues | 120 | 126 | 385 | 409 |
| OPERATING EXPENSES: | | | | |
| Cost of natural gas and other energy | — | 1 | 2 | 4 |
| Operating and maintenance | 53 | 56 | 155 | 159 |
| General and administrative | 11 | 12 | 29 | 35 |
| Depreciation and amortization | 33 | 31 | 98 | 101 |
| Total operating expenses | 97 | 100 | 284 | 299 |
| OPERATING INCOME | 23 | 26 | 101 | 110 |
| OTHER INCOME (EXPENSE): | | | | |
| Interest expense, net | (12) | (13) | (37) | (38) |
| Equity in earnings of unconsolidated affiliates | — | 28 | — | 26 |
| Interest income — affiliates | 9 | 6 | 23 | 7 |
| Other, net | — | 1 | — | 5 |
| Total other income (expense), net | (3) | 22 | (14) | — |
| INCOME BEFORE INCOME TAX EXPENSE | 20 | 48 | 87 | 110 |
| Income tax expense | 7 | 23 | 28 | 35 |
| NET INCOME | \$ 13 | \$ 25 | \$ 59 | \$ 75 |
| OTHER COMPREHENSIVE INCOME, NET OF TAX | | | | |
| Actuarial gain relating to postretirement benefit plans | — | — | — | 1 |
| COMPREHENSIVE INCOME | \$ 13 | \$ 25 | \$ 59 | \$ 76 |

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

PANHANDLE EASTERN PIPE LINE COMPANY, LP
CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

(Dollars in millions)
(unaudited)

| | Partners' Capital | Accumulated Other Comprehensive Income | Total |
|---------------------------------------|-------------------|--|-----------------|
| Balance, December 31, 2015 (Restated) | \$ 2,881 | \$ 2 | \$ 2,883 |
| Distribution to partners | (541) | — | (541) |
| Unit-based compensation expense | 2 | — | 2 |
| Net income | 59 | — | 59 |
| Balance, September 30, 2016 | <u>\$ 2,401</u> | <u>\$ 2</u> | <u>\$ 2,403</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)

| | Nine Months Ended September 30, | |
|---|------------------------------------|--------------------|
| | 2016 | 2015 (Restated) |
| OPERATING ACTIVITIES: | | |
| Net income | \$ 59 | \$ 75 |
| Reconciliation of net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 98 | 101 |
| Deferred income taxes | 45 | 48 |
| Amortization of deferred financing fees | (18) | (17) |
| Income from unconsolidated affiliates | — | (26) |
| Distributions of earnings received from unconsolidated affiliates | — | 9 |
| Other non-cash | 8 | 10 |
| Changes in operating assets and liabilities | 110 | (23) |
| Net cash flows provided by operating activities | <u>302</u> | <u>177</u> |
| INVESTING ACTIVITIES: | | |
| Capital expenditures | (70) | (99) |
| Distributions from unconsolidated affiliates in excess of cumulative earnings | — | 45 |
| Repayment of note receivable from related party | 35 | 40 |
| Note receivable issued to related party | (265) | (40) |
| Net cash flows used in investing activities | <u>(300)</u> | <u>(54)</u> |
| FINANCING ACTIVITIES: | | |
| Distributions to partners | — | (125) |
| Net cash flows used in financing activities | <u>—</u> | <u>(125)</u> |
| Net change in cash and cash equivalents | 2 | (2) |
| Cash and cash equivalents, beginning of period | 3 | 32 |
| Cash and cash equivalents, end of period | <u>\$ 5</u> | <u>\$ 30</u> |
| NON-CASH ACTIVITIES: | | |
| Distribution for settlement of note receivable from related party | <u>\$ 541</u> | <u>\$ —</u> |

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

Organization

Panhandle Eastern Pipe Line Company, LP and its subsidiaries are primarily engaged in the transportation of natural gas from the Gulf of Mexico, south Texas and the panhandle region of Texas and Oklahoma to major United States markets in the Midwest and Great Lakes regions and the storage of natural gas and are subject to the rules and regulations of the FERC. The Company's subsidiaries are Trunkline, Sea Robin and Southwest Gas.

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

Basis of Presentation

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/A for the year ended December 31, 2015. 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.

Restatement of Previously Issued Financial Statements

In connection with the preparation of the Form 10-Q for the three and six months ended June 30, 2016, the Company determined that, due to certain clerical errors, the state tax rate utilized to calculate the tax provision for the Company was incorrect, resulting in income tax expense being understated by \$20 million and \$36 million for the years ended December 31, 2015 and 2014, respectively. As a result, the Company restated the consolidated financial statements, consolidated financial information and notes to the consolidated financial statements as of and for the years ended December 31, 2015 and 2014. Certain amounts that were previously reported by the Company with respect to the periods presented herein have been restated.

