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

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FORM 10-Q

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QUARTERLY REPORT

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

For the Quarter Ended March 31, 1996  
Commission File No. 1-2921

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PANHANDLE EASTERN PIPE LINE COMPANY  
(Exact name of registrant as specified in its charter)

A Delaware Corporation  
(State of Incorporation or Organization)

44-0382470  
(IRS Employer Identification No.)

5400 Westheimer Court, P.O. Box 1642, Houston, Texas 77251-1642  
(Address of principal executive offices, including zip code)

(713) 627-5400  
(Registrant's telephone number, including area code)

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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 twelve 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:

The Registrant meets the conditions set forth in General Instructions (H)(1)(a) and (b) of the Form 10-Q and is therefore filing this Form 10-Q with the reduced disclosure format. Part I, Item 2 has been reduced and Part II, Item 4 has been omitted in accordance with such Instruction H.

The Registrant's parent, PanEnergy Corp (File No. 1-8157), files reports and proxy materials pursuant to the Securities Exchange Act of 1934.

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date:

Class	Outstanding at April 30, 1996
----- Common Stock, no par value	----- 1,000

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements - Unaudited

Panhandle Eastern Pipe Line Company and Subsidiaries  
CONSOLIDATED STATEMENT OF INCOME

Millions -----	Three Months Ended March 31	
	1996 ----	1995 ----
Operating Revenues		
Transportation and storage of natural gas	\$145	\$136
Other	6	6
	----	----
Total (Note 2)		151 142
	----	----
Costs and Expenses		
Operating and maintenance		45 49
General and administrative		30 19
Depreciation and amortization		15 15
Miscellaneous taxes	8	8
	----	----
Total		98 91
	----	----
Operating Income		53 51
	----	----
Other Income and Deductions		
Equity in earnings of unconsolidated affiliates		1 4
Other income, net of deductions		- (3)
	----	----
Total		1 1
	----	----
Earnings Before Interest and Tax		54 52
Interest Expense		15 11
	----	----
Earnings Before Income Tax		39 41
Income Tax		15 16
	----	----
NET INCOME	\$ 24	\$ 25
	=====	=====

See accompanying notes to consolidated financial statements



Item 1. Financial Statements - Unaudited (Continued)

Panhandle Eastern Pipe Line Company and Subsidiaries  
 CONSOLIDATED BALANCE SHEET  
 ASSETS

Millions -----		March 31, 1996 -----	December 31, 1995 -----	
<b>Current Assets</b>				
Cash and cash equivalents		\$ 2	\$ -	
Accounts receivable, net	37	39		
Inventory and supplies	54	55		
Current deferred income tax		11	13	
Other (Note 3)	57	47		
		-----	-----	
<b>Total</b>	<b>161</b>	<b>154</b>		
		-----	-----	
<b>Investments</b>				
Advances and notes receivable - parent		591	567	
Other	48	48		
		-----	-----	
<b>Total</b>	<b>639</b>	<b>615</b>		
		-----	-----	
<b>Plant, Property and Equipment</b>				
Original cost		2,681	2,782	
Accumulated depreciation and amortization			(1,752)	(1,819)
		-----	-----	
<b>Net plant, property and equipment</b>			<b>929</b>	<b>963</b>
		-----	-----	
Deferred Charges	132	155		
		-----	-----	
<b>TOTAL ASSETS</b>		<b>\$ 1,861</b>	<b>\$ 1,887</b>	
		=====	=====	

See accompanying notes to consolidated financial statements



Item 1.

## Financial Statements - Unaudited (Continued)

Panhandle Eastern Pipe Line Company and Subsidiaries  
 CONSOLIDATED BALANCE SHEET  
 LIABILITIES AND STOCKHOLDER'S EQUITY

