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, 2019

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	**44-0382470**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

8111 Westchester Drive, Suite 600, Dallas, Texas 75225

(Address of principal 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 x No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes x 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 or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

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 for the year ended December 31, 2018 filed with the Securities and Exchange Commission on February 22, 2019.

Definitions

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

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
Southwest Gas	Pan Gas Storage LLC (d.b.a. Southwest Gas Storage Company)
TBtu	Trillion British thermal units
Trunkline	Trunkline Gas Company, LLC

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
PANHANDLE EASTERN PIPE LINE COMPANY, LP
CONSOLIDATED BALANCE SHEETS
(Dollars in millions)
(unaudited)

	September 30, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ —	$ 20
Accounts receivable, net	42	43
Accounts receivable from related companies	8	11
Exchanges receivable	11	8
Inventories	70	98
Other current assets	8	6
Total current assets	139	186
Property, plant and equipment	3,250	3,196
Accumulated depreciation	(581)	(507)
	2,669	2,689
Operating lease right-of-use assets	5	—
Other non-current assets, net	139	108
Goodwill	—	12
Total assets	$ 2,952	$ 2,995

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, 2019	December 31, 2018
LIABILITIES AND PARTNERS’ CAPITAL		
Current liabilities:		
Current maturities of long-term debt	$ —	$ 152
Accounts payable and accrued liabilities	4	6
Accounts payable to related companies	95	46
Exchanges payable	59	85
Other current liabilities	80	69
Total current liabilities	238	358
Long-term debt, less current maturities	247	249
Note payable to related company	669	356
Deferred income taxes	—	437
Non-current operating lease liabilities	5	—
Other non-current liabilities	233	233
Commitments and contingencies		
Partners’ capital:		
Partners’ capital	1,592	1,409
Accumulated other comprehensive loss	(32)	(47)
Total partners’ capital	1,560	1,362
Total liabilities and partners’ capital	$ 2,952	$ 2,995

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,	
	2019	2018	2019	2018
OPERATING REVENUES:				
Transportation and storage of natural gas	$ 130	$ 128	$ 415	$ 401
Other	5	9	17	19
Total operating revenues	135	137	432	420
OPERATING EXPENSES:				
Cost of natural gas and other energy	—	—	—	2
Operating and maintenance	48	57	144	158
General and administrative	8	8	22	22
Depreciation and amortization	26	31	85	91
Impairment losses	12	—	12	—
Total operating expenses	94	96	263	273
OPERATING INCOME	41	41	169	147
OTHER EXPENSE:				
Interest expense, net	(3)	(5)	(13)	(23)
Interest expense — related company	(6)	(5)	(15)	(8)
Other, net	(2)	—	(2)	(2)
INCOME BEFORE INCOME TAX EXPENSE (BENEFIT)	30	31	139	114
Income tax expense (benefit)	(445)	8	(417)	35
NET INCOME	475	23	556	79
OTHER COMPREHENSIVE INCOME, NET OF TAX				
Actuarial income relating to postretirement benefit plans	6	1	15	—
COMPREHENSIVE INCOME	$ 481	$ 24	$ 571	$ 79

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

PANHANDLE EASTERN PIPE LINE COMPANY, LP
CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(Dollars in millions)
(unaudited)

	Partners' Capital	Accumulated Other Comprehensive Loss	Total
Balance, December 31, 2018	$ 1,409	$ (47)	$ 1,362
Net income	50	—	50
Other comprehensive income, net of tax	—	6	6
Balance, March 31, 2019	1,459	(41)	1,418
Net income	31	—	31
Other comprehensive income, net of tax	—	3	3
Other	1	—	1
Balance, June 30, 2019	1,491	(38)	1,453
Net income	475	—	475
Distributions to partners	(375)	—	(375)
Other comprehensive income, net of tax	—	6	6
Other	1	—	1
Balance, September 30, 2019	$ 1,592	$ (32)	$ 1,560

	Partners' Capital	Accumulated Other Comprehensive Loss	Total
Balance, December 31, 2017	$ 1,348	$ (3)	$ 1,345
Net income	34	—	34
Distributions to partners	(24)	—	(24)
Deemed contribution from partners	11	—	11
Other comprehensive loss, net of tax	—	(1)	(1)
Other	4	(2)	2
Balance, March 31, 2018	1,373	(6)	1,367
Net income	22	—	22
Other	1	—	1
Balance, June 30, 2018	1,396	(6)	1,390
Net income	23	—	23
Other comprehensive income, net of tax	—	1	1
Other	1	—	1
Balance, September 30, 2018	$ 1,420	$ (5)	$ 1,415