The effects of the revision in the consolidated statements of operations and comprehensive income for the three and nine month periods ended September 30, 2015 are summarized in the following table:

| | Three Months Ended September 30, 2015 | | Nine Months Ended September 30, 2015 | |
|------------------------------|--|-------------|---|-------------|
| | Previously Reported | As Restated | Previously Reported | As Restated |
| Income tax expense (benefit) | \$ (28) | \$ 23 | \$ 9 | \$ 35 |
| Net income | 76 | 25 | 101 | 75 |
| Comprehensive income | 76 | 25 | 102 | 76 |

The effects of the revisions in the consolidated statements of cash flows for the nine month period ended September 30, 2015 are summarized in the following table:

| | Nine Months Ended September 30, 2015 | |
|-----------------------|---|-------------|
| | Previously Reported | As Restated |
| Net income | \$ 101 | \$ 75 |
| Deferred income taxes | 22 | 48 |

Use of Estimates

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.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”), which clarifies the principles for recognizing revenue based on the core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB deferred the effective date of ASU 2014-09, which is now effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within those annual periods. ASU 2014-09 can be adopted either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption. The Company is currently evaluating the impact, if any, that adopting this new accounting standard will have on our revenue recognition policies.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)* (“ASU 2016-02”), which establishes the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact, if any, that adopting this new standard will have on the consolidated financial statements and related disclosures.

2. RELATED PARTY TRANSACTIONS

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

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------|------------------------------------|-------|
| | 2016 | 2015 | 2016 | 2015 |
| Operating revenues | \$ 4 | \$ 4 | \$ 13 | \$ 13 |
| Operating and maintenance | 4 | 4 | 11 | 12 |
| General and administrative | 6 | 8 | 20 | 24 |
| Interest income — affiliates | 9 | 6 | 23 | 7 |
| Equity in earnings of unconsolidated affiliates | — | 28 | — | 26 |

The Company received \$54 million in cash distributions related to its investment in ETP during the nine months ended September 30, 2015.

As discussed in Note 3, the Company settled a note receivable from a subsidiary of ETP through a non-cash distribution during the three months ended September 30, 2016.

3. INVESTMENTS IN UNCONSOLIDATED AFFILIATES

The Company’s investment in ETP consisted of 17.8 million ETP common units and was accounted for using the equity method. Effective September 1, 2015, the Company exchanged these ETP common units for a note receivable from a subsidiary of ETP in the amount of \$1.37 billion. The note receivable accrued interest annually at 4.75% and was due on September 1, 2035. On August 31, 2016, the remaining balance of \$541 million on the note receivable and related accrued interest from a subsidiary of ETP was settled through a non-cash distribution.

4. FAIR VALUE MEASURES

The Company did not have any assets or liabilities measured at fair value on a recurring basis at September 30, 2016 or December 31, 2015. The carrying amount of cash and cash equivalents, accounts receivable and accounts payable approximates fair value due to their short-term maturities. 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 September 30, 2016 and December 31, 2015 was \$1.14 billion and \$1.20 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 did not have any Level 3 instruments measured at fair value at September 30, 2016 or December 31, 2015, and there were no transfers between hierarchy levels.

5. REGULATORY MATTERS, COMMITMENTS, CONTINGENCIES AND ENVIRONMENTAL LIABILITIES

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.

FERC Audit

In March 2016, the FERC commenced an audit of Trunkline for the period from January 1, 2013 to present to evaluate Trunkline's compliance with the requirements of its FERC gas tariff, the accounting regulations of the Uniform System of Accounts as prescribed by the FERC, and the FERC's annual reporting requirements. The audit is ongoing.

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 regulations, 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.

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 Company's 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.

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.

| | September 30, 2016 | December 31, 2015 |
|---------------------------------|--------------------|-------------------|
| Current | \$ — | \$ — |
| Non-current | 2 | 3 |
| Total environmental liabilities | \$ 2 | \$ 3 |

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 \$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. The Company (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, the Company 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 September 30, 2016 and December 31, 2015, the Company has litigation and other claim-related accrued liabilities of \$21 million and \$22 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

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/A for the year ended December 31, 2015 filed with the SEC on August 8, 2016; and (iii) our management's discussion and analysis of financial condition and results of operations included in our 2015 Form 10-K/A.