Millions -----	March 31, 1996 -----	December 31, 1995 -----
<b>Current Liabilities</b>		
Long-term debt due within one year		\$ 5      \$ 5
Note payable - parent	400	400
Rate refund provisions (Note 2)		47      53
Accounts payable	24	31
Accrued income tax - parent		27      55
Other accrued taxes	25	19
Other (Note 3)	63	59
	-----	-----
Total	591	622
	-----	-----
<b>Deferred Liabilities and Credits</b>		
Deferred income tax	158	177
Other (Note 2)	181	181
	-----	-----
Total	339	358
	-----	-----
Long-term Debt	299	299
	-----	-----
<b>Commitments and Contingent Liabilities (Notes 2, 4, 5 and 6)</b>		
<b>Common Stockholder's Equity</b>		
Common stock, one thousand shares authorized, issued and outstanding, no par value	1	1
Paid-in capital	466	466
Retained earnings	165	141
	-----	-----
Total	632	608
	-----	-----
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b>=====</b>	<b>\$1,861      \$1,887</b>
		<b>=====</b>

See accompanying notes to consolidated financial statements



## Item 1. Financial Statements - Unaudited (Continued)

Panhandle Eastern Pipe Line Company and Subsidiaries  
CONSOLIDATED STATEMENT OF CASH FLOWS

Millions -----	Three Months Ended March 31	
	1996 -----	1995 -----
Operating Activities		
Net income	\$ 24	\$ 25
Adjustments to reconcile net income to operating cash flows:		
Depreciation and amortization		15 15
Deferred income tax expense (benefit)		(16) 2
Other non-cash items in net income		- (1)
Net change in operating assets and liabilities	(15)	(66)
	----	----
Net Cash Flows Provided by (Used in) Operating Activities	8	(25)
	----	----
Investing Activities		
Net decrease (increase) in advances and notes receivable - parent		(24) 34
Capital expenditures	(4)	(7)
Property retirements and other		24 1
	----	----
Net Cash Flows Provided by (Used in) Investing Activities	(4)	28
	----	----
Financing Activities		
Accounts payable - banks	(2)	(3)
	----	----
Net Cash Flows Used in Financing Activities		(2) (3)
	----	----
Net Change in Cash		
Increase in cash and cash equivalents	2	-
Cash and cash equivalents, beginning of period		-
	----	----
Cash and Cash Equivalents, End of Period		\$ 2 \$ -
	====	====
Supplemental Disclosures		
Cash paid for interest (net of amount capitalized)		\$ 20 \$ 15
Cash paid for income tax (including intercompany amounts)	55	69

See accompanying notes to consolidated financial statements



PANHANDLE EASTERN PIPE LINE COMPANY AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General

Panhandle Eastern Pipe Line Company (PEPL) and its subsidiaries (the Company), including Trunkline Gas Company (Trunkline), are involved in the interstate transportation and storage of natural gas. PEPL is a wholly-owned subsidiary of PanEnergy Corp (PanEnergy). The interstate gas transmission operations of PEPL and Trunkline are subject to the rules, regulations and accounting procedures of the Federal Energy Regulatory Commission (FERC).

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements. Certain amounts of reported revenues and expenses are also affected by these estimates and assumptions. Actual results could differ from those estimates. Certain amounts for the prior periods have been reclassified in the consolidated financial statements to conform to the current presentation.

2. Natural Gas Revenues and Regulatory Matters

When rate cases are pending final FERC approval, a portion of the revenues collected by PEPL and Trunkline is subject to possible refunds. The Company has established adequate reserves where required for such cases. The following is a summary of significant pending rate cases before FERC and certain regulatory matters.

FERC Order 636

During 1993, PEPL and Trunkline began providing restructured services pursuant to FERC Order 636. This order, which is on appeal to the courts, requires pipeline service restructuring that unbundles sales, transportation and storage services. Order 636 allows pipelines to recover eligible costs resulting from implementation of the order (transition costs).

In the past, during the normal course of business, PEPL and Trunkline entered into certain gas purchase contracts containing take-or-pay provisions, which exposed the Company to financial risk. PEPL and Trunkline are currently collecting certain take-or-pay settlement costs with respect to such contracts through volumetric surcharges with interest through 1997. Trunkline intends to file after 1997 for recovery of amounts not fully recovered by these surcharges.



The U.S. Department of the Interior announced its intention to seek additional royalties from gas producers as a result of payments received by such producers in connection with past take-or-pay settlements, and buyouts and buydowns of gas sales contracts with natural gas pipelines. PEPL and Trunkline, with respect to certain producer contract settlements, may be contractually required to reimburse or, in some instances, to indemnify producers against such royalty claims. The potential liability of the producers to the government and of the pipelines to the producers involves complex issues of law and fact which are likely to take a substantial period of time to resolve. If PEPL and Trunkline ultimately have to reimburse or indemnify the producers, they will file with FERC to recover a portion of these costs from pipeline customers.