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,	
	2019	2018
OPERATING ACTIVITIES:		
Net income	$ 556	$ 79
Reconciliation of net income to net cash provided by operating activities:		
Depreciation and amortization	85	91
Goodwill impairment	12	—
Deferred income taxes	5	22
Amortization of deferred financing fees	(4)	(11)
PEPL Restructuring income tax benefit	(445)	—
Other non-cash	9	7
Changes in operating assets and liabilities	38	18
Net cash flows provided by operating activities	256	206
INVESTING ACTIVITIES:		
Capital expenditures	(64)	(37)
Net cash flows used in investing activities	(64)	(37)
FINANCING ACTIVITIES:		
Distributions to partners	(375)	(24)
Repayment of long-term debt	(150)	(400)
Note payable issued from related company	602	460
Repayment of note payable from related company	(289)	(207)
Net cash flows used in financing activities	(212)	(171)
Net change in cash and cash equivalents	(20)	(2)
Cash and cash equivalents, beginning of period	20	2
Cash and cash equivalents, end of period	$ —	$ —
SUPPLEMENTAL INFORMATION:		
Non-cash activity - Accrued capital expenditures	$ 17	$ 12
Non-cash activity - Settlement of related company payables	$ —	$ 11
Cash paid for interest	$ 21	$ 20

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 ("PEPL") and its subsidiaries (collectively, the "Company") primarily operate interstate pipelines that transport 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 natural gas storage assets and are subject to the rules and regulations of the FERC. The Company's subsidiaries include Trunkline, Sea Robin and Southwest Gas.

Southern Union Panhandle LLC, an indirect wholly-owned subsidiary of Energy Transfer Operating, L.P. ("ETO"), owns a 1% general partner interest in PEPL and ETO indirectly owns a 99% limited partner interest in PEPL.

On July 1, 2019, ETO executed a series of internal restructuring transactions that resulted in PEPL becoming a subsidiary of a non-corporate subsidiary of ETO ("PEPL Restructuring"). As a result, PEPL's tax status changed from a disregarded entity for federal income tax purposes wholly owned by a corporate entity to a disregarded entity for federal income tax purposes wholly owned by a limited partnership. In connection with this restructuring, PEPL's tax sharing agreement with its former corporate parent was terminated, and PEPL reversed all of its existing deferred tax assets and liabilities in July 2019, which resulted in the recognition of a $445 million non-cash benefit in the consolidated statement of operations.

Certain prior period amounts have been reclassified to conform to the 2019 presentation. These reclassifications had no impact on net income, total partners' capital or cash flows.

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 for the year ended December 31, 2018. 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.

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.

Change in Accounting Policy

Adoption of Lease Accounting Standard

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)*, which has amended the FASB Accounting Standards Codification ("ASC") and introduced Topic 842, Leases. On January 1, 2019, the Company has adopted Topic 842, which is effective for interim and annual reporting periods beginning on or after December 15, 2018. Topic 842 requires entities to recognize lease assets and liabilities on the balance sheet for all leases with a term of more than one year, including operating leases, which historically were not recorded on the balance sheet in accordance with the prior standard.

To adopt Topic 842, the Company recognized a cumulative catch-up adjustment to the opening balance sheet as of January 1, 2019 related to certain leases that existed as of that date. As permitted, we have not retrospectively modified our consolidated financial statements for comparative purposes. The adoption of the standard did not have a material impact on our consolidated financial statements. As a result of adoption, we have recorded additional net right-of-use ("ROU") lease assets and lease liabilities of approximately $6 million and $6 million, respectively, as of January 1, 2019. In addition, we have updated our business processes, systems, and internal controls to support the on-going reporting requirements under the new standard.

To adopt Topic 842, the Company elected the package of practical expedients permitted under the transition guidance within the standard. The expedient package allowed us not to reassess whether existing contracts contained a lease, the lease classification of existing leases and initial direct cost for existing leases. In addition to the package of practical expedients, the Company has elected not to capitalize amounts pertaining to leases with terms less than twelve months, to use the portfolio approach to determine discount rates, not to separate non-lease components from lease components and not to apply the use of hindsight to the active lease population.