RESULTS OF OPERATIONS

| | Nine Months Ended September 30, | |
|--|------------------------------------|--------------------|
| | 2016 | 2015 (Restated) |
| OPERATING REVENUES: | | |
| Transportation and storage of natural gas | \$ 371 | \$ 393 |
| Other | 14 | 16 |
| Total operating revenues | 385 | 409 |
| OPERATING EXPENSES: | | |
| Cost of natural gas and other energy | 2 | 4 |
| Operating and maintenance | 155 | 159 |
| General and administrative | 29 | 35 |
| Depreciation and amortization | 98 | 101 |
| Total operating expenses | 284 | 299 |
| OPERATING INCOME | 101 | 110 |
| OTHER INCOME (EXPENSE): | | |
| Interest expense, net | (37) | (38) |
| Equity in earnings of unconsolidated affiliates | — | 26 |
| Interest income — affiliates | 23 | 7 |
| Other, net | — | 5 |
| Total other income (expense), net | (14) | — |
| INCOME BEFORE INCOME TAX EXPENSE | 87 | 110 |
| Income tax expense | 28 | 35 |
| NET INCOME | \$ 59 | \$ 75 |
| Panhandle natural gas volumes transported (TBtu): | | |
| PEPL | 458 | 450 |
| Trunkline | 369 | 501 |
| Sea Robin | 64 | 86 |

Operating Revenues. Operating revenues decreased for the nine months ended September 30, 2016 compared to the same period in the prior year due to the transfer of one of Trunkline's pipelines that was taken out of service during the third quarter of 2015 in advance of being repurposed from natural gas service to crude oil service, lower reservation revenues on the Panhandle and Trunkline pipelines due to capacity sold at lower rates and declines in production and third party maintenance on the Sea Robin Pipeline. These decreases were partially offset by higher parking revenues on the Panhandle and Trunkline pipelines.

General and administrative. General and administrative decreased for the nine months ended September 30, 2016 compared to the same period in the prior year due to lower allocated costs, insurances proceeds and a refund of franchise taxes.

Equity in earnings of unconsolidated affiliates. Equity in earnings of unconsolidated affiliates decreased for the nine months ended September 30, 2016 compared to the same period in the prior year due to the exchange of the Company's investment in ETP for a note receivable from a subsidiary of ETP effective September 1, 2015. The earnings for the nine months ended September 30, 2015 reflects the Company's earnings related to its investment in ETP through September 1, 2015.

Interest Income - Affiliates. Interest income from affiliates increased for the nine months ended September 30, 2016 compared to the same period in the prior year due to the issuances of notes receivable with ETP and a subsidiary of ETP, effective February 2016 and September 2015, respectively.

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

An evaluation was performed under the supervision and with the participation of our management, including the Chief Executive Officer (“Principal Executive Officer”) and Chief Financial Officer (“Principal Financial Officer”), of the effectiveness of the design and operation of our disclosure controls and procedures (as such terms are defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, management, including the Chief Executive Officer and Chief Financial Officer, concluded that, due to the material weakness described below, our disclosure controls and procedures were not effective as of September 30, 2016.

In connection with the preparation of the Form 10-Q for the three and six months ended June 30, 2016, the Company determined that, due to certain clerical errors, the state tax rate utilized to calculate the tax provision for the Company was incorrect, resulting in income tax expense being understated by \$20 million and \$36 million for the years ended December 31, 2015 and 2014, respectively, and overstated by \$1 million for the three months ended March 31, 2016. As a result, the Company restated the consolidated financial statements, consolidated financial information and notes to the consolidated financial statements as of and for the years ended December 31, 2015 and 2014. The Company filed a Form 10-K/A on August 8, 2016. The errors did not impact any periods prior to January 1, 2014.

As a result of the item described above, the Company restated the consolidated financial statements, consolidated financial information and notes to the consolidated financial statements as of and for the three and nine months ended September 30, 2015, included in this Form 10-Q. The impact of these errors caused a change to the Company’s previously reported income tax expense (benefit) of (\$28) million and \$9 million for the three and nine months ended September 30, 2015, respectively.

These clerical errors resulted from a deficiency in the procedures to review the tax models used in recording the Company’s tax provision. We have concluded that such deficiency constituted a material weakness in the Company’s internal controls. During the three months ended September 30, 2016, management revised the process for reviewing the tax models used in recording the Company’s tax provision. Nevertheless, the Company continues to report the above material weakness while sufficient evaluation of newly established procedures and controls occurs. Notwithstanding the material weakness, management has concluded that the consolidated financial statements included in this Form 10-Q present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented.

Changes in Internal Control over Financial Reporting

Other than described above, 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 September 30, 2016 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 5 in this Quarterly Report on Form 10-Q and in Note 11 in the Company's Form 10-K for the year ended December 31, 2015.

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 5 in this Quarterly Report on Form 10-Q and Note 11 included in the Company's Form 10-K for the year ended December 31, 2015.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors previously disclosed in the Company's Form 10-K/A filed with the SEC on August 8, 2016.

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: November 9, 2016

By: /s/ A. Troy Sturrock

A. Troy Sturrock

Senior Vice President and Controller (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: November 9, 2016

/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: November 9, 2016

/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 September 30, 2016, 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: November 9, 2016

/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 September 30, 2016, 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: November 9, 2016

/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.