The Company believes that Order 636 transition cost issues and take-or-pay settlement matters will not have a material adverse effect on future consolidated results of operations or financial position.

#### Jurisdictional Transportation and Sales Rates

PEPL - On April 1, 1992 and November 1, 1992, PEPL placed into effect, subject to refund, general rate increases. FERC issued an order on May 25, 1995 on the earlier rate proceeding and PEPL has requested rehearing of certain matters in that order. On February 5, 1996, FERC issued an order on the latter rate proceeding and PEPL has also requested rehearing of various items in this order.

Effective April 1, 1989, PEPL placed into effect, subject to refund, sales and transportation rates reflecting a restructuring of rates, including seasonal rate structures. On December 7, 1995, FERC issued an order, subject to rehearing, which addressed all remaining matters on the rate proceeding, with no additional refunds due customers.

Trunkline - On September 1, 1994, Trunkline placed into effect, subject to refund, a general rate increase as a result of a filing made in accordance with terms of a rate case settlement in 1993. A settlement resolving this case became effective February 1, 1996.

On January 30, 1996, Trunkline filed a new general rate increase. FERC issued an order on February 29, 1996 suspending the effective date to August 1, 1996.

#### Other

PEPL and Trunkline have, pursuant to FERC requirements, requested FERC approval to record the impact of adopting Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," including the recognition of a portion of the impact as an increase to stockholder's equity. The FERC accounting branch has denied approval of these requests pending future rate proceedings, and PEPL and Trunkline have filed for rehearing. While it is not known when FERC will address this issue, the Company believes the ultimate resolution of this matter will not have a material adverse effect on consolidated financial position.



### 3. Gas Imbalances

The consolidated balance sheet includes in-kind balances as a result of differences in gas volumes received and delivered. At March 31, 1996 and December 31, 1995, other current assets and other current liabilities included \$24 million and \$13 million (1996) and \$11 million and \$11 million (1995), respectively, for these imbalances.

### 4. Other Contingency

PEPL owns an effective 5.95% ownership interest in Northern Border Pipeline Company (Northern Border) through a master limited partnership. Under the terms of a settlement related to a transportation agreement between PEPL and Northern Border, PEPL guarantees payment to Northern Border under a transportation agreement by an affiliate of Pan-Alberta Gas Limited. The transportation agreement requires estimated total payments of \$163 million for the years 1996 through 2001. In the opinion of management, the probability that PEPL will be required to perform under this guarantee is remote.

### 5. Environmental Matters

The Company has identified environmental contamination at up to 53 sites on the PEPL and Trunkline systems and is undertaking cleanup programs at these sites. The contamination resulted from the past use of lubricants containing PCBs (polychlorinated biphenyls) and the prior use of wastewater collection facilities and other on-site disposal areas. Soil and sediment testing, to date, has detected no significant off-site contamination. The Company has communicated with the Environmental Protection Agency and appropriate state regulatory agencies on these matters. In August 1995, Trunkline entered into a consent order under a cleanup program with the Tennessee Department of Environment and Conservation for the cleanup of its Tennessee facility. Cleanups in other states by PEPL and Trunkline are also proceeding. The environmental cleanup programs are expected to continue until 2002.

The federal and state cleanup programs are not expected to interrupt or diminish the Company's ability to deliver natural gas to customers. The Company believes the ultimate resolution of matters relating to the environmental issues discussed above will not have a material adverse effect on consolidated results of operations or financial position.

### 6. Litigation

The Company is involved in various legal actions and claims arising in the normal course of business. Based upon its current assessment of the facts and the law, management does not believe that the outcome of any such action or claim will have a material adverse effect upon the consolidated financial position of the Company. However, these actions and claims in the aggregate seek substantial damages against the Company and are subject to the uncertainties inherent in any litigation. The Company is defending itself vigorously in the suits.