Cumulative-effect adjustments made to the opening balance sheet at January 1, 2019 were as follows:

	Balance at December 31, 2018, as previously reported	Adjustments due to Topic 842 (Leases)	Balance at January 1, 2019
Assets:			
Operating lease right-of-use assets	$ —	$ 6	$ 6
Liabilities:			
Non-current operating lease liabilities	—	6	6

Goodwill

The Company owns Southwest Gas which owns and operates natural gas storage assets. Due to a decrease in the demand for storage on these assets, the Company performed an interim impairment test on the assets of Southwest Gas during the three months ended September 30, 2019. As a result of the interim impairment test, the Company recognized a goodwill impairment of $12 million related to Southwest Gas, primarily due to decreases in projected future revenues and cash flows. No other impairments of the Company's other assets were identified. Subsequent to this impairment charge, the book value of the Company's goodwill is zero. The Company estimated the fair value of Southwest Gas by using the income approach. The income approach is based on the present value of future cash flows, which are derived from our long-term financial forecasts, and requires significant assumptions including, among others, a discount rate and a terminal value.

The change in the carrying amount of goodwill for the nine months ended September 30, 2019 was as follows:

	Goodwill
Balance, December 31, 2018	$ 12
Impairment losses	(12)
Balance, September 30, 2019	$ —

2. RELATED PARTY TRANSACTIONS

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Operating revenues	$ 24	$ 25	$ 72	$ 72
Operating and maintenance	2	—	4	2
General and administrative	3	6	12	17
Interest expense — related company	6	5	15	8

As of September 30, 2019 and December 31, 2018, the Company had $669 million and $356 million, respectively, outstanding under a note payable to a subsidiary of ETO. The note payable accrues interest monthly at an annual interest rate of 5.313% as of September 30, 2019. The note matures on July 31, 2027.

3. FAIR VALUE MEASURES

The Company had $29 million and $26 million of fair value of available for sale securities, included in other non-current assets, as of September 30, 2019 and December 31, 2018, respectively. At September 30, 2019, $19 million in equity securities were valued at Level 1 and $10 million in fixed income securities were valued at Level 2. At December 31, 2018, $17 million in equity securities were valued at Level 1 and $9 million in fixed income securities were valued at Level 2. The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value. 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 (excluding related company balances) was $249 million and $392 million at September 30, 2019 and December 31, 2018, 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, 2019 or December 31, 2018, and there were no transfers between hierarchy levels during the periods presented.

4. DEBT OBLIGATIONS

Panhandle's 8.125% Senior Notes in the amount of $150 million matured on June 1, 2019 and were repaid with borrowings under an affiliate loan agreement.

Compliance with Our Covenants

The Company is in compliance with all requirements, tests, limitations, and covenants related to our credit agreements as of September 30, 2019.

5. REGULATORY MATTERS, COMMITMENTS, CONTINGENCIES AND ENVIRONMENTAL LIABILITIES

Contingent Residual Support Agreement with ETO

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

FERC Proceedings

By order issued January 16, 2019, the FERC initiated a review of Panhandle's existing rates pursuant to Section 5 of the Natural Gas Act to determine whether the rates currently charged by Panhandle are just and reasonable and set the matter for hearing. On August 30, 2019, Panhandle filed a general rate proceeding under Section 4 of the Natural Gas Act. The Natural Gas Act Section 5 and Section 4 proceedings were consolidated by order dated October 1, 2019. A hearing in the combined proceedings is scheduled for August, 2020, with an initial decision expected in early 2021.

By order issued February 19, 2019, the FERC initiated a review of Southwest Gas' existing rates pursuant to Section 5 of the Natural Gas Act to determine whether the rates currently charged by Southwest Gas are just and reasonable and set the matter for hearing. Southwest Gas filed a cost and revenue study on May 6, 2019. On July 10, 2019, Southwest Gas filed an Offer of Settlement in this Section 5 proceeding, which settlement was supported or not opposed by Commission Trial Staff and all active parties. By order dated October 29, 2019, the FERC approved the settlement as filed, and there is not a material impact on revenue.

In addition, on November 30, 2018, Sea Robin filed a rate case pursuant to Section 4 of the Natural Gas Act. On July 22, 2019, Sea Robin filed an Offer of Settlement in this Section 4 proceeding, which settlement was supported or not opposed by Commission Trial Staff and all active parties. By order dated October 17, 2019, the FERC approved the settlement as filed, and there is not a material impact on revenue.

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 Company's consolidated balance sheets reflected $1 million and $2 million in non-current liabilities as of September 30, 2019 and December 31, 2018, respectively, to cover environmental remediation actions 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.

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, 2019 and December 31, 2018, the Company has litigation and other claim-related accrued liabilities of $19 million and $20 million, respectively, included in other non-current liabilities on the consolidated balance sheets. 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.

6. LEASES

The Company leases office space, land, and equipment under non-cancelable operating leases whose initial terms are typically 5 to 10 years, with some real estate leases having terms of 30 years or more, along with options that permit renewals for additional periods. At contract inception, we determine if the arrangement is a lease or contains an embedded lease and review the facts and circumstances of the arrangement to classify lease assets as operating or finance leases under Topic 842.

At present, the majority of the Company's active leases are classified as operating in accordance with Topic 842. Balances related to operating leases are included in operating lease ROU assets, other current liabilities and operating lease liabilities in our consolidated balance sheet. Finance leases represent a small portion of the active lease agreements and are included in property and equipment, other current liabilities, and other long-term liabilities in our consolidated balance sheet. The ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the obligation of the Company to make minimum lease payments arising from the lease for the duration of the lease term.

Most leases include one or more options to renew, with renewal terms that can extend the lease term from one to 20 years or greater. The exercise of lease renewal options is typically at the sole discretion of the Company, and lease extensions are evaluated on a lease-by-lease basis. Leases containing early termination clauses typically require the agreement of both parties to the lease. At the inception of a lease, all renewal options reasonably certain to be exercised are considered when determining the lease term. Presently, the Company does not have leases that include options to purchase or automatic transfer of ownership of the leased property to the Company. The depreciable life of lease assets and leasehold improvements are limited by the expected lease term.

To determine the present value of future minimum lease payments, we use the implicit rate when readily determinable. Presently, since many of our leases do not provide an implicit rate, the Company applies its incremental borrowing rate based on the information available at the lease commencement date, to determine the present value of minimum lease payments. The operating and finance lease ROU assets include any lease payments made and exclude lease incentives.

Minimum rent payments are expensed on a straight-line basis over the term of the lease. In addition, some leases require additional contingent or variable lease payments, which are based on the factors specific to the individual agreement. Variable lease payments the Company is typically responsible for include payment of real estate taxes, maintenance expenses and insurance.

For short-term leases (leases that have term of twelve months or less upon commencement), lease payments are recognized on a straight-line basis and no ROU assets are recorded.

For the nine months ended September 30, 2019, the Company recognized $2 million of short-term lease cost, which is reflected in operating and maintenance in the accompanying consolidated statement of operations.

The weighted average remaining lease terms and weighted average discount rate as of September 30, 2019 were as follows:

	September 30, 2019
Weighted-average remaining lease term (years)	
Operating leases	13
Weighted-average discount rate (%)	
Operating leases	4%

Maturities of operating lease liabilities as of September 30, 2019 are as follows:

	Operating leases
2019 (remainder)	$ —
2020	1
2021	—
2022	1
2023	1
Thereafter	4
Total lease payments	7
Less: present value discount	2
Present value of lease liabilities	$ 5

7. REVENUE

Contract Balances with Customers

The Company satisfies its obligations by transferring goods or services in exchange for consideration from customers. The timing of performance may differ from the timing the associated consideration is paid to or received from the customer, thus resulting in the recognition of a contract asset or a contract liability.

The Company recognizes a contract asset when making upfront consideration payments to certain customers or when providing services to customers prior to the time at which the Company is contractually allowed to bill for such services. As of September 30, 2019, no contract assets have been recognized.

The Company recognizes a contract liability if the customer's payment of consideration precedes the Company's fulfillment of the performance obligations. As of September 30, 2019, no contract liabilities have been recognized.

Performance Obligation

At contract inception, the Company assesses the goods and services promised in its contracts with customers and identifies a performance obligation for each promise to transfer a good or service (or bundle of goods or services) that is distinct. To identify the performance obligations, the Company considers all the goods or services promised in the contract, whether explicitly stated or implied based on customary business practices. For a contract that has more than one performance obligation, the Company allocates the total expected contract consideration to each distinct performance obligation based on a standalone-selling price basis. Revenue is recognized when (or as) the performance obligations are satisfied, that is, when the customer obtains control of the good or service. Certain of our contracts contain variable components, which, when combined with the fixed component are considered a single performance obligation. For these types of contracts, only the fixed component of the contracts are included in the table below.

As of September 30, 2019, the aggregate amount of transaction price allocated to unsatisfied (or partially satisfied) performance obligations is approximately $2.66 billion, and the Company expects to recognize this amount as revenue within the time bands illustrated below:

	Years Ending December 31,				
	2019 (remainder)	2020	2021	Thereafter	Total
Revenue expected to be recognized on contracts with customers existing as of September 30, 2019	$ 110	$ 381	$ 306	$ 1,863	$ 2,660

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 and (ii) our Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC on February 22, 2019.