## 7. Fair Presentation

The information as furnished reflects all normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the Company's financial position as of March 31, 1996, and results of operations and cash flows for the three months ended March 31, 1996 and 1995.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following information is provided to facilitate increased understanding of the 1996 and 1995 interim consolidated financial statements and accompanying notes presented in Item 1. Because all of the outstanding capital stock of PEPL is owned by PanEnergy, the following discussion has been prepared in accordance with the reduced disclosure format permitted by Form 10-Q for issuers that are wholly-owned subsidiaries of reporting companies under the Securities Exchange Act of 1934.

### OPERATING ENVIRONMENT

With implementation of Order 636 and the elimination of pipeline merchant services, the Company's pipelines incurred certain costs related to the transition. PEPL's transition cost recoveries, which are subject to certain challenges pending before FERC, will occur through 1998. The Company believes that Order 636 transition cost issues will not have a material adverse effect on future consolidated results of operations, financial position or liquidity.

For information concerning certain other regulatory proceedings, environmental matters and other contingencies, see Notes 2, 4, 5 and 6 of the Notes to Consolidated Financial Statements.

### RESULTS OF OPERATIONS

Consolidated net income for the three months ended March 31, 1996 was \$24 million compared with \$25 million for the same period in 1995. Total natural gas volumes for the Company increased 19% to 399 trillion British thermal units comparing the first three months of 1996 with the same period of 1995, attributable to colder-than-normal winter temperatures during the first quarter of 1996.

#### Earnings Before Interest and Tax

Consolidated earnings before interest and tax for the Company increased \$2 million, or 4%, to \$54 million in the first three months of 1996 compared with the same period in 1995.

PEPL - PEPL's earnings before interest and tax decreased \$5 million, or 13%, comparing the first three months of 1996 with the prior-year period. The reduction resulted from \$10 million of severance expense in the first quarter 1996 and \$3 million of lower equity earnings from Northern Border Partners, L.P., which more than offset higher earnings from increased rate realization.



Trunkline - Earnings before interest and tax for Trunkline increased \$6 million comparing the first three months of 1996 with the same period in 1995. The net increase was due to higher throughput and transportation revenues during the colder winter weather, which was partially offset by \$5 million of severance expense.

#### Interest Expense

Interest expense in the first three months of 1996 increased \$4 million compared with the same period in 1995 as a result of higher average debt balances outstanding.

#### CAPITAL EXPENDITURES

Capital expenditures totaled \$4 million in the first three months of 1996, compared with \$7 million for the same period in 1995. Capital expenditures for 1996 are expected to approximate \$45 million, with the majority of expenditures related to further enhancement of PEPL's and Trunkline's pipeline integrity and reliability. Expenditures are expected to be funded by cash from operations, debt issuances, periodic sales of trade receivables with limited recourse and/or the collection of intercompany amounts owed the Company.

### PART II. OTHER INFORMATION

#### Item 1. Legal Proceedings

See Notes 2, 5 and 6 of the Notes to Consolidated Financial Statements in Part I of this Report, which are incorporated herein by reference. See also Item 3 of PEPL's Annual Report on Form 10-K for the year ended December 31, 1995.

#### Item 6. Exhibits and Reports on Form 8-K

##### (a) Exhibits -

Exhibit Number	Description
27	Financial Data Schedule

##### (b) Reports on Form 8-K - None



SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned duly authorized officer and chief accounting officer.

PANHANDLE EASTERN PIPE LINE COMPANY  
(Registrant)

/s/ Sandra P. Meyer

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Sandra P. Meyer, Vice President

Date: May 13, 1996

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This schedule contains summary financial information extracted from the Panhandle Eastern Pipe Line Company Quarterly Report on Form 10-Q for the quarter ended March 31, 1996 and is qualified in its entirety by reference to such financial statements.

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 PANHANDLE EASTERN PIPE LINE COMPANY  
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	0	
	37	
	0	
	54	
	161	
		2,681
	1,752	
	1,861	
591		299
		1
0		0
		631
1,861		0
	151	
		0
	45	
	23	
	0	
	15	
	39	
		15
24		
	0	
	0	
		0
	24	
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	0	

Not meaningful since Panhandle Eastern Pipe Line Company is a wholly-owned subsidiary.