RESULTS OF OPERATIONS

	Nine Months Ended September 30,	
	2019	2018
OPERATING REVENUES:		
Transportation and storage of natural gas	$ 415	$ 401
Other	17	19
Total operating revenues	432	420
OPERATING EXPENSES:		
Cost of natural gas and other energy	—	2
Operating and maintenance	144	158
General and administrative	22	22
Depreciation and amortization	85	91
Impairment losses	12	—
Total operating expenses	263	273
OPERATING INCOME	169	147
OTHER EXPENSE:		
Interest expense, net	(13)	(23)
Interest expense — related company	(15)	(8)
Other, net	(2)	(2)
INCOME BEFORE INCOME TAX EXPENSE (BENEFIT)	139	114
Income tax expense (benefit)	(417)	35
NET INCOME	$ 556	$ 79

Panhandle natural gas volumes transported (TBtu):		
PEPL	673	614
Trunkline	556	495
Sea Robin	76	62

Operating revenues. Operating revenues increased for the nine months ended September 30, 2019 compared to the same period in the prior year on the Panhandle and Trunkline pipelines primarily due to an $8 million increase in revenue from a contract that was effective in July 2018 and capacity sold at higher rates.

Operating and maintenance. Operating and maintenance decreased for the nine months ended September 30, 2019 compared to the same period in the prior year due to lower contract storage and transportation expense of $9 million as a result of less storage capacity under lease, lower gas imbalance and system gas activity of $3 million and lower maintenance costs of $3 million.

Depreciation and amortization. Depreciation and amortization decreased for the nine months ended September 30, 2019 compared to the same period in the prior year due to the distribution of PEPL's ownership in PEI Power Corporation and certain other assets to its parent effective December 31, 2018, as well as changes in certain estimates.

Impairment losses. The Company recognized a goodwill impairment of $12 million related to Southwest Gas, primarily due to decreases in projected future revenues and cash flows.

Interest expense, net. Interest expense, net decreased for the nine months ended September 30, 2019 compared to the same period in the prior year due to repayment of Panhandle's $400 million 7.00% Senior Notes in June 2018 and Panhandle's $150 million 8.125% Senior Notes in June 2019.

Interest expense — related company. Interest expense — related company increased for the nine months ended September 30, 2019 compared to the same period in the prior year primarily due to additional borrowings in June 2019 under a note payable issued to a subsidiary of ETO.

Income tax. Income tax benefit increased for the nine months ended September 30, 2019 compared to the same period in the prior year primarily due to the PEPL Restructuring transaction. In connection with this restructuring, PEPL's tax sharing agreement with its former corporate parent was terminated, and PEPL is no longer subject to corporate level income tax. PEPL reversed all of its existing deferred tax assets and liabilities in July 2019, which resulted in the recognition of a $445 million non-cash benefit in the consolidated statement of operations.

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 and the Chief 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 Chief Executive Officer and the Chief Financial Officer of our General Partner concluded that our disclosure controls and procedures were effective as of September 30, 2019 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 Chief Executive Officer and Chief Financial Officer of our General Partner, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

During the three months ended September 30, 2019, the Company implemented an enterprise resource planning ("ERP") system, in order to update existing technology and to integrate, simplify and standardize processes among the Company and its affiliates. Accordingly, we have made changes to our internal controls to address systems and/or processes impacted by the ERP implementation. Neither the ERP implementation nor the related control changes were undertaken in response to any deficiencies in the Company's internal control over financial reporting.

Other than discussed 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, 2019 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 4 in this Quarterly Report on Form 10-Q and in Note 8 in the Company's Form 10-K for the year ended December 31, 2018.

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 8 included in the Company's Form 10-K for the year ended December 31, 2018.

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 22, 2019.

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 Chief 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 Chief 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 Chief 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 Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
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 7, 2019	By: /s/ A. Troy Sturrock
	A. Troy Sturrock
	Vice President and Controller (duly authorized to sign on behalf of the registrant)

Exhibit 31.1

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 (the “registrant”);

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 7, 2019

/s/ Kelcy L. Warren

Kelcy L. Warren
Chief Executive Officer

Exhibit 31.2

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 (the “registrant”);

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 7, 2019

/s/ Thomas E. Long

Thomas E. Long
Chief Financial Officer

Exhibit 32.1

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, 2019, 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 7, 2019

/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.

Exhibit 32.2

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, 2019, 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 7, 2019

/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.